

2019 HOUSE APPROPRIATIONS

HB 1014

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/10/2019
Recording Job# 30643

- Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachment A

Chairman Vigesaa: Opened the hearing on HB1014.

Roll call was taken.

Karline Fine, Executive Director, ND Industrial Commission: Made introductions of agency members. See testimony attachment A.

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

Chairman Vigesaa: How are you situated with people that are close to retirement?

Eric Hardmeyer: We have 15 employees that have met the rule of 85. It is an issue as we look at the ranks throughout the bank. We have another 12 or so who will meet it within a couple of years.

Eric Hardmeyer continued with his testimony.

Vice Chairman Brandenburg: Did everything go as anticipated with the sale of the student loan program?

Eric Hardmeyer: By last year the \$810 million in student loans that we had in 2010 was paid down to \$250 million.

Eric Hardmeyer continued with his testimony.

Vice Chairman Brandenburg: It is \$316 million or somewhere in there?

Eric Hardmeyer: Yes. We're conservative.

Eric Hardmeyer continued with his testimony.

Vice Chairman Brandenburg: Are you including the airports in that also? Is the Williston airport a separate situation? Maybe you were going to talk about that later?

Eric Hardmeyer: Not specifically. The airport would be a loan; so that does reflect the capital of the bank. What does impact the bank is the infrastructure program. There's a \$150 million in the infrastructure; \$50 million came from SIIF and \$100 million came from our capital. All of the programs, general fund transfers and PACE Programs; all of those are already included in these numbers.

Representative Howe: With that being said, what's the number that makes you nervous?

Eric Hardmeyer: \$201 million.

Eric Hardmeyer continued with his testimony.

Representative Kempenich: Who sits on that board?

Eric Hardmeyer: They are appointed by the governor. There are 7 or 8 people on that board. John Erickson is the chairman of the board; he's an investor out of Grand Forks. I think the commerce commissioner is a defacto member as well.

Representative Kempenich: Who do they report to?

Eric Hardmeyer: They report to the commerce commissioner.

Chairman Vigesaa: That chart on page 9 would indicate that there is an additional \$10 million put into these different funds?

Eric Hardmeyer: That's correct.

Eric Hardmeyer continued with his testimony.

Chairman Vigesaa: This \$80 million part of the overall funding that the governor is asking to come from the earnings from the Legacy Fund?

Eric Hardmeyer: That's correct.

Representative Kempenich: It needs to be stressed that the availability of those funds is in 2021. Are we going to guarantee the money is going to be there or are we going to structure it as it shows up? That's a conversation that's going to have to happen.

Chairman Vigesaa: What you're saying is 2 ½ years is a long way away and a lot can happen between now and then with the oil prices.

Representative Kempenich: It fluctuates from day and we really won't know what's going to be there.

Vice Chairman Brandenburg: I think your concern is the way it's being looked at is general funding.

Eric Hardmeyer: The \$80 million doesn't become available until the end of the next biennium. The \$80 million reflected in the green sheets as coming to the Bank of North Dakota is in fact not coming to the Bank of North Dakota. It was going into those specific funds.

Representative Kempenich: Basically you administer these programs; but, you don't have physical control over it.

Eric Hardmeyer: That's correct.

Representative Kempenich: Do you want a building?

Eric Hardmeyer: We were authorized in 2015 to construct a building. Because of the economic down turn, it was put on hold. The authorization continues. The \$17 million is not a general fund appropriation; it comes from one asset form to another. This would be a medium size loan for us that we make every day. We bought the property in 2009 to build a building.

Representative Kempenich: What kind of numbers are you looking for renting out your space?

Eric Hardmeyer: It has to be market rate. Those market rates have dropped somewhat. Bismarck has excess capacity in office space. This is a long term strategy for the state of North Dakota to co-locate all these entities that are engaged in economic development together in one spot.

Representative Kempenich: I think it's time to move forward with this.

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

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

Vice Chairman Brandenburg: Where on the green sheet is that language at?

Jolene Kline: It is on page 3 section 4 and it's also in the bill.

Jolene Kline continued with her testimony.

Representative Kempenich: How many of your people are in Bismarck and how many are scattered around the state?

Jolene Kline: We have 2 people in our Fargo field office.

Jolene Kline continued with her testimony.

Vice Chairman Brandenburg: You have an increase of funding for mortgage servicing expenses of \$602,000.00. I'm not seeing this in the bill. Can you explain that?

Jolene Kline: That number is part of the \$654,000.00; it's not a separate item, it's within the operating expense line item. That's why that operating expense line item is going up 13%. The governor recommended \$5.3 million; that accounts for the additional \$654,000.00.

Jolene Kline continued with her testimony.

Representative Kempenich: Do you have anything formally put together that's more specific about that fund if we do go forward with it?

Jolene Kline: When the governor approached me and said that if he recommended that this be in the budget, he asked if I had the staff, procedures and if I had a pipeline of projects where I can put that \$20 million to work. The answer was yes to all three.

Chairman Vigesaa: Recessed the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/10/2019
Recording Job# 30659

- Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A, B, C and D

Chairman Vigesaa: Brought the hearing to order.

Vance Taylor, President and CEO, North Dakota Mill: See testimony attachment A.

Representative Kempenich: What's the additional capacity of those bins?

Vance Taylor: They're 250,000 bushels apiece for a total of 1 million bushels of new storage. The grand total is 5 million.

Vance Taylor continued with his testimony.

Chairman Vigesaa: Do you see a time when the demand is going to level off? Is this just going to be a continuing growth?

Vance Taylor: The per capita consumption of flour remains relatively flat. We see overall demand increasing in recent years due to the increase of population in the US. Where we are able to expand our business is that we have a pretty small percentage of the overall market; it's around 5%.

Representative Howe: Are you seeing any concern as you look to the future as the United States develops a gluten free diet? Is that a worry as you plan for expansion?

Vance Taylor: We're still competing with gluten free products. The gluten free trend seems to be leveling off and declining a bit. It's not really affecting our business right now.

Representative Kempenich: You do some exporting right? Is your sourcing getting farther and farther out?

Vance Taylor: As we've grown, we have extended the area that we pull in the wheat from. It's all domestic, we don't bring in anything from Canada.

Vance Taylor continued with his testimony,

Representative Kempenich: How would you work something like that?

Vance Taylor: It would normally be two 12 hour shifts; where you work 3 or 4 days per week. That rotates back and forth to even out the hours. Instead of working three 8 hour shifts, it's 2 alternating 4 hour shifts per day.

Vice Chairman Brandenburg: Are you looking at that so you can keep the mills running all the time?

Vance Taylor: Most mills are running 7 days a week or are trying to run 7 days a week. We can do that with the current number of employees and the scheduling that we use. Over time, in general, less people are willing to work a 7 day work week. There have been a percentage of mills that have gone to a 4 shift operation.

Representative Kempenich: You're seeing that in a lot of areas. I think safety becomes an issue also.

Vance Taylor: We do have generous vacation and the state plan. The employees do a good job of filling in for each other.

Vance Taylor continued with his testimony

Vice Chairman Brandenburg: Is there a market for tote bags of 2,000 pounds? Is that a market that's just not there?

Vance Taylor: We do some totes. That market can go up and down on us.

Vance Taylor continued with his testimony.

Vice Chairman Brandenburg: What do you think the right number is?

Vance Taylor: The answer would be 50%.

Chairman Vigesaa: What would the projected amount be then transferring during this next biennium?

Vance Taylor: We're having a good year this year. I think we're at \$6 million profit after the first 5 months. Our estimated transfers would be about the same as we did last year; about \$10 million.

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

Representative Kempenich: Are they running smarter pigs?

Lynn Helms: One of the things they've developed is a little thing the size of a golf ball that's like a smart pig; that can travel down a small diameter or telescoping gathering line and listen to the pipeline as it rolls along. It can pick up or detect if there's an abnormal noise or a change in flow rate going through the pipeline. They've also developed a system through drone photography where the drones and the robots can recognize a spill on the surface or a change in the soils under the surface.

Lynn Helms continued with his testimony

Representative Kempenich: What is state fleet charging you now?

Lynn Helms: About \$.47 per mile. The big increase is that they've begun applying a monthly depreciation cost on every fleet vehicle. We've seen tremendous increases in that monthly.

Representative Kempenich: You're running ½ ton pickups?

Lynn Helms: They're ½ ton 4 wheel drive pickups.

Lynn Helms continued with his testimony.

Vice Chairman Brandenburg: I'm going to need more clarification because not everyone is saying what you're saying. I think we better look at the language to that.

Lynn Helms: I have some of those same feelings. The one reason we support putting it in a pool, if it's in our budget as a line item, it increases our ITD costs. ITD charges us, not just based on the number computers we're attaching to the network; but, what our total general fund budget was.

Lynn Helms continued with his testimony.

Representative Mock: Do you share information with Trust Lands? How would these systems work together?

Lynn Helms: Yes, we do. We daily push data to Trust Lands so that they can check their royalty reported information. We also daily push data to the tax department; so they can do an independent audit on the volumes reported to them and the taxes being paid. That's just 2 of the daily pushes.

Lynn Helms continued with his testimony.

Vice Chairman Brandenburg: When you're out on township roads you have to stop to pick up to talk on the phone?

Lynn Helms: Correct.

Lynn Helms continued with his testimony.

Chairman Vigesaa: The 90% budget that you should have a reduction of 14 FTE's?

Lynn Helms: Correct. That would be the 7 vacant plus 7 more.

Chairman Vigesaa: So there was an actual reduction of 7?

Lynn Helms: The 7 vacant positions would go away and there would be an actual reduction of 7 existing FTE's.

Chairman Vigesaa: The governor's recommendation did not restore any of those?

Lynn Helms: His recommendation restored all of those. We're not asking for any additional except the contingency.

Mason Sisk, Economic Development Association of North Dakota: See testimony attachment B.

Jason Bohrer, President and CEO, Lignite Energy Council: See testimony attachment C.

Chairman Vigesaa: On the green sheet is that section 20 with the \$4.5 million?

Jason Bohrer: Yes it is.

Chairman Vigesaa: Is that a fund that we've had in existence? Is the dollar amount the same as it was previously?

Jason Bohrer: That section has been the same for many years. The dollar amount has remained essentially unchanged. It's not used the same way as some of the technology projects that you may be more familiar with. I look at it as being more proactive and seeking out new markets for lignite. We've used money out of this fund to develop feasibility studies around graphite markets or carbon fiber markets. We've also used this money to do studies on transmission needs and capabilities of the state.

Vice Chairman Brandenburg: I see there is mitigation money on here.

Jason Bohrer: We have significant litigation challenges. We've been comfortable with the way it's been done in the past.

Lance Gaebe, Executive Director, ND Ethanol Producers Association: See testimony attachment D.

Chairman Vigesaa: Closed the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/16/2019
Recording Job# 30870

- Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A through J

Chairman Vigesaa: Opened the hearing on HB1014.

Roll call taken.

Eric Hardmeyer, President, Bank of North Dakota: See testimony attachments A and B.

Tim Porter, CFO, Bank of North Dakota: See testimony attachment A from January 10, 2019.

Chairman Vigesaa: With regard to the technology; you are not part of the IT unification that's being discussed. None of your IT people are moving over to ITD?

Tim Porter: That's correct.

Chairman Vigesaa: We're seeing in other budgets because of that there are costs in the technology line; because of the increases in the salaries it's going to raise the price of what ITD charges the departments. In this case, it's actual projects that you're working on; not a transfer of people over?

Tim Porter: That does include any increased fees we would pay to ITD as well.

Representative Mock: Is it possible to get an itemized list for item 3?

Tim Porter: I can provide that.

Representative Kempenich: When you do projects do you have to go through the procurement process?

Tim Porter: Yes, we do.

Representative Kempenich: Is that convoluted?

Tim Porter: When it gets to be bigger projects it can be.

Representative Brandenburg: Are we flowing ok with the PACE Programs? There's some stress with agriculture. Are we getting to where it needs to be?

Tim Porter: Todd Steinwand will be speaking about that.

Chairman Vigesaa: The one time funding from the Legacy Fund earnings. Are those new loan funds or are those adding funds to existing loan funds?

Eric Hardmeyer: Those are showing that those are transfers to the bank, when actually those are transfers to those individual funds. Fifty-five million dollars is going to the infrastructure program, \$25 million to the school construction; that \$80 million of general fund appropriation actually to those specific funds.

Todd Steinwand, Chief Business Director, Bank of North Dakota: See testimony attachments A from January 10, 2019 and attachments C and D.

Representative Kempenich: Is the Common Schools Trust Fund still involved with the AG PACE Program?

Todd Steinwand: Yes, they buy some ag loans from us. The interest rates have been down low for a long period of time. We are working with them now with interest rates coming up; where it meets their criteria where we will be selling some to them.

Vice Chairman Brandenburg: What was the total personal interest buy down amount for AG PACE?

Todd Steinwand: Every individual gets \$20,000.00 of buy down. If you have a net worth of \$1.5 million or less, you access that 3 different times for a total of \$60,000.00. We have carved out a special program for the production enhancement program. For those borrowers under that program, the lifetime maximum is \$50,000.00.

Jolene Klein, Executive Director, ND Housing Finance: See testimony attachment E.

Representative Kempenich: Who determines how this model goes together?

Jolene Klein: The income targeting is determined by the developer. We go through a public hearings process as to what they want to see the priority being for the state. We bring a draft allocation plan to our advisory board and then it goes to the industrial commission for approval. A developer looks at the allocation plan; so they tell us who they are going to target. We underwrite those projects as an agency.

Jolene Klein continued with her testimony.

Representative Kempenich: Do your projects operate the same way south of Fargo?

Jolene Klein: The projects struggling the most is the Bowman, Crosby, and Lignite communities. Our projects that are income restricted are doing good in Fargo.

Vice Chairman Brandenburg: Your request for \$20 million from the SIIF Fund. Is there a separation there? Where is that \$55 million and the \$26 million going?

Jolene Klein: None of the programs that the bank administers are used for housing. Those would be loans made to political jurisdictions. The only tie in to the Bank of North Dakota is the FLEX PACE Program; they can use some of that money for affordable housing for an interest rate buy down.

Vice Chairman Brandenburg: You're kind of short 10% to 20% to make this work.

Jolene Klein: We've had that conversation in the past about the high cost of land and infrastructure; which is driving up the costs on our projects.

Vice Chairman Brandenburg: The big cost that pushes it higher for the Crosby's and other communities is the sewer, gas and electricity. If you're just building a building you can make it work.

Jolene Klein: If the city can borrow that money cheaper from the Bank of North Dakota, to finance that infrastructure; if they pay the loan back as a city debt, the city is assuming the cost of that infrastructure. If it's not passed on to the developer up front, it can be a savings.

Vice Chairman Brandenburg: I hear from those people out there and it would work if you used the partnership.

Jolene Klein: The most cost effective multifamily housing is a partnership between local, state and federal.

Chairman Vigesaa: When the developer is going to do a project, what's the hierarchy of the funding he seeks? Does he look for federal funds first and then private investors; and you come last? How does it work as far as who gets asked first for money?

Jolene Klein: The hierarchy depends on whom they are going to serve.

Chairman Vigesaa: How active is the private investor in these types of projects?

Jolene Klein: If there are federal tax credit dollars, there has to be an investor as there is someone buying those credits. Those federal credits are a 10 year stream.

Jolene Klein continued with her testimony.

Vice Chairman Brandenburg: The rent that's paid on the housing. You can't make that work unless you put the HIF Funding into the 4%. The 9% takes care of 70%, the HIF takes 30%. You have to have financing for the 30% because the cash rent is only paying for 70% of the project.

Jolene Klein: You would not combine the 9% credit with the 4%. The developer is always going to apply for the 9% as it's the most lucrative. We can fund 4 or 5 projects per year; which is 175 to 200 units depending on the cost of the units.

Vice Chairman Brandenburg: How much is the gap funding? What percent is that?

Jolene Klein: Today it is limited to 30%.

Vice Chairman Brandenburg: That ties in to the 4%?

Jolene Klein: Correct.

Aggie Gietzen: Testified in support of HB1014.

Gloria Frohlich: Testified in support of HB1014.

Shirley Dykshoorn, Vice President, ND Lutheran Social Services: See testimony attachment F.

Representative Kempenich: How do you treat that?

Shirley Dykshoorn: The process that a property manager goes through is they take the regular credit information. I don't think we're as restrictive as some landlords or property managers.

Mike Chausee, AARP North Dakota: See testimony attachment G.

Representative Kempenich: It's an expense that we deal with; but on the other side you keep people out of those institutions.

Mike Chausee: We talk about choice. We think people should have a choice and not be forced to go places they don't want to go.

Katie Jo Armbrust, Grand Forks Housing Authority: See testimony attachment H.

Representative Kempenich: What does your future look like?

Katie Jo Armbrust: I can bring back some more information on specific data on how many units of affordability are needed for people that are 62 and older.

Representative Kempenich: Where is that complex at in Grand Forks?

Katie Jo Armbrust: It's on Cherry Street and 30th Avenue South.

Tom Alexander, Executive Director, Minot Housing Authority: See testimony attachments I and J.

Jolene Klein continued with her testimony.

Representative Kempenich: What are we looking at with this retirement? How far we behind on that curve as far as housing? Have you been looking at demographics?

Jolene Klein: The \$20 million is not going to solve the problem. There's a few bills asking for funding for housing.

Representative Kempenich: We're going to have to figure out some type of package that works. They're citizens of the state, so how do you take care of that population? How do you look into the future of that?

Jolene Klein: I think we need to start thinking of housing as an investment in the infrastructure of our state. If we don't house these people, it's going to cost us more in the future.

Chairman Vigesaa: Recessed the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/16/2019
Recording Job# 30878

- Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments K and L

Chairman Vigesaa: Brought the committee back to order.

Jason Bohrer, Chairman, ND Lignite Research Council: See testimony attachments K and L.

Chairman Vigesaa: With regard to Allam, are they encountering road blocks along the way in the development or is it just how long it takes to bring a new technology in the market?

Jason Bohrer: It's not technical road blocks. This is a whole new technology and it's just moving slower. Their timeline has been extended just due to how hard it is to do this stuff. It works the way they said it would.

Chairman Vigesaa: Going back to Tundra. Are there some unique obstacles with permitting for that type of project federally? Does that get into a new permitting wise with the feds?

Jason Bohrer: We got more of those regulatory hurdles checked off for sequestration in general. There will be a sequestration component to this; so we will need to examine how you get a class 6 well permitted in North Dakota. There's nothing new that we have to take to the feds.

Representative Beadle: How does the smaller footprint impact the workforce demands and needs for the coal industry?

Jason Bohrer: An Allam cycle plant is 30% more efficient than a traditional plant. It's a lot less moving parts and smaller footprint; so you are going to see a reduction in the number needed. I would estimate in a 500 megawatt power plant versus a 500 megawatt Allam cycle

plant, you'd still need the same number of employees; but they would be distributed differently.

Representative Beadle: For a statewide effect there's probably going to be no change; but micro targeting it might be a little smaller.

Jason Bohrer: It would definitely shift. It would have impacts on Bismarck, on the coal counties and then you'd be adding our workforce into the oil workforce.

Vice Chairman Brandenburg: I was curious about the discussion about Spiritwood. Where's that going?

Jason Bohrer: Spiritwood is a successful research partnership. The larger role of Spiritwood in the future is a model of poly generation.

Vice Chairman Brandenburg: In section 20 of the green sheet there's \$4.5 million from the Lignite Research Fund for marketing studies and litigation. Are you pulling some of that \$4 million back into the fund?

Jason Bohrer: We put that \$4.5 million in to our non-matching funds for several biennium now.

Vice Chairman Brandenburg: In SB2024 you get another \$500,000.00 to the industrial commission for litigation expenses also.

Jason Bohrer: I don't know that one.

Vice Chairman Brandenburg: If you take the \$4.5 million from the Lignite Research Fund and the \$15 million for funding this program. There's not going to be much left of that fund is there?

Jason Bohrer: It certainly takes a chunk out of it. There's still several million dollars that are unencumbered. It refreshes throughout the year.

Vice Chairman Brandenburg: I'm asking everyone about mitigation costs; if you can bring that to the committee.

Jason Bohrer: I'm working on getting you the number.

Chairman Vigesaa: Closed the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/17/2019
Recording Job# 30995

- Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A through E

Chairman Vigesaa: Opened the meeting on HB1014.

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

Representative Bellew: I just want to make sure that I have the correct package. On the front it says HB1014; but when I open it up, it states SB2015.

Lynn Helms: That's correct. SB2015 is what directs \$4 million to go into a litigation pool. This doesn't identify who the eligible agencies are or how they would extract or spend money from that pool. We support it from the standpoint that it reduces our ITD costs but it's going to need to have a lot of language around it as to what it can be spent for, who controls that spending and which agencies have access to that \$4 million pool.

Lynn Helms continued with his testimony.

Chairman Vigesaa: Do you feel you have current employees that you feel could be the replacements for those four? Is that someone you're going to have to hire from outside?

Lynn Helms: We would anticipate promoting current employees.

Michael Ziesch, Project Sponsor, North Star Initiative: See testimony attachment A.

Representative Bellew: Can you tell me who the ground water protection council is?

Michael Ziesch: This group is made up of a coalition of states. There's a handful of employees that are permanent employees of the ground water protection council. There are

different committees within it that look for different initiatives within oil and gas producing states that are worthy of being built out.

Representative Bellew: You stated that the upgrade is sponsored in part by US Department of Energy. How much are they willing to sponsor of the total project?

Michael Ziesch: The GPC is almost fully funded by the Department of Energy monies. The GWPC picks projects themselves to determine what part of their pot they will be willing to spend in different states. For this particular build the Ground Water Protection Council has committed just under \$2 million and they have to report back on a recurring basis to the Department of Energy. There is an employee in the department of mineral resources that sits on the Ground Water Protection Council executive steering committee and he came back last week from Washington, DC about continued funding of the GWPC.

Representative Bellew: What percentage of the project are they covering of the project?

Michael Ziesch: They are covering \$2 million of \$8.5 million on this particular project.

Representative Bellew: So it's under 25%?

Michael Ziesch: That's correct.

Michael Ziesch continued with his testimony.

Representative Mock: On slide 9, are there any other large IT projects that need to be completed either simultaneously or before that would tie back into North Star?

Michael Ziesch: Our work is largely stand alone but it would be complimentary with the department of emergency services unified spill reporting work.

Representative Mock: Will there be cost implications if they are not completed around the same time?

Michael Ziesch: To my knowledge I don't know if they have sent out their RFP completely.

Representative Mock: I noticed in ITD's report, the governor's recommended projects this as \$7.6 million as a total project cost. The request was \$6.6 million; but in the budget we have it as \$5 million. Can you explain the difference?

Michael Ziesch: The way fiscal accounting works, is there's a hierarchy of how we present what we need in our agency ask. The total project is \$9.5 million; of which GWPC is kicking in \$2 million cash. We're getting credit for about \$2 million in DMR IT activities regarding this; we have a specific part of the contract that's DMR IT responsibilities and is largely surrounding some of these foreign builds. We asked for \$1 million of the \$5 million from the legislature that will account for some management reserve. The \$5 million of state ask if made up of management reserve, the IT cloud environment as well as the \$4 million. The other \$650,000.00 is money that the department of mineral resources is contributing out of our reservoir data fund.

Representative Mock: How do we account for some of the additional sources of revenue that offsetting the cost. If it's a \$9.5 million project and we're accounting for it in our budget as a \$5 million appropriation, how does the department track or account for whether it's discounts or credits or other contributions that would offset that total cost?

Michael Ziesch: We would have to refer to the really robust project management plan that does break out the DMR responsibilities and in kind contributions. I can get you a further breakout.

Lynn Helms continued with his testimony.

Representative Brandenburg: Do you realize that if indirects take hold you're talking 5 times more than direct? That would be close to \$80 million or more.

Lynn Helms: I absolutely realize how incredible that expense would be if somehow indirect mitigation started to be applied to the things that we do to deal with environmental cleanup.

Vice Chairman Brandenburg: It's also about being in the unbroken prairie.

Lynn Helms: Yes. That's a huge risk that at some point indirect mitigation costs along with direct mitigation would become a part of our world.

Jay Almlie, Program Manager, Intelligent Pipeline Integrity Program: See testimony attachment C.

Representative Mock: How much of what Insitu and you have been working on is going to depend on the completion of the BVLOS projects through the department of commerce?

Jay Almlie: There is a tie. Insitu is a full partner with the University of North Dakota and the Northern Plains Test Site for UAV's. They are borrowing the knowledge of those experts across campus at UND to achieve the FAA permission they need to do BVLOS operations this summer.

Representative Mock: If we don't move forward with the BVLOS funding and investing in those capabilities, that these projects would likely be shelved for at least 2 years?

Jay Almlie: With respect I would have to say no. I believe these will go forward with or without that funding. The backing that Insitu has from their parent company Boeing and the tremendous success they've had in this space already where they've done this, I believe they will achieve FAA certification.

Representative Mock: If you have any additional documentation that would explain the advantages that institute project would have if the commerce project were funded would be helpful.

Jay Almlie: I would be happy to provide a short summary of the leveraging that might help us with.

Lynn Helms: See testimony attachment D.

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

Chairman Vigesaa: How many visitors do you get on a monthly basis?

Ed Murphy: It's not where we're busy every single day. Over a course of a year we've been averaging around 100.

Lynn Helms continued with his testimony.

Brian Kalk, North Star Initiative: Testified in support of HB1014.

Vice Chairman Brandenburg: Do those projects all tie together?

Brian Kalk: Project Thunder is a separate project from this one. We are trying to link these two. We are going to be competing for then build the next phase of this project.

Andrea Pfennig, Deputy Executive Director, ND Industrial Commission: See testimony attachment A from January 10, 2019.

Karlene Fine, Executive Director, ND Industrial Commission: That is a continuing appropriation.

Chairman Vigesaa: All the continuing appropriations on the green sheet, those have been in your budget all along? There's no changes there?

Karlene Fine: There are no changes.

Attachment B was handed out but was not discussed.

Chairman Vigesaa: Closed the meeting.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
1/23/2019
Recording Job# 31268

- Subcommittee
- Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A through D

Chairman Vigesaa: Opened the meeting on HB1014.

Roll call taken.

Karlene Fine, Executive Director, ND Industrial Commission: See testimony attachments A and B.

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

Vice Chairman Brandenburg: About the credit ratings for the bonds. If you had more input from the city you'd have a better credit rating. Is that correct?

DeAnn Ament: When we issue bonds for the state revolving fund program, we have a requirement that they have to have 120% net operating coverage. That helps us maintain our AAA rating for the state revolving fund program.

DeAnn Ament continued with testimony.

Vice Chairman Brandenburg: If you have a partnership working with the city, and also working with the housing authority; you have more credits and a better rating so you get a better bond repayment. Is that right?

Karlene Fine: What we were talking about was the cost for the homeowner to buy the land. When Jolene was talking about this and the partnership we need to do to bring down the initial cost that a homeowner would have to have, that's what the housing incentive fund does. That doesn't really impact the bond rating.

DeAnn Ament continued with her testimony.

Representative Kempenich: Do we use money to pay down debt?

DeAnn Ament: The only debt payments the state is making is on that \$30 million. The mortgages are being paid by homeowners, the capital financing program and state revolving fund are being paid by cities and water districts. That would be the same with student loans and parking fees.

Representative Kempenich: What is the state's liability on those debts?

DeAnn Ament: The state doesn't have to do any sort of a tax; they're not obligated to that debt. The one exception is the capital financing program; \$1,054,000.00 of those bonds under the public finance authority have the moral obligation pledge of the state. If one of these communities or water districts wouldn't make their payments, the industrial commission would tap its reserve fund to make the payments. Then the industrial commission would come to the legislative assembly and ask for the funds to replenish those reserve funds.

Vice Chairman Brandenburg: Has that ever happened at all?

DeAnn Ament: No, we have never asked for that.

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

Vice Chairman Brandenburg: This infrastructure fund, is there something in there for larger and smaller communities?

Eric Hardmeyer: When we looked over this infrastructure program four years ago we had a carve out for small communities and large communities. That was never exercised or needed; those earmarks have since fallen away.

Eric Hardmeyer continued with his testimony.

Vice Chairman Brandenburg: How much do we have available for bonding? Where are we going with all these bills?

Eric Hardmeyer continued with his testimony.

Vice Chairman Brandenburg: If you can put all that together because people are going to be asking.

Eric Hardmeyer: What is being proposed, in addition to what is existing of about \$100 million, is about \$1 billion; so that number is \$1.1 billion. There are various different revenue sources to pay those bonds back. The Legacy Fund would be paying back \$500 million; using a \$55 million biennial appropriation. The \$250 million which takes \$25 million from the foundation aid stabilization fund.

Eric Hardmeyer continued with his testimony.

Karlene Fine continued with her testimony.

Vice Chairman Brandenburg: We have \$100 million that we have committed. We're looking at taking on \$1 billion of more commitment with bonding. I'm trying to figure out how to go home and explain how we committed to another \$1 billion in bonds to make those payments for the next 20 years.

Karlene Fine: We're going to be investing those dollars into infrastructure for schools, for the roads and for water projects. We're going to go out to the market and lock in a low rate; so we'll be able to facilitate the work that needs to be done in the state.

Karlene Fine continued with her testimony.

Vice Chairman Brandenburg: There's a \$25 million commitment for schools and looking at the executive budget, another \$25 million for schools. We're committing another \$55 million for the revolving loan fund; taking it from \$150 million to \$500 million. We're committing \$55 million of the Legacy Fund earnings.

Eric Hardmeyer continued with his testimony.

Representative Kempenich: The problem we're running into is that there are needs or wants that the earnings aren't going to cover fast enough. This is one way of getting it moving a little faster. The biggest thing about this is you have to look at the cost of future money; is it better for us to spend this money today or is it better to invest it.

Vice Chairman Brandenburg: If the earnings weren't there and we're bonded against the Legacy Fund; and we have to dig into the Legacy Fund to make that payment, by the time you bring it to market it could be less than there is today.

Chairman Vigesaa: Have these 4 bills all been heard?

Eric Hardmeyer: Senator Wardner and Schaible's bills have both been heard. The other two have not been heard

Chairman Vigesaa: What committees were they in front of?

Eric Hardmeyer: Schaible's was in education and Wardner's was tax and finance.

Lynn Helms, Director, ND Mineral Resources: See testimony attachment C.

Representative Kempenich: Are you doing your own negotiating with the vendor that's providing this? Are you doing your own procuring of the service?

Lynn Helms: This did go through procurement. A lot of work went into it to convince them that it should be bid out. They put out an RFP.

Lynn Helms: See testimony attachment D.

Vice Chairman Brandenburg: This buys us 10 to 15 years with this storage?

Lynn Helms: That's correct.

Lynn Helms continued with his testimony.

Representative Mock: What would the timeline be for the two test projects? How long would it be before fully implemented and utilized?

Lynn Helms: The intention would be to implement the project by year end of 2019. The first natural gas injection cycle would occur in the first half of 2020. The first reproduction cycle would happen just before the end of this biennium; in the first half of 2021.

Representative Mock: The whole scope of the project is not just the injecting of the natural gas; but also the temporary storage and retrieval. Is the \$2.00 cost all inclusive? Is that \$2.00 to inject and store? Is there additional cost to later reproduce and retrieve the natural gas?

Lynn Helms: The economics show that if you can multiple cycles with this injection well, that the ultimate cost is about \$2.50 all in.

Representative Mock: What is the hope and intentions of this long term? Is it to show the feasibility for companies to do this on their own and then have multiple injection sites and storage sites across the state?

Lynn Helms: The hope is to fund two sites to demonstrate to industry that the models are valid and is economically viable. This would result in 15 to 20 sites across the Bakken production area; all funded privately by industry which would eliminate the flaring.

Representative Kempenich: If we do this you think they'd have something in by the end of the biennium?

Lynn Helms: We think we'll have gone through an injection and cycle.

Vice Chairman Brandenburg: If we don't maintain 1.3 million barrels of oil a day, what's that going to mean to the revenues?

Lynn Helms: Our best estimate that in November, if we had had this technology implemented, we wouldn't have produced 1.375 million barrels of oil per day; but 1.475 million barrels of oil per day. This \$8 million will have huge multiples if we're able to relieve the flaring issue.

Representative Kempenich: What is the structure and migration?

Lynn Helms: I'll contact them today.

Chairman Vigesaa: Recessed the meeting.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
1/23/2019
Recording Job# 31294

- Subcommittee
 Conference Committee

Committee Clerk Signature: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments E and F

Chairman Vigesaa: Brought the meeting to order.

Vance Taylor, President, North Dakota Mill and Elevator: See testimony attachment E.

Chairman Vigesaa: Can you tell me why Williams county sticks out?

Vance Taylor: That's where a lot of the durum is grown. We're just under 10% durum and 90% spring wheat.

Vance Taylor continued with his testimony.

Representative Kempenich: Is there a lot of competition in the western part of the country?

Vance Taylor: Yes.

Vance Taylor continued with his testimony.

Vice Chairman Brandenburg: How much could increase productivity in #7 if you added another mill?

Vance Taylor: In our last expansion we made the building large enough to hold two mills of the same size that we just put in which is 12,000 hundred weights per day. It's just under a 30% increase from where we were before. In the existing building there's space to put another unit of 12,000 hundred weights per day. That would bring us up to a 60% increase.

Representative Mock: I was looking at some of the photos. Can you give me a update on the life cycle of the existing buildings and facilities? Are there any major replacements or

construction maintenance that you foresee over the next several years on some of the existing facilities?

Vance Taylor: One of the things that we've benefited by is all of the work has been done on the mills recently. All of milling equipment has been refurbished or replaced in the last 20 years.

Vance Taylor continued with his testimony.

Representative Kempenich: Are they based out of Kansas? Where is their headquarters located?

Vance Taylor: Arden is a combination of the old Cargill mills and ConAgra. When that was put together they created a new headquarters out in Denver. Spring wheat is centered around North Dakota and surrounding states.

Vance Taylor continued with his testimony.

Representative Kempenich: Do you spend more on conditioning organic wheat or is it pretty decent when it comes into the mill?

Vance Taylor: We run it through the same cleaning equipment that we run the conventional on. There may be slightly more material in the grain; but not a lot.

Vance Taylor continued with his testimony.

Representative Kempenich: The bulk of it is bulk product?

Vance Taylor: We're at 20% to 25% bagged product and 75% bulk.

Vance Taylor continued with his testimony.

Representative Kempenich: What is your capacity?

Vance Taylor: Three legs still operate at about 10,000 bushels per hour. The new leg is a 40,000 bushel per hour leg.

Vice Chairman Brandenburg: There were complaints about being out in the street.

Vance Taylor: That's correct. It was rare, but at times we did have lines out to US81. We greatly expanded the parking area of the mill.

Vice Chairman Brandenburg: Your trains should be a savings.

Vance Taylor: That's correct.

Vance Taylor continued with his testimony.

Representative Kempenich: Is this dramatic?

Vance Taylor: It's anywhere between 30 and 40 years normally.

Vance Taylor continued with his testimony.

Representative Kempenich: How deep does your succession go?

Vance Taylor: It's pretty spread out. We have some people on the high end of the spectrum.

Vance Taylor: See testimony attachment F.

Vance Taylor went through the green sheet.

Representative Kempenich: What is in your promotional account?

Vance Taylor: We have an ag promo account. We would have room for that.

Vice Chairman Brandenburg: Those 4 FTE's; you could say two of them are filling out the papers and two of them the sweeping.

Vance Taylor: That would over simplify it. It depends on the day and the crew that we have that day.

Vance Taylor continued with his testimony.

Representative Kempenich: Do they have to be FDA certified? What's the availability of people like this and where do they get their shingle to say that they are meeting the standards?

Vance Taylor: There are college degrees now in food safety.

Chairman Vigesaa: The \$1.6 million for additional funding for the increased costs related to utilities, insurance and repairs. Can you highlight that?

Vance Taylor continued with the green sheet.

Vice Chairman Brandenburg: With the electricity. When you did all of the upgrades in the new facilities, they asses that on to you. Is that a fair statement as to why the costs are higher?

Vance Taylor: The electricity comes into the plant at 13,000 volts. There's a transformer on the grounds that drops that voltage down to a useable level. When we expanded by 30%, they had to bring in another transformer to handle the extra load. We've also had to make several changes on our side of the transformer as well.

Chairman Vigesaa: Has the G mill been online this whole current biennium?

Vance Taylor: Our start day was September in the first year of the biennium. It takes about a month to work out all the bugs in a new mill and then it took us a few months to get that mill filled up.

Representative Kempenich: Do you have a power plant within your facility?

Vance Taylor: In 1922 there was a power plant that ran the entire plant; we weren't connected to any other electrical source. Now we get our electricity through Minnkota. We also have a 3,000 hp/ 2,000 hp electrical generator that can run about 1/5 of the plant. If the electricity goes off, it allows us to run a mill or two and load flour.

Andrea Pfennig, Deputy Executive Director, Outdoor Heritage Fund: See testimony attachment A January 10, 2019 and attachment B from today.

Chairman Vigesaa: We kept it at \$10 million because of our budget situation last time. Now it's scheduled to go back for this coming biennium to \$40 million?

Andrea Pfennig: Yes.

Chairman Vigesaa: That's through the buckets?

Andrea Pfennig: That's correct.

Chairman Vigesaa: For this biennium the bucket would be \$40 million that's available.

Andrea Pfennig: Yes.

Chairman Vigesaa: What other bills or legislation are out there for this next biennium with regard to the fund?

Andrea Pfennig: There are three bills that are out there that would directly impact the Outdoor Heritage Fund.

Chairman Vigesaa: Do they increase the amount that's going to be awarded?

Andrea Pfennig: I have not seen any bills that would impact the amount to the fund. One relates to removing the language in century code that states that higher priority is given to conservation practices in the state and requires that the advisory board members are geographically disbursed across the state. Another bill would require that any funds for direct mitigation be deposited into the OHF. The last bill would require that any projects that the advisory board forwards to the industrial commission for recommendation have a majority vote.

Chairman Vigesaa: With the Prairie Dog bill is that the bill that restores it back to the \$40 million?

Andrea Pfennig: That's correct.

Vice Chairman Brandenburg: I'm trying to figure out why it needs to be increased to more than \$10 million. Why should there be more money in this fund when you still have \$9.9 million left?

Andrea Pfennig: I'm not here to advocate or take position.

Representative Mock: Have you calculated how much would have come into the fund this biennium if there weren't the \$10 million cap?

Karlene Fine: I do know under the forecast that was in the governor's executive budget, the most that would go in in the next biennium would be a little over \$30 million. It would not get to the \$40 million threshold.

Representative Mock: Knowing that there have been fewer requests made, do you know why it's gone down?

Andrea Pfennig: This is a relatively new program. It started in 2013 and my experience with grant programs is that it typically does take a few years for the advisory board or commissioner to figure out what the parameters are going to be with the program. Because the program is so new, it's hard to say that there are any trends.

Representative Mock: Does it take at least seven votes in order for a project to be approved? Is it a majority of the voting members there; but not a majority of the total twelve.

Andrea Pfennig: It's the majority of the members that are present and voting.

Representative Mock: You would need to have seven total votes to move forward. Correct?

Andrea Pfennig: That's correct.

Representative Mock: Has there ever been a tie?

Andrea Pfennig: There has been a tie. There are two different votes that the advisory board does. The first vote is the funding at some level vote and the second vote is a dollar amount vote. On the first vote we have had an instance or two where there has been tie; in that case it had a lack of majority and did not move forward.

Representative Kempenich: There was a learning curve at first when this was set up. Is that money committed over two biennium?

Andrea Pfennig: There are projects that do spread out for several years. Ten years is the longest that a project would stretch out.

Karlene Fine: Over time we've had to get to what we consider the core.

Chairman Vigesaa: The Sheyenne River Project. Where are those four access points?

Karlene Fine: We have a list on the website of all the applications. For the distribution of dollars, they have to show us that they did the work and then we make the payment.

Representative Kempenich: Do you have what you're carrying on the books for projects that are approved and funding is available?

Karlene Fine: The ending balance for the current biennium was estimated to be about \$24 million. A lot of those are committed. The only uncommitted dollars we have are just under \$10 million.

Vice Chairman Brandenburg: These uncommitted dollars do they become available for another project if they don't do it? Are there rules in place for that? You don't give them out until they do the work or you give a little out as they do it? How do you do it?

Karlene Fine: They submit status reports, they have to show that they made the payments and then we reimburse them for the cost. This is a match program. You get a higher ranking the higher your match; but at a minimum you have to have 25%.

Chairman Vigesaa: Closed the meeting.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
1/24/2019
Recording Job# 31433

- Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A,B,C

Chairman Vigesaa: Opened the discussion on HB1014.

Chairman Vigesaa: Started to go through the schedule of the governor's recommended spending from the SIIF Fund. See attachment B.

Chairman Vigesaa: Was there some discussion where we had to do it within a certain timeframe?

Vice Chairman Brandenburg: It's the management of the wells.

Representative Kempenich: They give where wells are drilled. North Star is going to the next level.

Chairman Vigesaa: Adam, do you know if there's any kind of a timeframe from DOE? Do you have any information on that?

Adam Mathiak, Analyst, ND Legislative Council: I don't have that information.

Vice Chairman Brandenburg: I would like to know why we have to spend \$5 million on this. Why do we need to know all this information about the oil wells?

Representative Howe: Is this what Lynn was talking about that people all over the world are paying for this information?

Chairman Vigesaa: They're currently paying.

Chairman Vigesaa continued with attachment B.

Representative Kempenich: Prairie Dog doesn't want any attachments on it; but I was looking at this airport grant and wondering if we put a \$52.00 trigger on it. That would be the same with the housing finance if we put that trigger at \$46.00. Every dollar is \$95 million that you're adding in. We took out \$600 million and we've looked at if you're going to hold \$500 million plus of SIIF at the level we are today.

Vice Chairman Brandenburg: If we're going to put some triggers on we have to be above \$48.00; if you want to go \$52.00, we can talk about it.

Representative Kempenich: In the past for housing finance we split between over 12,000 and under 12,000 population and they weren't happy when we did that. Most of it is going to go into Grand Forks, Minot, Bismarck and Fargo.

Chairman Vigesaa: The Prairie Dog bill has a bucket for airports. Right?

Representative Kempenich: Right.

Chairman Vigesaa: How much is that? Is it \$50 million?

Representative Kempenich: Yes.

Chairman Vigesaa: That doesn't necessarily go to any specific airports? Is it Williston?

Representative Kempenich: It's not Williston. I think they do have it earmarked for airports.

Adam Mathiak: In HB1066 the money is deposited into a new airport infrastructure fund; but there's not actually an appropriation of the fund yet. That would have to go into the aeronautics budget or be added into this bill; and if there were any designations for airports it would probably be included in that language. This does not actually specify anything for any particular airport.

Vice Chairman Brandenburg: Isn't there something designated in the aeronautics commission from the SIIF Fund?

Adam Mathiak: The executive recommendation included \$20 million from the SIIF Fund.

Chairman Vigesaa: It would be designated for the west.

Representative Beadle: It's number seven on the green sheet. There's \$22 million one-time funding from the SIIF for energy impact grants to airports.

Representative Kempenich: The Prairie Dog bill states \$20 million to the Dickinson airport and after that 70% or greater funds for commercial service airports.

Representative Howe: I think we leave it out.

Chairman Vigesaa: Where does that bucket lie in the hierarchy of the buckets with the Prairie Dog bill?

Representative Mock: I believe that if the three buckets aren't simultaneously filled, airports will get last. So airports are after the other cities and counties.

Chairman Vigesaa: Right now they're really working on that bill. That's yet to be determined.

Chairman Vigesaa continued with attachment B.

Representative Kempenich: At \$42.00 it isn't going to work. We can do \$10 million at \$48.00 and go that way.

Representative Mock: There's a Senate bill that funds it at \$40 million. There's at least one Senate bill that will bring that number up.

Vice Chairman Brandenburg: My experience has been that we should take it all out; because if we put \$10 million, this will be \$30 million. Maybe the right number is \$20 million, but if we have \$20 million now, it's going to be \$40 million.

Chairman Vigesaa: This list totals to \$819 million. Someone has a number for the most it can be.

Representative Mock: My recommendation is that we would have something in there for the housing incentive fund. Largely to insure that the bill is able to move through the House without any major push back. There will be significant push back from several members of the House if we zero out the HIF.

Vice Chairman Brandenburg: What do you think we should have?

Representative Mock: I would put \$10 million. I wouldn't go lower than \$5 million. Putting it in at \$10 million would be a pretty fair start.

Representative Kempenich: Do you want to go to \$48.00?

Chairman Vigesaa: Are you talking North Dakota price?

Representative Kempenich: Yes.

Vice Chairman Brandenburg: If we went to \$48.00 and \$10 million could you live with that?

Representative Mock: There would be a trigger that there'd be \$10 million available to the HIF with an average daily price of \$48.00 North Dakota?

Vice Chairman Brandenburg: Yes.

Chairman Vigesaa: You're thinking of putting in \$10 million now and trigger the rest of it?

Representative Kempenich: No. I was thinking zero until the trigger hits.

Vice Chairman Brandenburg: I think we're going to have a hard time convincing anybody to put anything in without a trigger. At least this gives us a number with a trigger in it.

Adam Mathiak: If my memory serves me right it was eliminating the fund altogether. I think that was the concern; because they did have some money that was left in the fund. The settlement was to continue the fund and allow them to use whatever was turned back from projects that didn't continue; but no new money was added last time.

Vice Chairman Brandenburg: Didn't we have \$30 million available between tax incentives and money that was available?

Adam Mathiak: That would have been from two sessions ago. There is also another bill on the Senate side that's providing \$10 million of income tax credits. In the past there has been combinations of credits and appropriations that have been used.

Vice Chairman Brandenburg: If we put this trigger on then we can negotiate.

Representative Mock: If we're setting the trigger at \$48.00 average North Dakota price, we'd be looking at \$58.00 WTI price for average at the end of June 30, 2020?

Representative Kempenich: Yes.

Representative Mock: There's no contingency; we're not concerned about production, it's just average price.

Representative Kempenich: Yes.

Representative Mock: No matter where we are in the progression of the formula. So if production skyrockets and the price doesn't go up that much, we may have more money in there than anticipated; but the trigger wouldn't go on.

Representative Kempenich: Yes. It isn't going to affect it as much as the price does.

Chairman Vigesaa: Has that bill of Senator Kruen's been heard?

Adam Mathiak: SB2271 was reported as a "Do Pass" out of the IBL committee and re-referred to the appropriations committee.

Chairman Vigesaa: What was the vote out of that standing committee?

Adam Mathiak: It was 6 to 0.

Chairman Vigesaa: It's \$40 million to the Housing Incentive Fund?

Adam Mathiak: This is a straight appropriation from the general fund of \$40 million to be transferred to the Housing Incentive Fund.

Chairman Vigesaa: If that passes the Senate, then we can take the money out of here.

Chairman Vigesaa continued with attachment B.

Representative Mock: I haven't had the conversation about it yet. If we're moving it to the permit fund, I don't think the exact dollar amount is going to be the sticking point. Let's make sure we're funding them at the level they need to get it done. It's not robbing from any other projects.

Representative Howe: They said they had \$10 million in that fund. Right?

Representative Mock: It's at \$8.87 million. The other one time they had were the vests. They're a little higher than their average replacement costs. It is \$150,000.00 and they wanted to have it in their line item at \$100,000.00 every biennium. Their estimate was that it would be around \$90,000.00 every two years.

Chairman Vigesaa: Would that be general fund?

Representative Mock: That would be general fund.

Chairman Vigesaa: The body armor was \$100,000.00.

Representative Mock: It's \$100,000.00 in the budget that was recommended; but their actual cost was \$141,000.00; because they have more vests to replace than normal.

Representative Beadle: I know the general fund is when cash comes in cash can be expended. Constitutionally, Legacy Fund earnings it says the treasurer shall transfer the revenue over on the last day of the biennium. What are the parameters of when funds are available from the SIIF? I know it's cash on hand at the beginning; what's the restriction in terms of when SIIF funds are actually available?

Adam Mathiak: When you provide the appropriation, technically those agencies would be able to spend it day one of when that appropriation begins. If you appropriate for the 2019-2021 biennium from the fund, July 1, 2019 they can spend that money. There may be cash flow issues; but in this particular case there probably wouldn't be since it's based off of how much is already available in the fund.

Chairman Vigesaa: How about if we do a trigger? It has to be at a certain point at the end of the biennium. How would that work on the Housing Incentive Fund?

Adam Mathiak: If you used some sort of trigger mechanism, it would be available only if that trigger is met. It would be whatever is the determining point. In the past sometimes it's been if the general fund revenues exceed the forecast by a certain

amount; that's been used as a trigger. Often times it's nice to use a dollar amount that's associated with it. One of the challenges of using a North Dakota price for oil is that it's difficult to quantify exactly what the North Dakota oil price would be; it may be better to use something like the WTI price where there's a posted price that's publicly available and everyone can track it.

Representative Kempenich: Today's production is \$95 million for every \$1.00.

Representative Mock: By dollar you mean the average. If all of a sudden the price of oil were up \$1.00 this month?

Representative Kempenich: It's roughly about 1 billion barrels over the two years. Roughly it would be 100 million barrels; so that's what we get paid on. It's just for comparison sake; it's frustrating because we treat this like a wind fall and we spend it like it's an everyday conversation and it's a lot of money.

Vice Chairman Brandenburg: Using your example, 40% would end up in SIIF.

Representative Kempenich: Over and above what we've done.

Chairman Vigesaa continued with attachment B.

Representative Kempenich: I was thinking we'd do the driver's license and drop everything else.

Chairman Vigesaa: That's what I was thinking also.

Representative Beadle: The licensing system is older than 3 out of 7 members of this committee.

Chairman Vigesaa: We were told we would have to have an amendment to remove the second column on the bill. Do we have to have that in written form or can that be in verbal requests for amendments?

Adam Mathiak: That would be a natural part of the amending process. The middle column was provided for informational purposes for the start of session.

Chairman Vigesaa: The language in the bill actually states executive recommendation that would just change that title.

Adam Mathiak: Adjustments and enhancements is what it's normally called.

Chairman Vigesaa: I would like you to make amendments of 2%/2% for the salary increases for each of our budgets.

Vice Chairman Brandenburg: Isn't there any SIIF money in the Trust Lands budget at all?

Adam Mathiak: They manage the SIIF Fund, so in a small way a very small administrative piece goes to their normal budget. There weren't any appropriations included specifically for them.

Vice Chairman Brandenburg: No appropriations for airports or impact funds; anything like that?

Adam Mathiak: The airport grants were to the aeronautics commission. The governor did not recommend sending it through trust lands.

Representative Kempenich: Discussed attachment C.

Vice Chairman Brandenburg: I think they're charging twice the money to manage the same amount of money.

Representative Kempenich: You're giving them good money to start with and then another \$5 million to do their job. It starts to be a question of what are we trying to do with this.

Representative Kempenich continued with his explanation.

Attachment A was handed out but not discussed.

Chairman Vigesaa: Closed the discussion.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
1/29/2019
Recording Job# 31632

- Subcommittee
 Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A and B

Chairman Vigesaa: Opened the meeting on HB1014.

Roll call taken.

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

Representative Bellew: Is this Ground Water Protection Council federal?

Lynn Helms: The Ground Water Protection Council is a state organization. It's made up of states; so every health department and every oil and gas regulatory body is a member of the Ground Water Protection Council and pays dues to be a member. They have a line item in EPA's budget and a line item in DOE's budget to secure federal funds to support projects like this. They meet four times per year around the country and talk about ground water issues. It's a state run organization, but it's funded with federal dollars from a DOE line and an EPA line. This \$2 million would be department of energy funds.

Lynn Helms continued with his testimony.

Vice Chairman Brandenburg: How much is in that fund?

Lynn Helms: Almost \$22 million. With that \$7 million going into the abandoned well plug in site restoration fund, we're going to reach that \$25 million threshold where I feel we can comfortably handle a major bankruptcy or a huge batch of abandoned wells. We'll still exceed the \$25 million balance; this would just direct money that would normally flow there into reservoir data instead.

Vice Chairman Brandenburg: If we took \$5 million out of that fund, this may work. This gets us started with this; there's going to be some more expenses to it next biennium. Looking forward, any thought to that?

Lynn Helms: One of the things that this system will allow us to do is create Data Tier. We have talked to companies and they are willing to sign up for some very substantial subscription fees to get data pushed to them instantaneously out of the system. Our anticipation is that we will fund the maintenance and operating costs of this system through reservoir data fund by using those subscription fees.

Representative Kempenich: So if you want it instantaneously, you would pay; otherwise it is a service that doesn't cost anything.

Lynn Helms: Our approach to this is going to be that the big companies want this information instantaneously; and they'll pay a lot of money. There are other companies that would like to have it on a weekly basis; they'll pay a smaller fee. There are the citizens of North Dakota who would get data monthly and they'll pay little or nothing. Our goal is to size it to how much data companies want.

Lynn Helms continued with his testimony.

Representative Mock: On the amendment language that you have here there appears to be a typo.

Lynn Helms: That's correct. It should be \$3,500,000.00.

Representative Mock: How much will go into the two respective funds this next biennium?

Lynn Helms: Five million dollars will go into the reservoir data fund; \$2.5 million per fiscal year, and \$7 million will go into the abandoned well plugging and site restoration fund; \$3.5 million per fiscal year. Normally there would be \$15 million coming from this allocation and flow into abandoned plugging sites. That leaves \$3 million to flow into the next bucket.

Representative Mock: That would require a change; because we adjusted those amounts for the 2017-2019 biennium and those are to sunset. Is that correct?

Lynn Helms: That's correct. The changes that were made for the 2017-2019 biennium would sunset August 31, 2019 and it would go back to \$15 million.

Representative Mock: There would be \$7.5 million going to both funds?

Lynn Helms: No, just the abandoned well.

Representative Mock: What about the reservoir data?

Lynn Helms: There would be nothing.

Representative Kempenich: Is the goal for abandoned wells \$100 million?

Lynn Helms: Yes.

Representative Kempenich: Should we have a more focused target on what we should have in there and if we want to use this for some other projects we can? Should we change the name on it a little bit?

Lynn Helms: I agree.

Lynn Helms continued with his testimony.

Representative Kempenich: Historically, where have we been? You're figuring to collect \$15 million in the next two years?

Lynn Helms: If you don't make any change to 57-51-15, we'd collect \$15 million and we're sitting at \$22 million. We don't need to collect \$15 million this biennium.

Lynn Helms continued with his testimony.

Chairman Vigesaa: What's the highest the balance has ever been?

Lynn Helm: We've never been over \$22 million.

Vice Chairman Brandenburg: We have \$15 million coming in this biennium and you want to use \$5 million for North Star.

Lynn Helms: We'd use \$2.5 million and \$7 million from here. We're going to go from \$15 million to \$27 million going into the abandoned well fund.

Vice Chairman Brandenburg: How much would we add back in?

Lynn Helms: We would add \$7 million.

Vice Chairman Brandenburg: So we're going to take out \$8 million and put \$7 million in.

Lynn Helms: Correct.

Representative Kempenich: It would give us a cushion.

Chairman Vigesaa: If we set it up so it had to be a minimum of \$25 million and maximum of \$50 million, and there was an unexpected major bankruptcy and you're sitting at \$29 million, how would that handle if it was a \$10 million case and you had to go below the minimum?

Lynn Helms: The way I see it being structured, we're sitting at \$22 million, we'd like to see \$7 million go into the fund this biennium, our maximum that we're going to spend out of the fund is \$4 million this biennium. If we had your scenario, that bankruptcy and those pluggings and reclamations would be either tier one or tier two. We'd take on the ones that represented

a safety hazard first and then the second tier would be that the wells would need to be plugged and reclaimed. We wouldn't be able to spend any money on mitigation, research or demonstration projects until the gross production tax and all other income streams brought us back up to that \$25 million.

Chairman Vigesaa: This is purely policy, are there any other bills any place where an amendment like this would better fit; rather than in the appropriation?

Lynn Helms: There is nothing that I'm aware of.

Vice Chairman Brandenburg: The oil spill that happened in South Dakota, wasn't there a place 20 miles away that was better suited than to dump it in Minot?

Lynn Helms: The world has gone crazy over some of these things.

Lynn Helms: See testimony attachment B.

Vice Chairman Brandenburg: Do you have this \$8 million in your green sheet or your budget?

Lynn Helms: Currently, it's not anywhere. Currently \$10 million goes to the oil and gas research fund out of oil extraction taxes. That's not going to be enough money; all except \$4 million is committed.

Vice Chairman Brandenburg: So you're looking at going from \$10 million to 18 million?

Lynn Helms: Correct.

Vice Chairman Brandenburg: We have to do something with this natural gas.

Lynn Helms: That \$8 million investment is going to net the state \$28 million in production extraction taxes.

Chairman Vigesaa: You have that at \$18 million per biennium. Would there be a point at some time when you wouldn't need the \$18 million again?

Lynn Helms: Your correct. At the end of this biennium, that could go away and go back to the \$10 million.

Chairman Vigesaa: Recessed the meeting.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
1/29/2019
Recording Job# 31663

- Subcommittee
 Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments C through F

Chairman Vigesaa: Brought the meeting to order.

Chairman Vigesaa: Discussed the green sheet and attachment C.

Chairman Vigesaa: Section 4 would not be required in the bill?

Adam Mathiak, Analyst, ND Legislative Council: They were recommending that they would have contingencies into the future in this next biennium. It's been a standard practice over the past few biennium's to include contingencies for additional positions if the activity builds out in the oil patch; that they would have the authority to have additional FTE's to address the needs with those additional wells.

Chairman Vigesaa: Is that in the executive recommendation?

Adam Mathiak: That was in their core budget; which is separate from the executive recommendation. It's in the book that they provided.

Chairman Vigesaa: Is it in the form of an amendment?

Karlene Fine, Executive Director, ND Industrial Commission: See testimony attachment A from January 10, 2019.

Representative Kempenich: We removed a few of his contingencies last biennium.

Chairman Vigesaa continued with the green sheet and worksheet.

Representative Kempenich: Reducing travel doesn't necessarily save you a lot of money. It's a fixed cost to them; so they've raised the rates. They have a spreadsheet at the DOT as to how they come up with these rates and it's based on more than just gas usage.

Chairman Vigesaa: Karlene, do you know if that increase is due to rate increase?

Karlene Fine: Yes.

Chairman Vigesaa continued with the green sheet and the work sheet.

Representative Mock: Made a motion to move over the Microsoft Office 365.

Representative Beadle: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa: Are the computer replacements just updating old equipment?

Karlene Fine: They had extended all their computers last year to meet the budget restrictions. So they're going 4 to 8 years out with those computers.

Chairman Vigesaa continued with his explanation.

Chairman Vigesaa: The increased funding for the 2 FTE's. Is that they were hired partway through the biennium and this would be the additional needed to complete a full biennium?

Karlene Fine: Yes.

Representative Kempenich: Are you part of the unification?

Karlene Fine: No.

Representative Howe: Was the rare earth study going to be part of the amendment along with the \$5 million?

Chairman Vigesaa: We didn't have that discussion.

Representative Kempenich: The sand and the rare earth we were going to leave.

Representative Howe: Made a motion to move one-time funds to the House changes.

Representative Beadle: Seconded the motion.

Vice Chairman Brandenburg: So rare earth and re-fracturing sand study are both going to be SIIF money?

Chairman Vigesaa: That was requested to be SIIF and we'll leave it like that.

Voice Vote made.

Motion Carried.

Chairman Vigesaa: Would we have to move the bond payments over as well?

Adam Mathiak: It's similar to the base payroll changes; it's one of those standard ones. As the bonds are being paid off, the payment amount is going down. This is just to reflect that not as much funding is needed to continue those repayments.

Representative Kempenich: On the salary increases is that back to 2% and 2%?

Chairman Vigesaa: I don't believe that that's been determined yet.

Chairman Vigesaa continued with his explanation.

Representative Kempenich: I'm assuming that these two positions are filled?

Adam Mathiak: These are two that were partially funded and it's related to that transfer of the salaries and wages line item; it's related to the two contingent FTE positions from last time. It was thought that those two contingent FTE positions would be staggered. The \$221,000.00 was not to provide the full funding. The \$221,000.00 plus this additional funding of \$40,000.00 would fully fund them for the biennium. They just received their approval to hire the positions in December.

Chairman Vigesaa continued with the green sheet.

Chairman Vigesaa: Is section 5 something that's in the bill each time?

Adam Mathiak: That's correct. Basically, it's money that goes to Karlene and her office staff for providing their services to the other divisions. Those agencies provide some of their money back to the industrial commission core office to pay for the salaries and operating expenses that take place there.

Vice Chairman Brandenburg: The lignite research has \$4.5 million coming out of the lignite research fund. There's also \$15 million for Project Tundra coming out of that fund. There's only about \$2 million left in that fund.

Representative Kempenich: The Senate has the deficiency appropriation.

Vice Chairman Brandenburg: For the litigation fund there's \$500,000.00. Is that for the oil and gas portion or is that for lignite? What does that \$500,000.00 address?

Karlene Fine: The \$500,000.00 deficiency appropriation request for all the ongoing that we have dealing with oil and gas as well as the ordinary high water mark that's taking place in Fargo district court.

Vice Chairman Brandenburg: Is there any language in here to have access to that pot that's in OMB to be used for a litigation fund? What's going to happen with that \$4 million?

Karlene Fine: What OMB presented to the Senate appropriations was talking about the fund being there and the agencies could go and access it. There's nothing specific in our bill that says that we can't access that. That is where we would have the bills go. We need about \$1.5 million. If you break up the pool, we would suggest that \$1.5 million be put in our budget for litigation. It does not include any of the lignite litigation.

Vice Chairman Brandenburg: The \$4.5 million out of the lignite research fund could possibly be used litigation if you had to?

Karlene Fine: Yes. Lynn had also made a request for his part of the budget for some additional funding to put those people on to a consultant basis. So we could continue our transfer the skills they have; that was for \$108,240.00.

Vice Chairman Brandenburg: That's money that is being used to keep on some of these retiring people to help out for a period of time?

Karlene Fine: That's right.

Vice Chairman Brandenburg: How much was it?

Karlene Fine: It was \$217,617.00. He had also asked to be able to use the unexpended funds that had been appropriated for the ordinary high water mark survey review and asked that those funds be carried over.

Vice Chairman Brandenburg: How much is that?

Karlene Fine: It was about \$400,000.00. We anticipate that we will be in court and need to use our expert witnesses for the next couple of years.

Chairman Vigesaa: That must have been in his testimony?

Karlene Fine: It was on page 47 of his original testimony.

Representative Howe: If we're going to fund that software upgrade, we could fund these 3 FTE out of the same fund.

Chairman Vigesaa: On page 46 where that \$108,000.00 is, that's the cost to continue for the ones that are going to be hired?

Karlene Fine: The \$108,240.00 is the cost to continue for those employees that were hired during this current biennium. This was an error that didn't come across in the governor's executive budget.

Representative Kempenich: I'm wondering how desperately the contingency positions are needed.

Karlene Fine: Those would only come on board when we have the volume of wells.

Chairman Vigesaa: Where are we at with our count?

Karlene Fine: I can put those numbers together.

Chairman Vigesaa continued with the worksheet.

Vice Chairman Brandenburg: What section is that in that you're going from \$10 million to \$18 million?

Karlene Fine: That would be a new addition.

Chairman Vigesaa: Is the \$1.5 million new money?

Karlene Fine: It's either in the \$4 million that's over in the OMB bill; if the OMB pool goes away, then we need to have the \$1.5 million in this budget.

Chairman Vigesaa: It's in OMB?

Karlene Fine: Yes.

Vice Chairman Brandenburg: You're saying you want \$1.5 million for litigation?

Karlene Fine: That \$4.5 million is the lignite research fund; it's a continuing appropriation. All that \$4.5 million language is doing is saying that amount of money can be used on unmatched projects. Every other dollar within the lignite research fund has to have a match. That section is in the bill so we don't have to have a match on that amount of money. It's not increasing money, it's not adding on; it's already in the continuing appropriation. It's just saying that it can be used for non-matched projects.

Vice Chairman Brandenburg: It's just using it for possible litigation, marketing studies and research.

Karlene Fine: Yes.

Chairman Vigesaa recapped what they've reviewed so far.

Vice Chairman Brandenburg: Discussed attachment E.

Chairman Vigesaa: Your bill would establish this fund?

Vice Chairman Brandenburg: Yes.

Chairman Vigesaa: See attachments D, F and green sheet.

Vice Chairman Brandenburg: What's the \$1 million for contingencies?

Adam Mathiak: Page 7 of the bank's original testimony from January 10, 2019.

Vice Chairman Brandenburg: What is the \$700,000.00 for IT. Can you identify what that's for?

Adam Mathiak: Item 8 on the green sheet is part of their IT equipment which includes software projects.

Vice Chairman Brandenburg: How much is in that rebuilders loan program for flood related issues?

Karlene Fine: It is a carry over from that specific flood situation in Minot and it's winding down as people are making their payments.

Adam Mathiak: As part of our compliance report that we did last spring; we usually include an update on the rebuilders loan program. There was a total of \$52 million of loans that were authorized under the program; that included \$32 million of loans from bank profits as well as \$20 million from the general fund. As of December 31, 2017 the outstanding balance of those total loans was about \$31 million. During 2016 about \$4 million was used to replenish the bank's profits and 2017 a little less than that was used again to replenish the bank's profits. There's about \$13.6 million from the repayments that will continue to be used to repay the bank's profits and the additional will be used to repay the general fund amounts.

Representative Bellew: Those were unsecured loans; so if they default, they're out the money.

Vice Chairman Brandenburg: I noticed a savings plan for individuals with disabilities. What's available on that?

Karlene Fine: That's part of the 529 Program. It makes it more available for those with disabilities to be able to access that program. It doesn't cost anything we're just running a program. People can invest to help those people with disabilities for college.

Representative Kempenich: There's \$80 million of operating adjustments. Was that just to meet the budget requirement?

Adam Mathiak: The \$80 million is related to those two transfers.

Representative Kempenich: That goes into operating?

Adam Mathiak: Traditionally transfers are a little bit odd. Whenever money is spent out of the general fund, it requires an appropriation and it has to reside in some budget. OMB's budget is usually the holding place for transfers. In this case, since it's related to programs at the bank, the bank only has two line items for operations; instead of adding a separate line item it was easier to include it in the operating line.

Representative Bellew: That money was to come out of the Legacy Fund earnings. Is that not correct? That wouldn't be transferred to the general fund.

Adam Mathiak: It's designated out of the Legacy Fund earnings; but it was a general fund appropriation and transfer. The money would be deposited in the general fund at the end of the biennium.

Vice Chairman Brandenburg: Can you explain how these bonds work? From my understanding we're freeing up \$1.2 billion and we're committing to \$120 million in bond payments for the next 30 years.

Karlene Fine: See testimony attachment D

Vice Chairman Brandenburg: So this \$55 million bond you're referring to is Prairie Dog III?

Karlene Fine: Yes, the bond payment is Prairie Dog III.

Vice Chairman Brandenburg: That's the bill that's over in the House being worked on.

Karlene Fine: It's in the Senate.

Vice Chairman Brandenburg: Where's Prairie Dog I?

Karlene Fine: HB1066 has no bonding in that bill.

Vice Chairman Brandenburg: The bond that we're committed to is about \$10 million and we're going to add another \$110 million with all the programs that we're looking at; so it'd be a total of \$120 million of bond payments every biennium. For school construction there's a principal payment of \$25 million; but then you have different amounts for payments in 2021 and 2025.

Karlene Fine: For the school construction, there was a change since when the governor had it in his budget and it was coming out of the general fund. When SB2214 was introduced that switched it over to foundation aid stabilization fund payment. It won't be coming out of the general fund. The other two that have been introduced was the corridors for commerce which is about \$16 million and then the building authority bill that looks at funding for projects on the university system campuses. That's going to be heard on Thursday.

Vice Chairman Brandenburg: Is it \$120 million or \$140 million?

Karlene Fine: We can put that together for you.

Representative Kempenich: What's the limit on the building authority?

Karlene Fine: The building authority has a limit of 1/10 of \$.01 of the sales tax.

Chairman Vigesaa: That makes the bulk of it, that \$80 million coming through. They're actual operations they lowered by almost \$6 million.

Karlene Fine: That's right. We've had conversations between the bank president and myself of whether it should be placed in those bills where the actual authorization is given; but that hasn't happened yet.

Chairman Vigesaa: The \$700,000.00 is in the capital assets line.

Karlene Fine: That's correct.

Chairman Vigesaa: If it is \$140 million that we're going to transfer from the profits to the general fund, that would be in section 6 of the worksheet?

Adam Mathiak: We included that as part of the base budget bill. It would just be a matter of adjusting that if needed.

Chairman Vigesaa: Are those numbers any different from previous biennium as to what was transferred?

Adam Mathiak: It was an increase in the amounts. Those sections are not included in the base budget, so they would need to be moved over. It would just depend on how much you wanted to utilize for those programs.

Chairman Vigesaa: Those numbers come from profits from the bank?

Adam Mathiak: That's correct.

Representative Bellew: How are those funds used and how are they paid back?

Vice Chairman Brandenburg: The Bank of North Dakota will do an interest buy down. It can never go below 1% but it can go down 5 points depending on the interest rate. It's always originated with the local banker.

Representative Bellew: How do they get paid back?

Vice Chairman Brandenburg: By the borrower.

Representative Bellew: The community expansion fund is not for local governments to borrow; it's for an actual business to borrow?

Karlene Fine: That's the PACE Program. When your local business wants to expand, they go to their banker.

Representative Bellew: It's not city or county?

Karlene Fine: This is strictly for businesses we buy down. You do not get your money on the buy down part.

Vice Chairman Brandenburg: That community participation is so you don't have competing business competing at a lower rate of interest. That's why the community partnership is involved.

Karlene Fine: The community also has to endorse the project.

Representative Bellew: What do you mean the community has to endorse the project?

Representative Kempenich: The local council and local economic development has to be supporting it.

Representative Bellew: There's no local tax dollars that go into it is there?

Karlene Fine: They probably have a fund in Minot that they use to help businesses and that would be part of this also; that they would be putting in some local community dollars as well in a project.

Chairman Vigesaa: Closed the meeting.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
1/30/2019
Recording Job# 31842

- Subcommittee
 Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A through D

Chairman Vigesaa: Opened the meeting on HB1014.

Karlene Fine, Executive Director, ND Industrial Commission: The funding for the Housing Finance Agency comes from the funds that they generate. They issue bonds and when those bonds come back for mortgages, then they get a percentage as an administrative fee; those administrative dollars are used to fund the agency and the different programs within the agency.

Representative Beadle: If we weren't

Karlene Fine: We aren't talking about bonding for the Housing Incentive Fund.

Representative Beadle: If we weren't authorizing additional new bonds to be issued for the Housing Incentive Fund, how long are the existing bond payments and revenues projected to go out to continue funding operations?

Karlene Fine: We're not talking about the bonding with the Housing Incentive Fund. That's completely different. This is for the mortgage programs that they do for first time home buyers. The Housing Incentive Fund is a source of funding that doesn't come from special funds.

Representative Beadle: This is purely off the admin fee that's on first time home buyer loans?

Karlene Fine: Yes. There's also some fee income that does come from some of the programs. We have over \$1 billion in bonds for the housing program that are paid back by mortgages.

Chairman Vigesaa: Can you bring us up to speed with the bills that circulating with regards to Housing Incentive Funds?

Karlene Fine: There are two more bills. This morning the Senate had a hearing on a \$40 million bill and then there's also another bill for housing tax credits; that's for \$10 million.

Chairman Vigesaa: That one for \$40 million is Senator Kruen's? Is that the same program?

Karlene Fine: It's the same program.

Vice Chairman Brandenburg: That \$40 million that Senator Kruen put in, would that come out of general funds, special funds or bonds?

Karlene Fine: It's general fund.

Vice Chairman Brandenburg: The \$10 million is tax credits? Who's the sponsor of the tax credit bill?

Karlene Fine: Yes. I don't remember off the top of my head.

Adam Mathiak, Analyst, ND Legislative Council: It's Senator Mathern. It's SB2302.

Vice Chairman Brandenburg: What's Senator Kruen's number?

Adam Mathiak: That's SB2271.

Chairman Vigesaa: How many other

Representative Bellew: Are you anticipating more mortgages or is that just an increase in the mortgage fees?

Karlene Fine: It's based on volume.

Vice Chairman Brandenburg: You're anticipating that whatever comes out of this session and the \$57,000.00 would be the fees to take care of those increases of service and premium.

Karlene Fine: You have to have the authority to make those purchases. The \$57,000.00 was the reduction in funding for the temporary employees.

Vice Chairman Brandenburg: The servicing premium is \$602,000.00?

Karlene Fine: Correct.

Vice Chairman Brandenburg: Is \$1.6 million needed for the federal housing grants?

Karlene Fine: One of the programs we've been able to get some federal dollars from is the housing trust fund. The HUD grants come through that line; where we pass through dollars to housing authorities for rental payments. That was the best estimate they could give of what they were going to be needing for those housing grants.

Vice Chairman Brandenburg: Last session we had some federal dollars that we had left. Did we use them all up?

Karlene Fine: I think last biennium we were talking about some funding that went to the city of Minot and we had worked with that local housing authority. They couldn't get them all expended in time, so we had to carry that over. That was for a one-time.

Vice Chairman Brandenburg: There's nothing out there that hasn't been used?

Karlene Fine: It may have been committed but not expended.

Vice Chairman Brandenburg: Are you broke right now?

Karlene Fine: No. We need authority to be able to use the dollars that become available to the agency. There was that section in the bill that allowed the agency to have appropriated any additional income or unanticipated income from federal or other sources. We'd like that section back in the bill.

Representative Bellew: If we do put that section back in, I think they need to report someone as to how many funds that they get.

Chairman Brandenburg: Did you present us with the language for that amendment?

Karlene Fine: That was in Jolene's testimony.

Vice Chairman Brandenburg: How are we sitting with housing?

Adam Mathiak: Last session the legislative assembly did not provide new dollars for the program; but it continued fund, the fund has continuing appropriation authority. There were some outstanding commitments at the time. There was also a little money to be re-granted. I believe there were only a few million dollars that were available this last session to re-grant. They wouldn't be anticipating any funding for this biennium unless new money was added or an existing project that had been granted funds did not go forward.

Vice Chairman Brandenburg: I think we put \$20 million of general fund dollars and \$20 million credits.

Adam Mathiak: In 2011 they allowed for a total of \$15 million of tax credits; that was the only funding source. In 2013 there was a \$15.4 million transfer from the general fund to the Housing Incentive Fund; and in addition, the credits were increased to \$20 million, so it would have been \$35.4 million. In 2015, there was a transfer of \$5 million from the Bank of North Dakota profits to the Housing Incentive Fund. There was an additional contingent transfer of

Bank of North Dakota profits of \$5 million; that contingency was met and that additional \$5 million was transferred. There were \$30 million of tax credits for a total of \$40 million. In 2017 it was the continuation of the fund but no new dollars were appropriated.

Chairman Vigesaa: See attachment A.

Chairman Vigesaa: There isn't anything else in the bill that has to deal specifically with housing finance.

Karlene Fine: No.

Chairman Vigesaa: Discussed the green sheet for the Housing Finance Agency.

Karlene Fine: See testimony attachment C.

Vice Chairman Brandenburg: When we take that \$25 million out of there from Foundation Aid Stabilization Fund, what's in there right now; about \$300 million?

Karlene Fine: There's \$500 million.

Karlene Fine continued with her explanation.

Representative Bellew: How long are these bond for?

Karlene Fine: The general fund building authority are for 20 years; the other two are 30 year bonds.

Vice Chairman Brandenburg: The Bank of North Dakota general fund; that \$80 million doesn't total the \$55 million and the \$16 million.

Karlene Fine: When that was put in the bill, the governor's budget had the \$25 million for the school construction coming out of the Legacy Fund. The \$55 million for the infrastructure corridors had not been introduced; so it was not included.

Representative Beadle: What can we anticipate for the loans given out of these loan funds? What do we anticipate for the revenue recouped back into the fund to be able to reinvest?

Calvin Holut, Economic Development and Government Program Market Manager, Bank of North Dakota: Discussed testimony from January 23, 2019.

Vice Chairman Brandenburg: We have all these bonding programs and the savings that you're trying to point out is that that \$1 billion to local political subdivisions will save \$527 million over that timeframe and interest cost.

Representative Bellew: The money to pay these loans back comes from my property taxes and your property taxes. These are just property tax increases for some of us across the state.

Representative Beadle: Those repayments are given back out as new loans?

Calvin Holut: Yes, they roll back out.

Calvin Holut continued with his testimony.

Representative Kempenich: It was brought to my attention that Mandan had some improvements and there are some specials that are being looked at.

Vice Chairman Brandenburg: SB2268 and SB2275 ties up \$71 million in earnings from the Legacy Fund. Are there any others going after the Legacy?

Representative Bellew: There is a rumor that someone is going after the principal to take \$400 million and put that into a fund like this; and then the payments would go back into the principle.

Calvin Holut: See testimony attachment D.

Vice Chairman Brandenburg: If you take the \$30 million, you won't need it all. You have \$5 million to carry forward.

Representative Beadle: With the handouts, the \$71 million payment is it just the \$2.3 million as a contingency overage?

Calvin Holut: How we built out that chart was based on the \$400 million as opposed to if we were to bond out for the total of the \$500 million. That takes us up to the \$71 million. The difference is we stopped bonding at \$400 million; anticipating that that was the amount of money that we can get over the course of the next four years.

Representative Beadle: The anticipation is that we never get this other \$100 million that leads to the \$55 million.

Calvin Holut: When we look at the \$55 million, we can bond for \$430 million to \$440 million. The bill gives us authorization to go up to the \$500 million; but we can't get to the \$500 million based on a \$55 million payment.

Representative Beadle: That would still be paid out over a 30 year time period.

Calvin Holut: Yes.

Attachment B was handed out but not discussed.

Chairman Vigesaa: Closed the meeting.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
2/4/2019
Recording Job# 32077

- Subcommittee
- Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Chairman Vigesaa: Opened the discussion on HB1014.

Representative Bellew: With the base payroll changes, if we go to the 2%/2%, that \$3.477 million should be different; shouldn't it?

Becky Keller, Analyst, Office of Management and Budget: The mill and elevator are on a contract system; so they work within their own compensation package based on the contract that they have with their employees. We don't give them a compensation package. The only thing that would change would be the health increase.

Representative Bellew: What's the base payroll changes?

Becky Keller: That's going to be the base payroll changes they had to pay based on their contract.

Vice Chairman Brandenburg: They're union. They set up this gain share contract with the employees; and they have really improved the facilities. They're making some good money; but they're working hard also.

Representative Bellew: I don't think we need to be rubber stamping everything they want. They make a lot of money for working there compared to the rest of the state employees.

Chairman Vigesaa: It's like they're a private entity that we just take a bunch of their profits at the end of the biennium. They've grown it immensely. Last time we took 75% of their profits.

Vice Chairman Brandenburg: How much is in their profits this year?

Representative Beadle: It's about \$13 million.

Representative Bellew: I think we should keep it at 75%.

Becky Keller: For the 2017-2019 biennium we're expecting a transfer of \$19.87 million for the biennium; and then 2019-2021 biennium it would be \$13.4 million.

Chairman Vigesaa: That's at the 50%?

Becky Keller: Correct.

Vice Chairman Brandenburg: When they take on the projects and finance them

Chairman Vigesaa: Discussed the worksheet from January 30, 2019 attachment B.

Representative Kempenich: If you give them the authority, are they going to hire them if they don't need them?

Representative Howe: It does say that in their testimony.

Vice Chairman Brandenburg: Would it be ok to give them one of each and give them two; or do you want to pull all four?

Chairman Vigesaa: We could. That food safety thing is getting to be a bigger deal. They have no vacant positions?

Representative Kempenich: No.

Representative Mock: So you would give them one food safety and one food safety assistant?

Chairman Vigesaa: Yes.

Representative Mock: The two food safety individuals was that necessary in order to meet a higher output?

Chairman Vigesaa: No. I think it's because there's an increased awareness for food safety.

Representative Beadle: They also talked about how there are some new FDA regulations that they have to constantly monitor.

Representative Mock: I'd be happy to give them one of each. If they can demonstrate that there needs to be more conversation, I'd imagine we'll have that chat in April.

Chairman Vigesaa: Their contribution to the general fund will be \$13.54 million; which is 50% of their profits.

Representative Mock: That's 50% of their profits for the 2019-2021 biennium?

Chairman Vigesaa: Yes. Last biennium we took 75% of the profits.

Becky Keller: It's going to be \$19 million this biennium.

Representative Mock: We're taking 75% of the total net profits and that's going to be \$19 million?

Becky Keller: Right.

Representative Mock: So it wasn't a hard amount; it was a percentage.

Chairman Vigesaa: Right.

Vice Chairman Brandenburg: We received \$19 million; but they kept \$6.5 million. The 2019-2021 biennium will be \$13 million and \$13 million if we stay at 50%.

Chairman Vigesaa continued with the worksheet.

Vice Chairman Brandenburg: Made a motion to move one food safety FTE and one food safety assistant FTE to the House version.

Representative Howe: Seconded the motion.

Voice Vote made.

Motion Carried.

Representative Bellew: Have we decided what percentage?

Becky Keller: That is in century code.

Representative Bellew: Is the 75% in century code?

Becky Keller: That was a one time change in session law.

Vice Chairman Brandenburg: Made a motion to move \$10,000 from the mill's promotional fund to be donated to rural leadership.

Representative Kempenich: Seconded the motion.

Becky Keller: The 75% is in code but it sunsets on June 30, 2019 and reverts back to 50%.

Voice Vote made.

Motion Carried.

Chairman Vigesaa explained what the committee had changed to the Executive Director of the industrial commission.

Vice Chairman Brandenburg: There was a study given out about all the overtime and discussion of the gain share; they're not doing anything wrong.

Chairman Vigesaa: Closed the discussion.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
2/6/2019
Recording Job# 32314

- Subcommittee
 Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachment A

Chairman Vigesaa: Opened the work session on HB1014.

Chairman Vigesaa: Went through the worksheet from January 29, 2019.

Vice Chairman Brandenburg: Made a motion to add two contingent FTE's; one funded and one unfunded.

Representative Beadle: Seconded the motion.

Representative Kempenich: Where's he at with FTE's?

Vice Chairman Brandenburg: There's 105 FTE's for oil and gas.

Representative Kempenich: Where were they at four years ago?

Adam Mathiak: In 2011-2013 they were at 74 FTE's. In 2013-2015 they increased to 98 FTE's. In 2015-2017 there were 117 FTE's and in 2017-2019 they went back to 110 FTE's. The executive budget recommended holding it flat at 110 FTE's.

Vice Chairman Brandenburg: Last time we set up six FTE's on contingency. Did they use all six of those FTE's? Did they need them all?

Adam Mathiak: In the last session it was just two contingent FTE's and they were recently approved at the budget meeting in December. It was in 2015-2017 that there was a number of contingent positions that were added; those were based on well counts, but with the changes in the oil field and the oil price collapse meant that they didn't have the number of rigs that those triggers were based off of so they did not add those contingent positions.

Chairman Vigesaa: Those are included in the 110 FTE's?

Adam Mathiak: That's correct.

Representative Kempenich: There was one that was open for 12 months; but that was filled in January. There are six FTE's that are waiting for 2019-2021 budget approval.

Vice Chairman Brandenburg:

Chairman Vigesaa: Have we always used the same benchmark for adding contingent employees?

Adam Mathiak: The well counts have been an easier predictor. They've used the well counts because it tends to be a reflection of when they need the FTE.

Vice Chairman Brandenburg: In 2011-2013 we had about 10,000 wells and now we're at 20,000 wells. There's about 1,000 wells that are ready to be fracked.

Voice Vote made.

Motion Carried.

Chairman Vigesaa continued with the worksheet.

Adam Mathiak: In HB1066 the amount that would be allocated to the abandoned well fund would be up to \$7.5 million per year. They had proposed reducing that down to \$3.5 million; but if you're leaving it at \$7.5 million, you could just appropriate directly from the abandoned well fund, you could adjust the allocations to the abandoned well fund. I'm not sure that it would be necessary to move money to an extra fund to appropriate it; you could simply appropriate from the abandoned well fund.

Chairman Vigesaa: The rest of the amendment that Lynn provided was to change the amount going into the abandoned oil and gas well plugging site reclamation fund to \$3.5 million per fiscal year. We're going to put a cap on it of \$50 million instead of \$100 million.

Adam Mathiak: One of the things that will come into play is merging the changes to the oil formula. It depends on how closely things align as to whether they're in conflict and whether the code advisor will be able to do it. HB1066 deals with this same section of law; so there's the potential for some of this language to conflict.

Vice Chairman Brandenburg: There's about \$23 million in the abandoned well fund now; so if we take \$5 million for the data and also \$7 million for the fund, there's enough there now but we don't know how much is going to come into that fund because we don't know how the buckets are going to line up to fill those needs. We don't want to have a negative number.

Adam Mathiak: I don't think it would end up in a negative situation. I believe it was somewhere in the neighborhood of \$12 million to \$13 million that would be allocated based

on HB1066 that would be going in as new money. It wouldn't be reaching the \$7.5 million cap per year based on the estimated oil price and production approved in January by the appropriations committees; the \$1.35 million and \$42.50, so it would be somewhere in the neighborhood of \$13 million. If oil prices and production went up, it's possible that the \$7.5 million cap per fiscal year could come into play. If there's \$13 million of new money and you were going to appropriate \$5 million for this project; that would put \$8 million in the fund, which would be slightly more than the \$3.5 million they were requesting per year.

Chairman Vigesaa: You're saying to just appropriate the money out of this fund?

Adam Mathiak: That would be the most straight forward method to use.

Vice Chairman Brandenburg: Made a motion to take \$5 million out of the abandoned oil and gas well plugging site reclamation fund and to change the cap from \$100 million to \$50 million.

Representative Beadle: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa continued with the worksheet.

Vice Chairman Brandenburg: They can't work for a month after they retire and then they come back on and assist these new people.

Representative Bellew: What's the rule for retired people coming back? When I retired from my government job, I couldn't go back and work for the same organization.

Representative Howe: Couldn't that be contract work?

Karlene Fine: You are limited to 20 hours per week for an eleven month period.

Becky Keller, Analyst, ND Office of Management and Budget: We didn't forget to include the operating, we had given them an adjustment for inflation and we figured that was enough of an increase in their operating so we just didn't adjust it further.

Chairman Vigesaa: If they had vacant employees could they use those dollars to fund this request?

Adam Mathiak: I believe they could use it for temporary salaries and wages out of their salaries and wages line item. If they were doing them as contract employees, that would be an operating expense. If they had sufficient room in their budget, they could go to the emergency commission and ask for approval to move money between line items.

Chairman Vigesaa: They would probably consider them temporaries.

Adam Mathiak: I would imagine that they would be considered temporary.

Representative Kempenich: On their vacant FTE report, they have waiting for 2019-2021 budget. Why would they have that since they are already approved FTE's? Wouldn't the money already be there?

Becky Keller: I'm not sure why they would wait for the 2019-2021 budget; unless it's one of the contingents and they want to make sure that they can continue them.

Representative Kempenich: If we approved two more like last session?

Becky Keller: The contingent funding was probably only good for the current biennium and then it has to be re-authorized through the appropriation process where they get the full funding. I don't know if they were concerned that maybe the emergency commission wouldn't have granted or the appropriation wouldn't grant it.

Adam Mathiak: The reason they had waiting to fill on those in part may have been because the governor had proposed some reductions in their original budget request asking for 5% to 10% budget reduction. I anticipate that the agency was a little bit concerned that if they didn't have any of their funding restored, that they wouldn't have sufficient money; that they had probably underfunded their positions as part of the budget cuts. The executive budget did restore some funding; they may also be waiting to see how the final budget came in as well.

Chairman Vigesaa: If they wanted to hire them they might have some money to retain however they could afford based on what kind of salary dollars they have available.

Vice Chairman Brandenburg: When we put these other contingency people in last session, we never even funded them. Let's allow them to have the authority to have these training people but hold back on the money and figure it out in conference committee.

Chairman Vigesaa: If they get to the point where they would like to these individuals back as temporaries, they could do that and find the dollars in their salary line to do so.

Adam Mathiak: They could. If you wanted to specifically add some sort of section; you could do that but it wouldn't be necessary.

Chairman Vigesaa continued with the worksheet.

Chairman Vigesaa: I think he was looking for some type of language which would allow him to access up to \$1.5 million from that fund.

Stephanie Gullickson, Analyst, ND Office of Management and Budget: The language we wrote up for that, we didn't say they were limited to a certain dollar amount.

Vice Chairman Brandenburg: The language that is being looked for is that they have access to this \$1.5 million because they want to be able to hire their own lawyers.

Chairman Vigesaa: You're saying he's not limited; he could go more than \$1.5 million.

Stephanie Gullickson: That's correct.

Chairman Vigesaa: This is like he's reserving \$1.5 million.

Stephanie Gullickson: Sounds like it.

Chairman Vigesaa: How much is in that fund?

Stephanie Gullickson: We put in \$4 million from SIIF to cover that fund.

Chairman Vigesaa: So it's like who gets to it first?

Stephanie Gullickson: There were three agencies that we knew had litigation. Those three agencies are included and we put in additional funding to cover any potential litigation.

Chairman Vigesaa: Did those agencies give you an idea of what they thought they might need?

Stephanie Gullickson: That's correct.

Chairman Vigesaa: Do you know if the department of natural resources indicated \$1.5 million?

Stephanie Gullickson: That's correct.

Adam Mathiak: It's not really a fund, there's no money that's actually there currently. It's a new proposal to include in the OMB budget a funding pool; it would be an appropriation in that budget. If they were to remove the funding in the Senate, unless it was added in here specifically, then there technically wouldn't be money available.

Vice Chairman Brandenburg: I know there was money in all these agencies. What happened to that turn back money? Was that just put back into the general fund?

Adam Mathiak: In the current budget cycle, they did have appropriation authority in their individual budgets. They've been spending it as needed. The industrial commission had \$1 million last time; but that was insufficient to meet their current needs, so they asked for a deficiency appropriation of an additional \$500,000.00. That's where their \$1.5 million came from.

Chairman Vigesaa: See attachment A.

Representative Mock: The emergency clause may not be fully necessary; but they would like to start the project this biennium.

Vice Chairman Brandenburg: I have something for the ordinary high water mark.

Adam Mathiak: That would have been in the executive budget recommendation bill; it was section 22 that authorized them to carry over money that was in SB2134 last session that

dealt with the ordinary high water mark. Part of the funding for that provided an appropriation of \$800,000.00 to the industrial commission to contract with a firm to conduct a survey review. They spent a portion but are asking to carry over authorization in case they need to bring the company back as they deal with litigation and other questions.

Vice Chairman Brandenburg: Is it \$400,000.00 or is it a different number?

Adam Mathiak: That is \$400,000.00. They had \$800,000.00 and spent about \$400,000.00; and would have \$400,000.00 carried over.

Chairman Vigesaa continued to discuss attachment A.

Representative Mock: Made a motion to appropriate \$18 million for natural gas storage.

Adam Mathiak: I'm not sure that an emergency clause would be applicable for a few reasons. The oil and gas research fund does have a continuing appropriation; so this identifying intent for that and saying that they would use a part of that. There's nothing currently prohibiting them from providing money for a project like this out of the fund. This is just specifically identifying a portion of it. The main restriction they'd be facing is that they've already committed money to existing projects; so this is providing new money and specifically identifying that new money for this one project. As far as an emergency clause, this is dealing with the oil allocations so it's not going to change the current allocation formulas. If they need cash up front, an emergency clause isn't going to help because they'd have to wait for the oil money to come in anyway. If they're doing it as a reimbursement type situation, they could use cash that's in the fund right now to front the money; and use future collections to pay other projects.

Vice Chairman Brandenburg: How much is in the oil and gas research fund?

Adam Mathiak: I think that there will be about \$5 million left at the end of this biennium. Most if not all is committed to grant awards or contracts that have already committed. There are potentially some additional commitments that may need to come from a part of next time's money.

Vice Chairman Brandenburg: What projecting this fund will receive?

Adam Mathiak: It would be the full \$10 million in current law. This would be an increase from \$10 million to \$14 million.

Vice Chairman Brandenburg: If it takes 6 to 8 months to get \$10 million, we probably have to have a year to get to the \$14 million.

Adam Mathiak: In rough numbers that would be true.

Chairman Vigesaa: After this biennium it would go back to the previous number?

Adam Mathiak: Yes. The Prairie Dog bill addresses this same section of law. Since it's a one-time change, it allows us to leave century code alone and it provides alternate

instructions for the treasurer to allocate it differently for the next biennium; then it would revert to current law.

Vice Chairman Brandenburg: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa continued with the worksheet.

Chairman Vigesaa: The \$221,000.00 being moved into the salaries line. Is there anything we have to do with that?

Adam Mathiak: That would potentially require action on your part.

Chairman Vigesaa: These were for the contingents added during the past biennium. This is the continuation of their salaries and benefits for the next biennium. Would that become part of the base payroll line?

Adam Mathiak: It would become part of the base budget for next time. It's moving from the contingency line item to the salaries and wages line item.

Vice Chairman Brandenburg: Are you saying the \$300,827.00 that's for the two FTE's?

Adam Mathiak: It's not adding any money to the overall budget, it's just moving between line items.

Chairman Vigesaa continued with the worksheet.

Chairman Vigesaa: What would the \$40,000.00 be for?

Adam Mathiak: That would be added to the salaries and wages line item as well. The \$221,000.00 plus the \$40,000.00 would provide the funding for their full salaries. The \$221,000.00 that was provided last time was done on a phased in schedule; they weren't funded for the full biennium. The \$40,000.00 provides the funding needed to get them to a full biennium's worth of funding.

Vice Chairman Brandenburg: So we gave them a pickup and a computer?

Adam Mathiak: The \$221,000.00 was part of the contingency line item; it was available for salaries and wages as well as the operating expenses associated with those employees.

Representative Howe: Made a motion to increase the funding for two FTE's to complete their salaries and benefits for the remainder of the biennium.

Representative Kempenich: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa continued with the worksheet.

Chairman Vigesaa: Are you saying we wouldn't need section 5 on the green sheet?

Adam Mathiak: Yes. I would consider it as an optional one. Section 3 is already in the bill and we'll update the numbers for the bond payments. Section 9 is part of the bill; we'd make sure that we had the most current numbers.

Chairman Vigesaa: If anything is decided to be bonded that language would follow that legislation?

Adam Mathiak: We didn't spend a lot of time looking back on the history of it.

Chairman Vigesaa: I would prefer not to add that in regard to bond payments. Would we need any of section 3?

Adam Mathiak: We would need section 3; it's in the base budget bill. It's the question of section 5 of whether you wanted to include that.

Vice Chairman Brandenburg: On section 9 there is \$1,184,000.00 that transfers from last biennium to this biennium. I know it's committed money; but it would be nice to know where it's committed to.

Adam Mathiak: The \$1.184 million is for the administrative fees; it's for the salaries and operating expenses of the industrial commission.

Chairman Vigesaa: That would be for the five FTE's?

Adam Mathiak: Yes.

Chairman Vigesaa: Closed the discussion.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
2/7/2019
Recording Job# 32416

- Subcommittee
- Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A through D

Chairman Vigesaa: Opened the discussion on HB1014.

Chairman Vigesaa: See attachment A.

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

Representative Bellew: Why does the amendment say HB1013 instead of HB1014?

Adam Mathiak: That was originally where the amendment was drafted. We can add it to this bill.

Chairman Vigesaa: Should it be in the trust lands bill?

Adam Mathiak: I don't think it will really matter. It probably makes more sense to keep it all in the same bill.

Vice Chairman Brandenburg: So we're doing \$7.5 million every year for a total of \$15 million for the biennium. It's going into the outdoor heritage fund. I know there's \$9 million available; but that's already money that's appropriated from previous biennium. There never is any turn back to this is there?

Adam Mathiak: Most of the changes in this particular case are related to funds that are administered by the industrial commission. It would make sense to keep it in there.

Representative Beadle: Made a motion to allocate up \$7.5 million per fiscal year to the outdoor heritage fund.

Representative Howe: Seconded the motion.

Representative Bellew: If we don't do this amendment, what will the outdoor heritage fund go to?

Karlene Fine, Executive Director, ND Industrial Commission: It would go back to what's in statute right now; up to \$40 million. We've never received that much. Let's say the \$10 million had not been capped this current biennium, we would have gone to \$30 million. That would have been the most we've gotten from the fund in one biennium.

Representative Bellew: Based on that I will support this amendment.

Voice Vote made.

Motion Carried.

Chairman Vigesaa: See attachment C and also attachment F from January 29, 2019.

Representative Bellew: There seems to be \$500,000.00 difference from what the bank gave us and what's on the sheet.

Adam Mathiak: Explained the worksheet. See attachment F from January 29, 2019.

Vice Chairman Brandenburg: The new student loan system, we're looking at \$240,000.00 to \$400,000.00. Is that \$160,000.00 just an estimate of what it's going to be?

Adam Mathiak: Correct.

Vice Chairman Brandenburg: For the implementation fees for students, which is going to be \$380,000.00. We know that one is solid?

Adam Mathiak: I would imagine all of these are estimates projects. They may have a little bit better idea based on some sort of preliminary quote or estimate from either vendor.

Vice Chairman Brandenburg: Looking at all of these we're looking at \$1.5 million. It's a moving target and you can't pin it down.

Representative Kempenich: They need to show the level of need.

Vice Chairman Brandenburg: I agree with you but how do you make it better?

Representative Kempenich: It's an \$8 billion enterprise and you have to treat it as such. What is the capital at the bank?

Karlene Fine: It's \$7 billion. It's really all about technology and the customers; everyone wants this information on their phone.

Chairman Vigesaa: If you take the upper levels of those projects, it comes out to \$1.575 million. Would you feel better if we went with the lower estimates?

Vice Chairman Brandenburg: I'm just trying to understand it. I don't know if we need to do that.

Chairman Vigesaa continued with the worksheet.

Chairman Vigesaa: Could you look to see what that contingency has been for them in the previous biennium?

Adam Mathiak: This would be in addition to their contingency.

Representative Bellew: I still don't understand the base payroll changes.

Chairman Vigesaa: In the department of financial institutions, their base payroll was \$300,000.00 less; that's because they had some senior executives retire and they had people that came in at a much lower pay scale. Their actual base going forward is much less because they're paying less; because of the changes they made in the biennium with regard to their personnel.

Representative Bellew: This is an increase of \$230,000.00 is that promotions from within the bank?

Chairman Vigesaa: It's stuff they have done internally to change the pay scale of their staff.

Representative Bellew: Is there a breakdown of that?

Chairman Vigesaa: I imagine if you wanted it you could get it.

Vice Chairman Brandenburg: If they work harder within their own agency, they find fit to money around to get people to do it with less FTE's.

Becky Keller, Analyst, ND Office of Management and Budget: The \$230,000.00 increase for the Bank of North Dakota is all salaries permanent. It's permanent salaries that have increased due to either hiring above what they've had in the past or giving the internal pay raises or promotions. So it's all permanent salaries; it's not temp increases. It's all to keep their people where they need them to be.

Chairman Vigesaa: Those base payroll changes have been in every budget?

Becky Keller: Right. They have to put in what their salary appropriation was for the current biennium. When they enter their payroll, they're going to include any new hires, they're going to include the people at the salaries that they may have moved up into to, any increases in temporary salaries, etc.; that all shows up as a base payroll change because it's all done where they change package for payroll.

Adam Mathiak: For this biennium the total contingency would be \$3.5 million; so it's an increase of \$2.5 million up to \$3.5 million. In the 2015-2017 biennium it was around \$4 million. Before that it was around \$3 million to \$3.5 million in the 2013-2015 biennium.

Chairman Vigesaa: So they're just raising it up to a historical average; at least over the last 2 to 3 biennium?

Adam Mathiak: Yes.

Chairman Vigesaa: Do you have a breakdown of the \$700,000.00 for technology equipment?

Adam Mathiak: There's a little bit of actual equipment; but it's IT equipment and software. I believe most of it is related to software development it meets the criteria of being large enough to be classified as a capital asset.

Chairman Vigesaa continued with the worksheet.

Representative Bellew: Why don't you include the base payroll changes on the green sheet?

Adam Mathiak: It's a historical practice that we don't include that on there.

Representative Howe: Made a motion to move line items discussed to the House version.

Representative Beadle: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa: I've learned that for the one-time funding we can take out the \$80 million.

Karlene Fine: The \$80 million has been identified and put into those bills that related to the bonding. So it was the \$25 million that was going to be used for the school construction program. There was also the \$55 million that was going to be for the infrastructure program.

Vice Chairman Brandenburg: It's actually \$68 million that was going to be parked there.

Karlene Fine: At the time when that bill was introduced, the \$16 million for the corridors of commerce was not in the governor's budget.

Chairman Vigesaa continued with the worksheet.

Vice Chairman Brandenburg: Made a motion to move sections 6, 10 and 11 from the worksheet to the House version.

Representative Howe: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa: That was getting the \$15 million that has been going to the development fund; we're getting that off of the Bank of North Dakota's books. Is that correct?

Karlene Fine: Correct. It was to get it off the bank's books.

Chairman Vigesaa: In the future it wouldn't be involved in the budget at all?

Karlene Fine: No.

Vice Chairman Brandenburg: As I understand it, there are two different loans. You have one secured and one isn't; and it makes a conflict. By separating them, you don't have that conflict?

Karlene Fine: That's correct.

Chairman Vigesaa: That one loan transferring to the school construction fund; that still needs to be done?

Adam Mathiak: There is another bill provides a little bit different funding source to cover that buy down. It would depend on what happens. If you want to include it in here as Bank of North Dakota profit transfer to cover it or see what happens with that other bill that includes that.

Chairman Vigesaa continued with the worksheet.

Vice Chairman Brandenburg: Made a motion to move the Biofuels Pace, BNE Farmer Loan Fund and Development Fund Transfer to the House version.

Representative Beadle: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa: See attachment D.

Adam Mathiak: The reason you're saying such large increase is that the mill is a little different entity; the workers have their own separate union.

Representative Kempenich: Made a motion to move \$2.2 million for overtime and move the increased operating costs to the House version.

Representative Howe: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa continued with the worksheets.

Vice Chairman Brandenburg: There's \$20 million for the incentive fund and we don't know what Kruen's bill is going to do. Until we know what's going on with that, I'd say we don't put anything in there.

Vice Chairman Brandenburg: Made a motion to move everything but the retirement increase and the funding from SIIF to the House version.

Representative Howe: Seconded the motion.

Voice Vote made.

Motion Carried.

Adam Mathiak: One of the sections of the bill that I forgot to identify was related to the Housing Finance Agency. It authorizes them to receive additional federal or other funds that become available. It has historically been a part of their budget. There is a reporting requirement to have them report.

Vice Chairman Brandenburg: You're just asking to give authority to give that transferability to carry forward?

Adam Mathiak: If they receive additional money, they would have authorization to spend it in the next biennium.

Vice Chairman Brandenburg: How much are federal funds for the housing finance agency?

Adam Mathiak: Their 2019-2021 request is about \$33 million in federal funds and \$12 million special funds for their \$45 million appropriation in total.

Representative Beadle: Made a motion to authorize them to receive additional federal or other funds that become available to the House version.

Representative Howe: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa: Closed the discussion.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
2/11/2019
Recording Job# 32499

- Subcommittee
 Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachment A

Chairman Vigesaa: Opened the discussion on HB1014.

Roll Call taken.

Chairman Vigesaa: See attachment A.

Chairman Vigesaa: On the amendment in section 4, I thought it had traditionally been in the bill; but I didn't see it in the bill itself.

Adam Mathiak, Analyst, ND Legislative Council: After the court ruling with the supreme court and the decision with the executive branch, continuing appropriations came up as a part of that court case. It was our position to take those out; but if the agency was asking for it, it would be included in the bill so there was a record of it.

Chairman Vigesaa: We have not been including it in some; and on this one it's included. To be consistent, should this be removed?

Adam Mathiak: That would be up to you. In this particular case, the housing finance agency has relied on this in the past. There may be a stronger rationale for including it because they have had to use it in the past.

Vice Chairman Brandenburg: Whatever we do, I think we need to talk about it in full committee.

Chairman Vigesaa: I thought DOT would be one where it surely would be in and it wasn't. I think we'll leave it alone for now and make the decision in full committee.

Chairman Vigesaa: The profits from the Bank of North Dakota; it was section 6 in the bill and I don't see it listed here but I see it referenced.

Adam Mathiak: It was already part of the base budget, so it wouldn't be part of the amendment.

Representative Bellew: Shouldn't we just do it again so people understand that we're taking \$140 million in profits?

Chairman Vigesaa: When the bill goes up to the House, it will show as a section. Right?

Adam Mathiak: That's correct.

Vice Chairman Brandenburg: What did we take out of the bank last session?

Adam Mathiak: It was the same amount; it was \$140 million. During the August special session, there was an additional \$100 million that was utilized.

Vice Chairman Brandenburg: So it would be a total of \$240 million for the last biennium; if you combined the regular session and special session?

Adam Mathiak: The special session would have been a little bit before. There were also some regular profits used plus that \$100 million of contingent; I'm pretty sure it ended up being over \$140 million. Almost all their profits were utilized in the 2015-2017 biennium in order to cover that short fall.

Chairman Vigesaa continued with attachment A.

Vice Chairman Brandenburg: Where's the \$15 million for Project Tundra?

Adam Mathiak: The lignite research fund has a continuing appropriation. It receives money from the coal taxes; that money as it comes in is available on a continuing appropriation for them to grant out. That wouldn't show up as part of this appropriation. This is identifying that the monies that are in the fund are available without requiring matching funds.

Vice Chairman Brandenburg: Industry would be matching that \$15 million?

Adam Mathiak: That's correct.

Chairman Vigesaa continued with the amendment.

Vice Chairman Brandenburg: Is it the coal severance tax or the coal conversion tax that the money is coming from for the lignite research fund?

Adam Mathiak: The taxes that go into the lignite research fund would be the school severance tax, 70% that was deposited in the coal development trust fund, and 15% of the coal severance tax; there's 5% of the general fund share from the coal convergence tax.

Representative Kempenich: Where is Operation Tundra coming from?

Adam Mathiak: It's my understanding that it's coming from the lignite research fund. It could be part of some of the money that was intended to be used for advanced energy technology development and additional new money that they would be able to contribute towards that.

Chairman Vigesaa continued with the amendment.

Vice Chairman Brandenburg: Where are we at with the bonds? At this point we're only tied to about \$10 million.

Adam Mathiak: That's correct.

Chairman Vigesaa continued with the amendment.

Vice Chairman Brandenburg: In section 4 we're talking about \$33 million of federal funds and \$11 million of special funds?

Adam Mathiak: That's about what their appropriation is.

Vice Chairman Brandenburg: Where is the \$18 million at?

Adam Mathiak: The large portions of that would be related to the increase for the Bank of North Dakota for \$5 million, the housing finance agency for \$3 million, and a large chunk for the mill and elevator at \$8.5 million and about \$2.5 million for the industrial commission.

21:00

Vice Chairman Brandenburg: Made a motion to adopt amendment 19.0202.01003 to HB 1014.

Representative Beadle: Seconded the motion.

Voice Vote made.

Motion Carried.

Vice Chairman Brandenburg: Made a motion for a "Do Pass as Amended on HB 1014."

Representative Beadle: Seconded the motion.

Roll Call vote: 7 Yeas 0 Nays 0 Absent.

Motion Carried.

Chairman Vigesaa: Closed the discussion.

26:09

Chairman Vigesaa: Reopened the discussion. Last time that was listed under contingencies? I see that there was \$221,737.00 in the base level under contingencies.

Chris Kadrmas, Analyst, ND Legislative Council: It had been appropriated to the contingencies line item last biennium.

Chairman Vigesaa: The two FTE's that are showing up as an adjustment, those are the two that were contingent last time; but had been added fully for this biennium. Would that be correct?

Chris Kadrmas: Yes.

Representative Mock: Made a motion to reconsider their actions on HB 1014.

Representative Beadle: Seconded the motion.

Voice Vote made.

Motion Carried.

Vice Chairman Brandenburg: Made a motion add in the \$464,499.00 for temporary employees.

Representative Mock: Seconded the motion.

Representative Bellew: Where did we get the amount from?

Chairman Vigesaa: It was provided by Lynn Helms.

Representative Bellew: It doesn't come up to that.

Chris Kadrmas: I'm not sure if the change is possibly because of the salary packages. It has to do with the health insurance increase because the governor's recommendation didn't cover \$28.00 that the employee was going to pay.

Chairman Vigesaa: The whole amount would sit in contingency then?

Chris Kadrmas: I would have to say that it would be in contingency.

Voice Vote made.

Motion Carried.

Representative Brandenburg: Made a motion for a "Do Pass as Amended on HB 1014".

Representative Howe: Seconded the motion.

Roll Call Vote taken: 7 Yeas 0 Nays 0 Absent

Motion Carried.

Chairman Vigesaa: Closed the discussion.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
2/13/2019
Recording Job# 32634

- Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachment A

Chairman Vigesaa: Opened the discussion on HB1014.

Roll Call taken.

Chairman Vigesaa: See attachment A.

Adam Mathiak, Analyst, ND Legislative Council: Explained changes to the amendment.

Vice Chairman Brandenburg: That would be fine as the well count is 20,800 for the first one and 22,500 for the second.

Representative Bellew: Made a motion to reconsider their actions.

Representative Howe: Seconded the motion.

Voice Vote taken.

Motion Carried.

Vice Chairman Brandenburg: Made a motion for to pass amendment 19.0202.01004.

Representative Howe: Seconded the motion.

Motion carried.

Vice Chairman Brandenburg: Made a motion for a “Do Pass as Amended” on HB 1014.

House Appropriations Committee – Government Operations Division
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Page 2

Representative Howe: Seconded the motion.

Roll Call Taken: 4 Yeas 0 Nays 3 Absent

Motion Carried.

Chairman Vigesaa: Closed the discussion.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1014
2/13/2019
32680

- Subcommittee
 Conference Committee

Committee Clerk: Risa Bergquist and Parker Oswald

Explanation or reason for introduction of bill/resolution:

The expenses of the industrial commission and the agencies under the management of the industrial commission

Minutes:

Chairman Delzer: Opens meeting on HB 1014.

Representative Brandenburg: Working off of **amendment 19.0202.01004** (reviews the amendment).

Chairman Delzer: It looks to me like your general fund total is \$27M.

(4:00) Representative Brandenburg: **Page 6 of amendment 19.0202.01004** on Statement Purpose of Amendment (SPA).

Chairman Delzer: You are basing that on increased well numbers?

Representative Kempenich: The two you just mentioned were existing FTE (full time employee).

Representative Brandenburg: We adjusted the fund for the FTE positions for the last session.

Chairman Delzer: For the ones that came on during the last session and the next one authorizes new ones?

Representative Brandenburg: We are authorizing 2 new FTE, but only funding 1. It is based on a well count of 20,800 for the first and 22,500 for the second one. I think we will be back here by the time we get the money for the second position.

(5:50) Chairman Delzer: How many more years before the bond is paid off?

Representative Brandenburg: I am not sure, 8 or 10 years I believe.

(7:00) Chairman Delzer: The \$5M is for the North Star and the \$270,000 is just operating and both of those come from the abandoned wells fund?

Representative Vigesaa: That \$270,000 is coming from SIIF (Strategic Investment and Improvement Fund).

Representative Brandenburg: Yes, but I would have to check.

Chairman Delzer: You have \$110,000 from SIIF for the frack sand, are they through the study yet? Have they done anything with it?

Representative Brandenburg: I think they have found some, those are out of SIIF. Transportation costs are high to bring it in. Continues on amendment **19.0202.01004**.

Chairman Delzer: Where is that from, which section?

(10:20) Representative Brandenburg: The Outdoor Heritage fund. Continues **section 16 of amendment**.

Chairman Delzer: Subsection 1?

Representative Brandenburg: It gives authority to take \$4M from the oil and gas well plugging fund and then adds in \$10M for the natural gas storage study. Section 18, are we giving them the authority for the unspent money? There is \$4.5M available from the lignite fund for lignite studies.

(13:00) Representative Brandenburg: **Bank of North Dakota page 6 and 7 of amendment 19.0202.01004.**

(17:00) Chairman Delzer: Is this an additional amount we are taking out that was not taken out in the past?

Mr. Mathiak, LC: It was taken out of the profits and prior to that it was out of the general fund and last time it was \$16M for pace and this would be about a \$10M increase. These levels would not be inconsistent with previous years.

Representative J. Nelson: The 1-million-dollar contingency fund increase, why do they need that?

Representative Vigesaa: The addition of the \$1M brings them back to where they have been.

(19:15) Representative Brandenburg: **Housing Finance, page 9 of amendment 19.0202.01004.**

Chairman Delzer: There was a request to put some money in there?

Representative Brandenburg: We didn't because there is a bill in the senate and we don't know where it's at. Continuing on with Mill & elevator sections in amendment **19.0202.01004.**

Chairman Delzer: Let's go through the sections.

(22:20) Representative Brandenburg: Briefly recaps the sections mentioned.

(22:50) Representative Kreidt: Could you go back to the rare earth study?

Representative Brandenburg: It believed that in the state we have some of our own rare earth then we wouldn't have to bring it in from outside the state.

(24:00) Representative Kreidt: They have some idea of where this sand is at?

Representative Kempenich: The Hazen and Beulah area.

(24:40) Representative Brandenburg: Continuing in amendment **19.0202.01004.**

Chairman Delzer: I have to ask why did we do section 12?

(26:00) Representative Vigesaa: This fund has been housed at the Bank of North Dakota and they are transferring it out to their development fund.

Chairman Delzer: They had to have a stand-alone because of the risk.

(27:00) Representative Brandenburg: Make a motion to adopt amendment **19.0202.01004.**

Representative Beadle: Seconded.

(27:20) Chairman Delzer: Further discussion on the motion to amend? **Voice vote taken, motion carries.**

(27:35) Representative Brandenburg: Motion made of Do Pass as amended.

Representative Howe: Seconded.

(28:05) Roll call vote is taken. Motion of do pass as amended carries with 19 yes, 1 no and 1 absent. Representative Brandenburg will carry the bill.

Chairman Delzer: Closes meeting on HB 1014.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 2, replace the second "and" with "to amend and reenact subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code, relating to the fund balance of the abandoned oil and gas well plugging and site reclamation fund; to provide a contingent authorization;"

Page 1, line 3, after "transfer" insert "; and to provide an exemption"

Page 1, replace lines 13 through 23 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>(221,737)</u>	<u>0</u>
Total all funds	\$40,752,193	\$4,045,381	\$44,797,574
Less estimated income	<u>15,343,206</u>	<u>2,644,219</u>	<u>17,987,425</u>
Total general fund	\$25,408,987	\$1,401,162	\$26,810,149
Full-time equivalent positions	110.25	2.00	112.25"

Page 2, replace lines 2 through 9 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Bank of North Dakota operations	\$58,489,204	\$4,165,031	\$62,654,235
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$4,865,031	\$64,164,235
Full-time equivalent positions	181.50	0.00	181.50"

Page 2, replace lines 12 through 19 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,844,436	\$47,374,675
Full-time equivalent positions	44.00	0.00	44.00"

Page 2, replace lines 22 through 29 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>

Total special funds	\$68,213,519	\$8,626,293	\$76,839,812
Full-time equivalent positions	153.00	2.00	155.00"

Page 3, replace lines 1 through 5 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Grand total general fund	\$25,408,987	\$1,401,162	\$26,810,149
Grand total special funds	187,386,168	18,979,979	206,366,147
Grand total all funds	\$212,795,155	\$20,381,141	\$233,176,296"

Page 3, line 6, after "FUNDING" insert "- EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SEVENTH LEGISLATIVE ASSEMBLY"

Page 3, line 7, after "biennium" insert "and the 2019-21 biennium one-time funding items included in the appropriation in section 1 of this Act"

Page 3, replace lines 9 through 13 with:

"Litigation	\$1,000,000	\$0
Industrial water supply asset study	150,000	0
Soil remediation studies	5,000,000	0
Survey review	800,000	0
Rare earth elements study	0	160,000
Fracturing sand study	0	110,000
Oil database software upgrade	0	5,000,000
Total special funds	\$6,950,000	\$5,270,000

The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The industrial commission shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 3, line 14, replace "\$13,210,484" with "\$10,508,767"

Page 3, replace lines 17 through 29 with:

"North Dakota university system	\$4,959,448
North Dakota university system - energy conservation projects	415,664
Department of corrections and rehabilitation	689,299
Department of corrections and rehabilitation - energy conservation projects	16,180
State department of health	644,884
Job service North Dakota	434,847
Office of management and budget	567,125
Attorney general's office	647,500
State historical society	1,177,875
Parks and recreation department	66,875
Research and extension service	483,337
Veterans' home	405,733
Total	\$10,508,767

SECTION 4. APPROPRIATION - HOUSING FINANCE AGENCY - ADDITIONAL INCOME. In addition to the amount appropriated to the housing finance agency in subdivision 3 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, 2019, and ending June 30, 2021. The

housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency resulting in an increase in appropriation authority."

Page 3, line 30, replace "**APPROPRIATION**" with "**AUTHORIZATION**"

Page 3, line 30, remove "**FUNDING**"

Page 3, line 31, replace "The amount of \$221,737 from the general fund and two" with "Two"

Page 4, line 1, replace "may be spent only" with "are authorized"

Page 4, line 4, replace "eighteen thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 5, remove "may spend \$221,737 from the contingencies line item and"

Page 4, line 6, remove "eighteen"

Page 4, line 7, replace "thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 9, replace "\$1,103,779" with "\$1,150,782"

Page 4, line 10, remove "special funds"

Page 4, line 10; remove "line item"

Page 4, line 22, after "president" insert ". For legislative council budget status reporting purposes, the transfer under this section is considered an ongoing revenue source"

Page 4, after line 22, insert:

"SECTION 8. TRANSFER - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, 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, 2019, and ending June 30, 2021.

SECTION 9. TRANSFER - 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, 2019, and ending June 30, 2021.

SECTION 10. TRANSFER - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$1,000,000, 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, 2019, and ending June 30, 2021.

SECTION 11. TRANSFER - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, 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, 2019, and ending June 30, 2021.

SECTION 12. TRANSFER - NORTH DAKOTA DEVELOPMENT FUND. The Bank of North Dakota shall transfer the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the North

Dakota development fund established under chapter 10-30.5 during the biennium beginning July 1, 2019, and ending June 30, 2021. Funding transferred under this section must be used to purchase existing venture capital assets held by the Bank of North Dakota.

SECTION 13. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The operating expenses line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.

SECTION 14. ESTIMATED INCOME - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND. The capital assets line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$5,000,000 from the abandoned oil and gas well plugging and site reclamation fund for a risk-based data management system information technology project.

SECTION 15. AMENDMENT. Subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

- f. (1) For the period beginning September 1, 2017, and ending August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding four million dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~fifty million dollars.
- (2) After August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~fifty million dollars.

SECTION 16. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - NORTH DAKOTA OUTDOOR HERITAGE FUND. Notwithstanding the provisions of section 57-51-15 relating to the allocations to the North Dakota outdoor heritage fund, for the period beginning September 1, 2019, and ending August 31, 2021, the state treasurer shall allocate eight percent of the oil and gas gross production tax revenue available under subsection 1 of section 57-51-15 to the North Dakota outdoor heritage fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year.

SECTION 17. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - OIL AND GAS RESEARCH FUND - PILOT PROJECT FOR UNDERGROUND GAS STORAGE.

1. Notwithstanding the provisions of section 57-51.1-07.3 relating to the allocations to the oil and gas research fund, for the period beginning August 1, 2019, and ending July 31, 2021, the state treasurer shall deposit two percent of the oil and gas gross production tax and oil extraction tax revenues, up to \$14,000,000, into the oil and gas research fund before depositing oil and gas tax revenues under section 57-51.1-07.5.

2. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$4,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center for a pilot project relating to the underground storage of produced natural gas. The pilot project may include studies and demonstration projects. During the 2019-20 interim, the energy and environmental research center shall provide quarterly reports to the industrial commission and at least one report to the legislative management regarding the results and recommendations of the pilot project.

SECTION 18. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount of \$1,103,779 appropriated to the industrial commission in subdivision 1 of section 1 of chapter 39 of the 2017 Session Laws and transferred pursuant to section 8 of chapter 39 of the 2017 Session Laws is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 19. EXEMPTION - SURVEY REVIEW - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The amount of \$800,000 appropriated from the strategic investment and improvements fund in section 2 of chapter 426 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for expert legal testimony associated with the survey review during the biennium beginning July 1, 2019, and ending June 30, 2021."

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	\$40,752,193	\$4,045,381	\$44,797,574
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,401,162	\$26,810,149
FTE	110.25	2.00	112.25
Bank of North Dakota			
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50
Housing Finance Agency			
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00
Mill and Elevator			
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00

Bill total			
Total all funds	\$212,795,155	\$20,381,141	\$233,176,296
Less estimated income	187,386,168	18,979,979	206,366,147
General fund	\$25,408,987	\$1,401,162	\$26,810,149
FTE	488.75	4.00	492.75

House Bill No. 1014 - Industrial Commission - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets		5,000,000	5,000,000
Grants - Bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	221,737	(221,737)	
Total all funds	\$40,752,193	\$4,045,381	\$44,797,574
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,401,162	\$26,810,149
FTE	110.25	2.00	112.25

Department 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for 2017-19 Contingent FTE Positions ³	Adds Contingent FTE Positions ⁴	Adjusts Funding for Operating Expenses ⁵	Reduces Funding for Bond Payments ⁶
Salaries and wages	(\$123,310)	\$1,143,845	\$262,201			
Operating expenses					\$416,099	
Capital assets						
Grants - Bond payments						(\$2,701,717)
Contingencies			(221,737)			
Total all funds	(\$123,310)	\$1,143,845	\$40,464	\$0	\$416,099	(\$2,701,717)
Less estimated income	40,140	67,711	0	0	(31,915)	(2,701,717)
General fund	(\$163,450)	\$1,076,134	\$40,464	\$0	\$448,014	\$0
FTE	0.00	0.00	0.00	2.00	0.00	0.00

	Adds One-Time Funding for Studies and an Information Technology Project ²	Total House Changes
Salaries and wages		\$1,282,736
Operating expenses	\$270,000	686,099
Capital assets	5,000,000	5,000,000
Grants - Bond payments		(2,701,717)
Contingencies		(221,737)
Total all funds	\$5,270,000	\$4,045,381
Less estimated income	5,270,000	2,644,219
General fund	\$0	\$1,401,162
FTE	0.00	2.00

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Salary increase	\$571,918	\$36,477	\$608,395
Health insurance increase	504,216	31,234	535,450
Total	<u>\$1,076,134</u>	<u>\$67,711</u>	<u>\$1,143,845</u>

³ Funding of \$221,737 is transferred from the contingencies line item to the salaries and wages line item, and funding of \$40,464 is added related to 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium.

⁴ Contingent authorization is provided for 2 FTE positions. The FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 20,800 as identified in Section 5 of the bill.

⁵ Funding is adjusted for operating expenses as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Adjusts funding for travel and building leases	\$300,827	(\$36,324)	\$264,503
Adds funding for computer replacements	70,400	0	70,400
Adds funding for Microsoft Office 365 licensing	76,787	4,409	81,196
Total	<u>\$448,014</u>	<u>(\$31,915)</u>	<u>\$416,099</u>

⁶ Funding for bond payments is reduced by \$2,701,717, from \$13,210,484 to \$10,508,767.

⁷ Funding is added for the following one-time items:

	<u>Total</u>
Rare earth element study (strategic investment and improvements fund)	\$160,000
Fracturing sand study (strategic investment and improvements fund)	110,000
Information technology project (abandoned oil and gas well plugging and site reclamation fund)	5,000,000
Total	<u>\$5,270,000</u>

This amendment also includes the following items related to the Industrial Commission:

- Provides legislative intent for bond payments.
- Identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions are available if the total number of wells capable of production and injection exceeds 20,800.
- Allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services and provides an exemption to allow any unspent 2017-19 biennium appropriations for administrative costs to continue in the 2019-21 biennium.
- Identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.
- Identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project.
- Limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.
- Decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.
- Increases the oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.
- Provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review in the 2019-21 biennium.
- Provides intent that \$4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	\$810,000	\$700,000	\$1,510,000
Bank of North Dakota operations	58,489,204	4,165,031	62,654,235
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50

Department 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for Bank Operations ³	Adds Funding for Bank Contingencies ⁴	Adds Funding for Information Technology Equipment and Software ⁵	Total House Changes
Capital assets					\$700,000	\$700,000
Bank of North Dakota operations	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000		4,165,031
Total all funds	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000	\$700,000	\$4,865,031
Less estimated income	230,000	1,706,921	1,228,110	1,000,000	700,000	4,865,031
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Other Funds
Salary increase	\$894,823
Health insurance increase	812,098
Total	\$1,706,921

³ Funding is adjusted for Bank of North Dakota operations, as follows:

	Total
Adjusts funding for postage and temporary salaries	(\$75,550)
Increases funding for information technology costs	876,800
Adds funding for Microsoft Office 365 licensing	37,352
Increases funding for professional development and services	139,508
Increases funding for utilities, insurance, and other operating expenses	250,000
Total	\$1,228,110

⁴ Funding of \$1 million is added for Bank of North Dakota contingencies to provide total contingency funding of \$3.5 million.

⁵ Funding is added for information technology equipment and software.

This amendment also includes the following items related to the Bank of North Dakota:

- Transfer \$140 million of Bank profits to the general fund and identifies the transfer as an ongoing revenue source for Legislative Council budget status reporting purposes.

- Transfer \$26 million of Bank profits to the partnership in assisting community expansion (PACE) fund.
- Transfer \$3 million of Bank profits to the Ag PACE fund.
- Transfer \$1 million of Bank profits to the biofuels PACE fund.
- Transfer \$6 million of Bank profits to the beginning farmer revolving loan fund.
- Transfer \$15 million of Bank profits to the North Dakota development fund and requires the funding be used to purchase existing venture capital assets held by the Bank.

House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
HFA contingencies	100,000		100,000
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Removes Funding for Temporary Employees ³	Adds Funding for Mortgage Servicing Premium Expenses ⁴	Adds Funding for Grants ⁵	Total House Changes
Salaries and wages	\$221,665	\$405,297	(\$57,219)			\$569,743
Operating expenses				\$602,921		602,921
Grants					\$1,671,772	1,671,772
HFA contingencies						
Total all funds	\$221,665	\$405,297	(\$57,219)	\$602,921	\$1,671,772	\$2,844,436
Less estimated income	221,665	405,297	(57,219)	602,921	1,671,772	2,844,436
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Total
Salary increase	\$208,965
Health insurance increase	196,332
Total	\$405,297

³ Funding is removed for temporary employees.

⁴ Funding is added for mortgage servicing premium expenses related to an increasing loan volume.

⁵ Funding of \$1,671,772 is added for grants, including \$20,000 for program grants and \$1,651,772 for federal housing grants.

This amendment also adds a section related to the Housing Finance Agency to provide appropriation authority for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium and requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000		500,000
Agriculture promotion	210,000		210,000
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00

Department 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Benefit Increases ²	Increases Funding for Overtime and Temporary Employees ³	Adds FTE Positions ⁴	Adds Funding for Operating Expenses ⁵	Total House Changes
Salaries and wages	\$3,477,828	\$682,698	\$2,538,685	\$285,082		\$6,984,293
Operating expenses					\$1,642,000	1,642,000
Contingencies						
Agriculture promotion						
Total all funds	\$3,477,828	\$682,698	\$2,538,685	\$285,082	\$1,642,000	\$8,626,293
Less estimated income	3,477,828	682,698	2,538,685	285,082	1,642,000	8,626,293
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00	0.00	2.00

¹ Funding is adjusted for base payroll changes, including salary increases.

² Funding is added for increases in health insurance premiums from \$1,241 to \$1,427 per month.

³ Funding is increased for overtime expenses (\$2,227,085) and temporary employees (\$311,600).

⁴ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,070).

⁵ Funding is added for operating expenses for increased costs related to utilities, insurance, and repairs.

No other sections were included by the House related to the Mill and Elevator Association.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 2, replace the second "and" with "to amend and reenact subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code, relating to the fund balance of the abandoned oil and gas well plugging and site reclamation fund; to provide a contingent authorization;"

Page 1, line 3, after "transfer" insert "; and to provide an exemption"

Page 1, replace lines 13 through 23 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>7,807</u>	<u>229,544</u>
Total all funds	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	<u>15,343,206</u>	<u>2,644,219</u>	<u>17,987,425</u>
Total general fund	\$25,408,987	\$1,630,706	\$27,039,693
Full-time equivalent positions	110.25	2.00	112.25"

Page 2, replace lines 2 through 9 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Bank of North Dakota operations	\$58,489,204	\$4,165,031	\$62,654,235
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$4,865,031	\$64,164,235
Full-time equivalent positions	181.50	0.00	181.50"

Page 2, replace lines 12 through 19 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,844,436	\$47,374,675
Full-time equivalent positions	44.00	0.00	44.00"

Page 2, replace lines 22 through 29 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>

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Total special funds	\$68,213,519	\$8,626,293	\$76,839,812
Full-time equivalent positions	153.00	2.00	155.00"

Page 3, replace lines 1 through 5 with:

"		Adjustments or	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Grand total general fund	\$25,408,987	\$1,630,706	\$27,039,693
Grand total special funds	<u>187,386,168</u>	<u>18,979,979</u>	<u>206,366,147</u>
Grand total all funds	\$212,795,155	\$20,610,685	\$233,405,840"

Page 3, line 6, after "FUNDING" insert "- EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SEVENTH LEGISLATIVE ASSEMBLY"

Page 3, line 7, after "biennium" insert "and the 2019-21 biennium one-time funding items included in the appropriation in section 1 of this Act"

Page 3, replace lines 9 through 13 with:

"Litigation	\$1,000,000	\$0
Industrial water supply asset study	150,000	0
Soil remediation studies	5,000,000	0
Survey review	800,000	0
Rare earth elements study	0	160,000
Fracturing sand study	0	110,000
Oil database software upgrade	<u>0</u>	<u>5,000,000</u>
Total special funds	\$6,950,000	\$5,270,000

The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The industrial commission shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 3, line 14, replace "\$13,210,484" with "\$10,508,767"

Page 3, replace lines 17 through 29 with:

"North Dakota university system	\$4,959,448
North Dakota university system - energy conservation projects	415,664
Department of corrections and rehabilitation	689,299
Department of corrections and rehabilitation - energy conservation projects	16,180
State department of health	644,884
Job service North Dakota	434,847
Office of management and budget	567,125
Attorney general's office	647,500
State historical society	1,177,875
Parks and recreation department	66,875
Research and extension service	483,337
Veterans' home	<u>405,733</u>
Total	\$10,508,767

SECTION 4. APPROPRIATION - HOUSING FINANCE AGENCY - ADDITIONAL INCOME. In addition to the amount appropriated to the housing finance agency in subdivision 3 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, 2019, and ending June 30, 2021. The

housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency resulting in an increase in appropriation authority."

Page 3, line 31, replace "\$221,737" with "\$229,544"

Page 4, line 4, replace "eighteen thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 5, replace "\$221,737" with "\$229,544"

Page 4, line 6, remove "eighteen"

Page 4, line 7, replace "thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 9, replace "\$1,103,779" with "\$1,150,782"

Page 4, line 10, remove "special funds"

Page 4, line 10, remove "line item"

Page 4, line 22, after "president" insert ". For legislative council budget status reporting purposes, the transfer under this section is considered an ongoing revenue source"

Page 4, after line 22, insert:

"SECTION 8. TRANSFER - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, 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, 2019, and ending June 30, 2021.

SECTION 9. TRANSFER - 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, 2019, and ending June 30, 2021.

SECTION 10. TRANSFER - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$1,000,000, 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, 2019, and ending June 30, 2021.

SECTION 11. TRANSFER - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, 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, 2019, and ending June 30, 2021.

SECTION 12. TRANSFER - NORTH DAKOTA DEVELOPMENT FUND. The Bank of North Dakota shall transfer the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the North Dakota development fund established under chapter 10-30.5 during the biennium beginning July 1, 2019, and ending June 30, 2021. Funding transferred under this section must be used to purchase existing venture capital assets held by the Bank of North Dakota.

SECTION 13. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The operating expenses line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.

SECTION 14. ESTIMATED INCOME - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND. The capital assets line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$5,000,000 from the abandoned oil and gas well plugging and site reclamation fund for a risk-based data management system information technology project.

SECTION 15. AMENDMENT. Subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

- f. (1) For the period beginning September 1, 2017, and ending August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding four million dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~fifty million dollars.
- (2) After August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~fifty million dollars.

SECTION 16. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - NORTH DAKOTA OUTDOOR HERITAGE FUND. Notwithstanding the provisions of section 57-51-15 relating to the allocations to the North Dakota outdoor heritage fund, for the period beginning September 1, 2019, and ending August 31, 2021, the state treasurer shall allocate eight percent of the oil and gas gross production tax revenue available under subsection 1 of section 57-51-15 to the North Dakota outdoor heritage fund, but not in an amount exceeding \$7,500,000 per fiscal year.

SECTION 17. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - OIL AND GAS RESEARCH FUND - PILOT PROJECT FOR UNDERGROUND GAS STORAGE.

1. Notwithstanding the provisions of section 57-51.1-07.3 relating to the allocations to the oil and gas research fund, for the period beginning August 1, 2019, and ending July 31, 2021, the state treasurer shall deposit two percent of the oil and gas gross production tax and oil extraction tax revenues, up to \$14,000,000, into the oil and gas research fund before depositing oil and gas tax revenues under section 57-51.1-07.5.
2. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$4,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center for a pilot project relating to the underground storage of produced natural gas. The pilot project may

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include studies and demonstration projects. During the 2019-20 interim, the energy and environmental research center shall provide quarterly reports to the industrial commission and at least one report to the legislative management regarding the results and recommendations of the pilot project.

SECTION 18. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount of \$1,103,779 appropriated to the industrial commission in subdivision 1 of section 1 of chapter 39 of the 2017 Session Laws and transferred pursuant to section 8 of chapter 39 of the 2017 Session Laws is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 19. EXEMPTION - SURVEY REVIEW - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The amount of \$800,000 appropriated from the strategic investment and improvements fund in section 2 of chapter 426 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for expert legal testimony associated with the survey review during the biennium beginning July 1, 2019, and ending June 30, 2021."

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	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,630,706	\$27,039,693
FTE	110.25	2.00	112.25
Bank of North Dakota			
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50
Housing Finance Agency			
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00
Mill and Elevator			
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00
Bill total			
Total all funds	\$212,795,155	\$20,610,685	\$233,405,840
Less estimated income	187,386,168	18,979,979	206,366,147
General fund	\$25,408,987	\$1,630,706	\$27,039,693
FTE	488.75	4.00	492.75

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House Bill No. 1014 - Industrial Commission - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets		5,000,000	5,000,000
Grants - Bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	221,737	7,807	229,544
Total all funds	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,630,706	\$27,039,693
FTE	110.25	2.00	112.25

Department 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for 2017-19 Contingent FTE Positions ³	Adds Contingent FTE Positions ⁴	Adjusts Funding for Operating Expenses ⁵	Reduces Funding for Bond Payments ⁶
Salaries and wages	(\$123,310)	\$1,143,845	\$262,201			
Operating expenses					\$416,099	
Capital assets						
Grants - Bond payments						(\$2,701,717)
Contingencies			(221,737)	\$229,544		
Total all funds	(\$123,310)	\$1,143,845	\$40,464	\$229,544	\$416,099	(\$2,701,717)
Less estimated income	40,140	67,711	0	0	(31,915)	(2,701,717)
General fund	(\$163,450)	\$1,076,134	\$40,464	\$229,544	\$448,014	\$0
FTE	0.00	0.00	0.00	2.00	0.00	0.00

	Adds One-Time Funding for Studies and an Information Technology Project ⁷	Total House Changes
Salaries and wages		\$1,282,736
Operating expenses	\$270,000	686,099
Capital assets	5,000,000	5,000,000
Grants - Bond payments		(2,701,717)
Contingencies		7,807
Total all funds	\$5,270,000	\$4,274,925
Less estimated income	5,270,000	2,644,219
General fund	\$0	\$1,630,706
FTE	0.00	2.00

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	General Fund	Other Funds	Total
Salary increase	\$571,918	\$36,477	\$608,395
Health insurance increase	504,216	31,234	535,450
Total	\$1,076,134	\$67,711	\$1,143,845

³ Funding of \$221,737 is transferred from the contingencies line item to the salaries and wages line item, and funding of \$40,464 is added related to 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium.

⁴ Contingent funding and authorization is provided for 2 FTE positions. The FTE positions and related funding are

DP 2/13/16
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authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 20,800 as identified in Section 5 of the bill.

⁵ Funding is adjusted for operating expenses as follows:

	General Fund	Other Funds	Total
Adjusts funding for travel and building leases	\$300,827	(\$36,324)	\$264,503
Adds funding for computer replacements	70,400	0	70,400
Adds funding for Microsoft Office 365 licensing	76,787	4,409	81,196
Total	\$448,014	(\$31,915)	\$416,099

⁶ Funding for bond payments is reduced by \$2,701,717, from \$13,210,484 to \$10,508,767.

⁷ Funding is added for the following one-time items:

	Total
Rare earth element study (strategic investment and improvements fund)	\$160,000
Fracturing sand study (strategic investment and improvements fund)	110,000
Information technology project (abandoned oil and gas well plugging and site reclamation fund)	5,000,000
Total	\$5,270,000

This amendment also includes the following items related to the Industrial Commission:

- Provides legislative intent for bond payments.
- Identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions and related funding are available if the total number of wells capable of production and injection exceeds 20,800.
- Allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services and provides an exemption to allow any unspent 2017-19 biennium appropriations for administrative costs to continue in the 2019-21 biennium.
- Identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.
- Identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project.
- Limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.
- Decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.
- Increases the oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.
- Provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review in the 2019-21 biennium.
- Provides intent that \$4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	\$810,000	\$700,000	\$1,510,000
Bank of North Dakota operations	58,489,204	4,165,031	62,654,235
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50

DA 2/13/19
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Department 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for Bank Operations ³	Adds Funding for Bank Contingencies ⁴	Adds Funding for Information Technology Equipment and Software ⁵	Total House Changes
Capital assets					\$700,000	\$700,000
Bank of North Dakota operations	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000		4,165,031
Total all funds	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000	\$700,000	\$4,865,031
Less estimated income	230,000	1,706,921	1,228,110	1,000,000	700,000	4,865,031
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Other Funds
Salary increase	\$894,823
Health insurance increase	812,098
Total	\$1,706,921

³ Funding is adjusted for Bank of North Dakota operations, as follows:

	Total
Adjusts funding for postage and temporary salaries	(\$75,550)
Increases funding for information technology costs	876,800
Adds funding for Microsoft Office 365 licensing	37,352
Increases funding for professional development and services	139,508
Increases funding for utilities, insurance, and other operating expenses	250,000
Total	\$1,228,110

⁴ Funding of \$1 million is added for Bank of North Dakota contingencies to provide total contingency funding of \$3.5 million.

⁵ Funding is added for information technology equipment and software.

This amendment also includes the following items related to the Bank of North Dakota:

- Transfer \$140 million of Bank profits to the general fund and identifies the transfer as an ongoing revenue source for Legislative Council budget status reporting purposes.
- Transfer \$26 million of Bank profits to the partnership in assisting community expansion (PACE) fund.
- Transfer \$3 million of Bank profits to the Ag PACE fund.
- Transfer \$1 million of Bank profits to the biofuels PACE fund.
- Transfer \$6 million of Bank profits to the beginning farmer revolving loan fund.
- Transfer \$15 million of Bank profits to the North Dakota development fund and requires the funding be used to purchase existing venture capital assets held by the Bank.

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House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
HFA contingencies	100,000		100,000
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Removes Funding for Temporary Employees ³	Adds Funding for Mortgage Servicing Premium Expenses ⁴	Adds Funding for Grants ⁵	Total House Changes
Salaries and wages	\$221,665	\$405,297	(\$57,219)			\$569,743
Operating expenses				\$602,921		602,921
Grants					\$1,671,772	1,671,772
HFA contingencies						
Total all funds	\$221,665	\$405,297	(\$57,219)	\$602,921	\$1,671,772	\$2,844,436
Less estimated income	221,665	405,297	(57,219)	602,921	1,671,772	2,844,436
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Total
Salary increase	\$208,965
Health insurance increase	196,332
Total	\$405,297

³ Funding is removed for temporary employees.

⁴ Funding is added for mortgage servicing premium expenses related to an increasing loan volume.

⁵ Funding of \$1,671,772 is added for grants, including \$20,000 for program grants and \$1,651,772 for federal housing grants.

This amendment also adds a section related to the Housing Finance Agency to provide appropriation authority for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium and requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

DA 2/13/19
10 of 10

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000		500,000
Agriculture promotion	210,000		210,000
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00

Department 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Benefit Increases ²	Increases Funding for Overtime and Temporary Employees ³	Adds FTE Positions ⁴	Adds Funding for Operating Expenses ⁵	Total House Changes
Salaries and wages	\$3,477,828	\$682,698	\$2,538,685	\$285,082		\$6,984,293
Operating expenses					\$1,642,000	1,642,000
Contingencies						
Agriculture promotion						
Total all funds	\$3,477,828	\$682,698	\$2,538,685	\$285,082	\$1,642,000	\$8,626,293
Less estimated income	3,477,828	682,698	2,538,685	285,082	1,642,000	8,626,293
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00	0.00	2.00

- ¹ Funding is adjusted for base payroll changes, including salary increases.
- ² Funding is added for increases in health insurance premiums from \$1,241 to \$1,427 per month.
- ³ Funding is increased for overtime expenses (\$2,227,085) and temporary employees (\$311,600).
- ⁴ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,070).
- ⁵ Funding is added for operating expenses for increased costs related to utilities, insurance, and repairs.

No other sections were included by the House related to the Mill and Elevator Association.

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Mock Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Voice Vote

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
 To move over Microsoft Office 365. Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Howe Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe	<i>Votes 10-0</i>				
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To move one-time funding to the House changes. Motion carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Vice Chairman Brandenburg Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
 Made a motion to move one food safety FTE and one food safety assistant FTE to the House version.
 Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Vice Chairman Brandenburg Seconded By Representative Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
 Made a motion to move \$10,000 from the mill's promotional fund to be donated to rural leadership.
 Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Vice Chairman Brandenburg Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
 To add two contingent employees; one funded and the other unfunded
 Motion Carried

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Vice Chairman Brandenburg Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Handwritten green checkmarks and initials in the table.

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
 To take \$5 million out of the abandoned oil and gas well plugging site reclamation fund and to change the cap to \$50 million from \$100 million.
 Motion Carried

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Mock Seconded By Vice Chairman Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To appropriate \$18 million for natural gas storage
Motion Carried

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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. Howe Seconded By Rep. Kempennich

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempennich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

To increase the funding for two FTE's to complete their salaries for the remainder of the biennium.

Voice Vote: Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Beadle Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent: Made a motion to allocate up \$7.5 million per fiscal year to the outdoor heritage fund.
Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Howe Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To move line items discussed to the House version.
Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Vice Chairman Brandenburg Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
 To move over sections 6, 10, and 11 from the worksheet to the House version
 Motion Carried

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Vice Chairman Brandenburg Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To move the Biofuels PACE, BNE Farmer Loan Fund and Development Fund Transfer to House version.
Motion Carried

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Kempenich Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To move \$2.2 million for overtime and to move the increased operating costs to the House version.
Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Vice Chairman Brandenburg Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe	1				
Representative Kempenich	1				
	1				
	1				
	1				
	1				
	1				
	1				
	1				
	1				

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To move everything but the retirement increase and the funding from SIIF to the House version.
Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Beadle Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew	Vote Vote Vote Vote Vote Vote				
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
A motion to authorize them to receive additional federal or other funds that become available to the House version.
Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division Committee

Subcommittee

Amendment LC# or Description: 19.0202.01003

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 Vice Chairman Brandenburg Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To adopt the amendment.
Motion Carried.

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division Committee

Subcommittee

Amendment LC# or Description: 19.0202.01003

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 Vice Chairman Brandenburg Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa	X		Representative Mock	X	
Vice Chairman Brandenburg	X				
Representative Beadle	X				
Representative Bellew	X				
Representative Howe	X				
Representative Kempenich	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Vice Chairman Brandenburg

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

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Mock Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Voice Vote

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Motion Carried

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Vice Chairman Brandenburg Seconded By Representative Mock

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
 Made a motion to add in the \$464,499.00 for temporary employees.
 Motion Carried

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division 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 Vice Chairman Brandenburg Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa	X		Representative Mock	X	
Vice Chairman Brandenburg	X				
Representative Beadle	X				
Representative Bellew	X				
Representative Howe	X				
Representative Kempenich	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Vice Chairman Brandenburg

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

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division Committee

Subcommittee

Amendment LC# or Description: 19.0202.01003

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 Representative Bellew Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division Committee

Subcommittee

Amendment LC# or Description: 19.0202.01004

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 Vice Chairman Brandenburg Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014**

House Appropriations - Government Operations Division Committee

Subcommittee

Amendment LC# or Description: 19.0202.01004

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 Vice Chairman Brandenburg Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa	X		Representative Mock		
Vice Chairman Brandenburg	X				
Representative Beadle					
Representative Bellew	X				
Representative Howe	X				
Representative Kempenich					

Total (Yes) 4 No 0

Absent 3

Floor Assignment Vice Chairman Brandenburg

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

Date: 2/13/2019
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1014**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 19.0202.01004

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 Representative Brandenburg Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich					
Representative Anderson			Representative Schobinger		
Representative Beadle			Representative Vigesaa		
Representative Bellew					
Representative Brandenburg					
Representative Howe			Representative Boe		
Representative Kreidt			Representative Holman		
Representative Martinson			Representative Mock		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Voice Vote/Motion Carries

Date: 2/13/2019
 Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1014**

House 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 Representative Brandenburg Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X			
Representative Kempenich	X				
Representative Anderson	X		Representative Schobinger	X	
Representative Beadle	X		Representative Vigesaa	X	
Representative Bellew	X				
Representative Brandenburg	X				
Representative Howe	X		Representative Boe	X	
Representative Kreidt	X		Representative Holman	X	
Representative Martinson	X		Representative Mock	X	
Representative Meier	X				
Representative Monson	A				
Representative Nathe	X				
Representative J. Nelson	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	X				

Total (Yes) 19 No 1

Absent 1

Floor Assignment Representative Brandenburg

Motion Carries

REPORT OF STANDING COMMITTEE

HB 1014: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (19 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1014 was placed on the Sixth order on the calendar.

Page 1, line 2, replace the second "and" with "to amend and reenact subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code, relating to the fund balance of the abandoned oil and gas well plugging and site reclamation fund; to provide a contingent authorization;"

Page 1, line 3, after "transfer" insert "; and to provide an exemption"

Page 1, replace lines 13 through 23 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	221,737	7,807	229,544
Total all funds	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	15,343,206	2,644,219	17,987,425
Total general fund	\$25,408,987	\$1,630,706	\$27,039,693
Full-time equivalent positions	110.25	2.00	112.25"

Page 2, replace lines 2 through 9 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Bank of North Dakota operations	\$58,489,204	\$4,165,031	\$62,654,235
Capital assets	810,000	700,000	1,510,000
Total special funds	\$59,299,204	\$4,865,031	\$64,164,235
Full-time equivalent positions	181.50	0.00	181.50"

Page 2, replace lines 12 through 19 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	100,000	0	100,000
Total special funds	\$44,530,239	\$2,844,436	\$47,374,675
Full-time equivalent positions	44.00	0.00	44.00"

Page 2, replace lines 22 through 29 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total special funds	\$68,213,519	\$8,626,293	\$76,839,812
Full-time equivalent positions	153.00	2.00	155.00"

Page 3, replace lines 1 through 5 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Grand total general fund	\$25,408,987	\$1,630,706	\$27,039,693
Grand total special funds	187,386,168	18,979,979	206,366,147
Grand total all funds	\$212,795,155	\$20,610,685	\$233,405,840"

Page 3, line 6, after "FUNDING" insert "- EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SEVENTH LEGISLATIVE ASSEMBLY"

Page 3, line 7, after "biennium" insert "and the 2019-21 biennium one-time funding items included in the appropriation in section 1 of this Act"

Page 3, replace lines 9 through 13 with:

"Litigation	\$1,000,000	\$0
Industrial water supply asset study	150,000	0
Soil remediation studies	5,000,000	0
Survey review	800,000	0
Rare earth elements study	0	160,000
Fracturing sand study	0	110,000
Oil database software upgrade	0	5,000,000
Total special funds	\$6,950,000	\$5,270,000

The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The industrial commission shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 3, line 14, replace "\$13,210,484" with "\$10,508,767"

Page 3, replace lines 17 through 29 with:

"North Dakota university system	\$4,959,448
North Dakota university system - energy conservation projects	415,664
Department of corrections and rehabilitation	689,299
Department of corrections and rehabilitation - energy conservation projects	16,180
State department of health	644,884
Job service North Dakota	434,847
Office of management and budget	567,125
Attorney general's office	647,500
State historical society	1,177,875
Parks and recreation department	66,875
Research and extension service	483,337
Veterans' home	405,733
Total	\$10,508,767

SECTION 4. APPROPRIATION - HOUSING FINANCE AGENCY - ADDITIONAL INCOME. In addition to the amount appropriated to the housing finance agency in subdivision 3 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, 2019, and ending June 30, 2021. The housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency resulting in an increase in appropriation authority."

Page 3, line 31, replace "\$221,737" with "\$229,544"

Page 4, line 4, replace "eighteen thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 5, replace "\$221,737" with "\$229,544"

Page 4, line 6, remove "eighteen"

Page 4, line 7, replace "thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 9, replace "\$1,103,779" with "\$1,150,782"

Page 4, line 10, remove "special funds"

Page 4, line 10, remove "line item"

Page 4, line 22, after "president" insert ". For legislative council budget status reporting purposes, the transfer under this section is considered an ongoing revenue source"

Page 4, after line 22, insert:

"SECTION 8. TRANSFER - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, 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, 2019, and ending June 30, 2021.

SECTION 9. TRANSFER - 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, 2019, and ending June 30, 2021.

SECTION 10. TRANSFER - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$1,000,000, 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, 2019, and ending June 30, 2021.

SECTION 11. TRANSFER - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, 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, 2019, and ending June 30, 2021.

SECTION 12. TRANSFER - NORTH DAKOTA DEVELOPMENT FUND. The Bank of North Dakota shall transfer the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the North Dakota development fund established under chapter 10-30.5 during the biennium beginning July 1, 2019, and ending June 30, 2021. Funding transferred under this section must be used to purchase existing venture capital assets held by the Bank of North Dakota.

SECTION 13. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The operating expenses line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.

SECTION 14. ESTIMATED INCOME - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND. The capital assets line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$5,000,000 from the abandoned oil and gas well plugging and site reclamation fund for a risk-based data management system information technology project.

SECTION 15. AMENDMENT. Subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

- f. (1) For the period beginning September 1, 2017, and ending August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding four million dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~fifty million dollars.
- (2) After August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~fifty million dollars.

SECTION 16. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - NORTH DAKOTA OUTDOOR HERITAGE FUND. Notwithstanding the provisions of section 57-51-15 relating to the allocations to the North Dakota outdoor heritage fund, for the period beginning September 1, 2019, and ending August 31, 2021, the state treasurer shall allocate eight percent of the oil and gas gross production tax revenue available under subsection 1 of section 57-51-15 to the North Dakota outdoor heritage fund, but not in an amount exceeding \$7,500,000 per fiscal year.

SECTION 17. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - OIL AND GAS RESEARCH FUND - PILOT PROJECT FOR UNDERGROUND GAS STORAGE.

1. Notwithstanding the provisions of section 57-51.1-07.3 relating to the allocations to the oil and gas research fund, for the period beginning August 1, 2019, and ending July 31, 2021, the state treasurer shall deposit two percent of the oil and gas gross production tax and oil extraction tax revenues, up to \$14,000,000, into the oil and gas research fund before depositing oil and gas tax revenues under section 57-51.1-07.5.
2. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$4,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center for a pilot project relating to the underground storage of produced natural gas. The pilot project may include studies and demonstration projects. During the 2019-20 interim, the energy and environmental research center shall provide quarterly reports to the industrial commission and at least one report to the legislative management regarding the results and recommendations of the pilot project.

SECTION 18. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount of \$1,103,779 appropriated to the industrial commission in subdivision 1 of section 1 of chapter 39 of the 2017 Session Laws and transferred pursuant to section 8 of chapter 39 of the 2017 Session Laws is not subject to the provisions of

section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 19. EXEMPTION - SURVEY REVIEW - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The amount of \$800,000 appropriated from the strategic investment and improvements fund in section 2 of chapter 426 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for expert legal testimony associated with the survey review during the biennium beginning July 1, 2019, and ending June 30, 2021."

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	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,630,706	\$27,039,693
FTE	110.25	2.00	112.25
Bank of North Dakota			
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50
Housing Finance Agency			
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00
Mill and Elevator			
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00
Bill total			
Total all funds	\$212,795,155	\$20,610,685	\$233,405,840
Less estimated income	187,386,168	18,979,979	206,366,147
General fund	\$25,408,987	\$1,630,706	\$27,039,693
FTE	488.75	4.00	492.75

House Bill No. 1014 - Industrial Commission - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets		5,000,000	5,000,000
Grants - Bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	221,737	7,807	229,544
Total all funds	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,630,706	\$27,039,693
FTE	110.25	2.00	112.25

Department 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for 2017-19 Contingent FTE Positions ³	Adds Contingent FTE Positions ⁴	Adjusts Funding for Operating Expenses ⁵	Reduces Funding for Bond Payments ⁶
Salaries and wages	(\$123,310)	\$1,143,845	\$262,201			
Operating expenses					\$416,099	
Capital assets						
Grants - Bond payments						(\$2,701,717)
Contingencies			(221,737)	\$229,544		
Total all funds	(\$123,310)	\$1,143,845	\$40,464	\$229,544	\$416,099	(\$2,701,717)
Less estimated income	40,140	67,711	0	0	(31,915)	(2,701,717)
General fund	(\$163,450)	\$1,076,134	\$40,464	\$229,544	\$448,014	\$0
FTE	0.00	0.00	0.00	2.00	0.00	0.00

	Adds One-Time Funding for Studies and an Information Technology Project ⁷	Total House Changes
Salaries and wages		\$1,282,736
Operating expenses	\$270,000	686,099
Capital assets	5,000,000	5,000,000
Grants - Bond payments		(2,701,717)
Contingencies		7,807
Total all funds	\$5,270,000	\$4,274,925
Less estimated income	5,270,000	2,644,219
General fund	\$0	\$1,630,706
FTE	0.00	2.00

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	General Fund	Other Funds	Total
Salary increase	\$571,918	\$36,477	\$608,395
Health insurance increase	504,216	31,234	535,450
Total	\$1,076,134	\$67,711	\$1,143,845

³ Funding of \$221,737 is transferred from the contingencies line item to the salaries and wages line item, and funding of \$40,464 is added related to 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium.

⁴ Contingent funding and authorization is provided for 2 FTE positions. The FTE positions and related funding are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 20,800 as identified in Section 5 of the bill.

⁵ Funding is adjusted for operating expenses as follows:

	General Fund	Other Funds	Total
Adjusts funding for travel and building leases	\$300,827	(\$36,324)	\$264,503
Adds funding for computer replacements	70,400	0	70,400
Adds funding for Microsoft Office 365 licensing	76,787	4,409	81,196
Total	\$448,014	(\$31,915)	\$416,099

⁶ Funding for bond payments is reduced by \$2,701,717, from \$13,210,484 to \$10,508,767.

⁷ Funding is added for the following one-time items:

	Total
Rare earth element study (strategic investment and improvements fund)	\$160,000
Fracturing sand study (strategic investment and improvements fund)	110,000
Information technology project (abandoned oil and gas well plugging and site reclamation fund)	5,000,000
Total	\$5,270,000

This amendment also includes the following items related to the Industrial Commission:

- Provides legislative intent for bond payments.
- Identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions and related funding are available if the total number of wells capable of production and injection exceeds 20,800.
- Allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services and provides an exemption to allow any unspent 2017-19 biennium appropriations for administrative costs to continue in the 2019-21 biennium.
- Identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.
- Identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project.
- Limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.
- Decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.
- Increases the oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.
- Provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review in the 2019-21 biennium.
- Provides intent that \$4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	\$810,000	\$700,000	\$1,510,000
Bank of North Dakota operations	58 489 204	4 165 031	62 654 235
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59 299 204	4 865 031	64 164 235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50

Department 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for Bank Operations ³	Adds Funding for Bank Contingencie s ⁴	Adds Funding for Information Technology Equipment and Software ⁵	Total House Changes
Capital assets					\$700,000	\$700,000
Bank of North Dakota operations	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000		4,165,031
Total all funds	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000	\$700,000	\$4,865,031
Less estimated income	230,000	1,706,921	1,228,110	1,000,000	700,000	4,865,031
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Other Funds
Salary increase	\$894,823
Health insurance increase	812,098
Total	\$1,706,921

³ Funding is adjusted for Bank of North Dakota operations, as follows:

	Total
Adjusts funding for postage and temporary salaries	(\$75,550)
Increases funding for information technology costs	876,800
Adds funding for Microsoft Office 365 licensing	37,352
Increases funding for professional development and services	139,508
Increases funding for utilities, insurance, and other operating expenses	250,000
Total	\$1,228,110

⁴ Funding of \$1 million is added for Bank of North Dakota contingencies to provide total contingency funding of \$3.5 million.

⁵ Funding is added for information technology equipment and software.

This amendment also includes the following items related to the Bank of North Dakota:

- Transfer \$140 million of Bank profits to the general fund and identifies the transfer as an ongoing revenue source for Legislative Council budget status reporting purposes.
- Transfer \$26 million of Bank profits to the partnership in assisting community expansion (PACE) fund.
- Transfer \$3 million of Bank profits to the Ag PACE fund.
- Transfer \$1 million of Bank profits to the biofuels PACE fund.
- Transfer \$6 million of Bank profits to the beginning farmer revolving loan fund.
- Transfer \$15 million of Bank profits to the North Dakota development fund and requires the funding be used to purchase existing venture capital assets held by the Bank.

House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
HFA contingencies	100,000		100,000
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Removes Funding for Temporary Employees ³	Adds Funding for Mortgage Servicing Premium Expenses ⁴	Adds Funding for Grants ⁵	Total House Changes
Salaries and wages	\$221,665	\$405,297	(\$57,219)			\$569,743
Operating expenses				\$602,921		602,921
Grants					\$1,671,772	1,671,772
HFA contingencies						
Total all funds	\$221,665	\$405,297	(\$57,219)	\$602,921	\$1,671,772	\$2,844,436
Less estimated income	221,665	405,297	(57,219)	602,921	1,671,772	2,844,436
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Total
Salary increase	\$208,965
Health insurance increase	196,332
Total	\$405,297

³ Funding is removed for temporary employees.

⁴ Funding is added for mortgage servicing premium expenses related to an increasing loan volume.

⁵ Funding of \$1,671,772 is added for grants, including \$20,000 for program grants and \$1,651,772 for federal housing grants.

This amendment also adds a section related to the Housing Finance Agency to provide appropriation authority for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium and requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000		500,000
Agriculture promotion	210,000		210,000
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00

Department 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Benefit Increases ²	Increases Funding for Overtime and Temporary Employees ³	Adds FTE Positions ⁴	Adds Funding for Operating Expenses ⁵	Total House Changes
Salaries and wages	\$3,477,828	\$682,698	\$2,538,685	\$285,082		\$6,984,293
Operating expenses					\$1,642,000	1,642,000
Contingencies						
Agriculture promotion						
Total all funds	\$3,477,828	\$682,698	\$2,538,685	\$285,082	\$1,642,000	\$8,626,293
Less estimated income	3,477,828	682,698	2,538,685	285,082	1,642,000	8,626,293
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00	0.00	2.00

¹ Funding is adjusted for base payroll changes, including salary increases.

² Funding is added for increases in health insurance premiums from \$1,241 to \$1,427 per month.

³ Funding is increased for overtime expenses (\$2,227,085) and temporary employees (\$311,600).

⁴ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,070).

⁵ Funding is added for operating expenses for increased costs related to utilities, insurance, and repairs.

No other sections were included by the House related to the Mill and Elevator Association.

2019 SENATE APPROPRIATIONS

HB 1014

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1014 (Dept. of Mineral Resources)
3/4/2019
Job # 33104

- Subcommittee
 Conference Committee

Committee Clerk: Rose Laning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes:

Testimony # 1.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Chairman Holmberg called the committee back to order on HB 1014.

Lynn Helms, Director, Department of Mineral Resources

Dept. of Mineral Resources Testimony – Attachment # 1.

He said the Department of Mineral Resources is made up of two divisions: Oil and Gas (a regulatory agency) and Geological Survey (publications and promotion of the state's resources). They share a support staff.

Bruce Hicks, Assistant Director, Oil and Gas Division, Dept. of Mineral Resources
starting on page 4.

9:01) Senator Robinson: You said they can drill quite a few more wells. How does that equate to actual numbers? And timeline?

Bruce Hicks: If we put numbers to it - about 10 years ago, with three times as many rigs, we're completing about the same number of wells today with 1/3 the rigs. So with 60 rigs, we're completing almost as many wells as we did 10 years ago. There are a lot of wells out there that we call non-completed. They'll drill them and then they're waiting for a better price environment to actually complete the wells because it may take 60% of the costs to go out there and actually fracture these wells. They are waiting for a better price until they complete those. I don't have the exact number but it's right around 850 wells right now that are non-completed.

(17:40) **Senator Mathern:** I got an email from someone extolling the virtues of your department about tracking all of the dead lands from skills. Do you have a special division

for that? Do we have staff that tracks land that has been destroyed from spills and is being managed? Who does all that?

Bruce Hicks: We don't have a special department that handles that. We do have many staff that are very experts of what has happened in the past. There's been a lot of talk about brine spills in the past and ponds that were allowed in the 60s and 70s. A lot of monies went toward clean up on those. I'm suspecting that a lot of the communication between dead lands and yourself may have been on some of those old historic sites. There has been a lot of documentation. Ed Murphy has done a study on it. We've also got a lot of new information with some of these studies that has been going on with the location of additional ponds. There has also been a lot of monies put towards restoration of some of these and we've seen very good results on some of the tests. So no, we don't have any special people on it, but we have our reclamation department or 40 inspectors in the field, we've got a great data base so we can improve and track these things better. We realize there are a lot of issues out there that are ongoing and we are trying to keep on top of all that. We've improved our berm requirements, a perimeter berm around most of our sites, liners on location, some monitoring equipment in wells are located on certain ones. Down the road we believe we've got a great handle on this. It's just the legacy stuff that needs more attention and it's getting it now too.

Ed Murphy, State Geologist, Geological Survey, Dept. of Mineral Resources

Starting on page 12 of attachment #1.

(33:41) Senator Dever: In your search for rare earth elements, did you come across thorium?

Ed Murphy: Thorium is not one of the ones that we've looked at but we've talked about running 400 samples and then dropped it down to 350 because of the price of samples is going up. We are looking at adding cobalt, vanadium, germanium, and several others to the rare earth metals, and ephorium will also probably be one. We'll probably look at pulling 100 of those samples out and then looking at different elements to see what potentially could come up.

(35:47) Lynn Helms: continuing on page 26.

(40:23) Chairman Holmberg: Will you be asking for flexibility if we hit over the next two years 70 rigs or some other number? Those are pretty easy things to build into the budget to maintain a flexibility in case the number of rigs skyrockets.

Lynn Helms: It was approved by the House for two contingent positions to be triggered at 20,800 wells so at a well count is where they would be triggered. Today we have 18,626 wells in that count so we're some 2,000 shy of that number where we would trigger some contingent positions.

Senator Robinson: When you talk about 18,000 wells, are they producing wells?

Lynn Helms: They are not all producing wells. There are just under 16,000 producing wells, but we also have to regulate all of those underground injection wells as well as wells that are in abandoned or inactive status. In particular, those wells in abandoned status are a tremendous concern because they could end up becoming a liability to the state for plugging

in reclamation costs so that 18,626 includes just under 16,000 active producing wells, roughly 1200 injection wells and then a number of inactive and abandoned wells as well.

(45:44) Michael Ziesch, Support Staff Officer, Dept. of Mineral Resources

Walking the committee through the Dept. of Mineral Resources capital asset request of \$5M for a new data base. We run a proprietary data base called the Risk Based Data Management System (RBDMS). It is the master oil and gas data base for the State of North Dakota and it is aging out.

Starting on page 34 of attachment # 1.

(51:30) Senator Sorvaag: When you upgrade, are they going to have to upgrade to pull data or you can just push data to them? There's not going to be any costs involved with this new system – to like Land Dept. Health Dept.?

Michael Ziesch: The new system will be much more compatible for pushing data to those entities. We will make arrangements and we will be in communication with them during the process and we will land at the same spot at the same time. The new system will be much more app and data sharing friendly than our current system. Because we are going to be building it in the cloud and within the ITD cloud where the rest of the state agencies also reside, so the ability to tie data together is going to be much enhanced.

(1:01:03) Lynn Helms: (wrapping up with page 40) Talking of the House recommended budget changes, he said they approved the capital asset request, but they approved it rather than coming out of the SIIF fund, we have extra money in abandoned well site restoration fund, so the transfer would be from the abandoned well site restoration fund to the reservoir data fund to pay the \$5M. That's funded by 4% of 1% of the gross production tax.

(1:02:12) Chairman Holmberg: You'll have no trouble with that? That's not an issue for you?

Lynn Helms: No, our two biggest projects in the Brine Pond study are finished so we are anticipating in the coming biennium that we'll spend about half of what we did in 17-19. We're going to begin now with the Brine Pond sites actually doing full site work. We have one more demonstration project to finish up and then we'll be able to routinely budget for clean-up of those, so not a problem with that transfer out of that fund.

Also they approved two contingent positions to be triggered at 20,800 wells, so not quite 2000 more than where we are today.

They increased the FTE count by the two contingent positions. They provided an exemption to carry some funds over from the Ordinary High Watermark Study. That is being litigated. There was a decision February 27, and the Fargo District Court found the statute to be constitutional. We expect that to be appealed to the Supreme Court so we may have some extra witness costs. The House budget reduced the cap on the plugging and site reclamation fund from \$100M to \$50M thinking it makes it less of a target for litigation. Also, a project that would increase the cap on the Oil and Gas Research Fund from \$10M to \$14M and fund a project. The language is in section 17. The project is that flaring is an enormous problem in ND. Every single day, we flare over 500M cubic feet of natural gas a day. One of the innovative ideas that has come along is to temporarily store this natural gas in an

underground formation called the Broom Creek. The Industrial Commission hired EERC to look at the potential of this project. They have identified the potential. They have looked at a three cycle project which could store this natural gas underground, recover it over about a 12-year time period when the infrastructure is available to process the gas and put it into the market and do all that and roughly break even. That \$2.96 number is roughly break even. We think we need to provide some incentive to get a company to do a field demonstration project to prove the EERC model. That's what the \$4M would do so we would spend two years implementing this in the field, see if we can inject gas into the Broom Creek formation and recover it. If we can incentivize one project, it's going to turn around and bring back \$28M in additional production and extraction taxes. If this works on a statewide basis, you're talking about a billion dollars of production extraction taxes. One hundred eleven billion cubic feet of natural gas that's stored and produced and processed instead of flared so we're asking for \$4M to go to the EERC to work with an operator to do a gas storage project.

(1:06:13) **Senator Mathern:** In light of the magnitude of this problem, I'm surprised you're only asking for \$4M.

Lynn Helms: We asked for \$8M but the House gave us \$4M, but I'd like to see us double down on that.

Senator Mathern: Are there any partners in this – to finance some of this?

Lynn Helms: The Dept. of Energy is very interested in this. EERC would seek to couple the \$4M with the \$4M from the Dept. of Energy but we do have two operators that are very interested – Equinor (former Statoil) and XTO. Both have severe flaring problems and both very interested in implementing this technology. I would like to see \$8M and incentivize two demonstration projects, but the House felt they could only fund a single project at \$4M.

(1:07:30) **Senator Mathern:** What does this look like geologically? Is there a hole down there, or a place in the sand or rock?

Lynn Helms: Slide 45 depicts this for you. A well would be drilled to the Broom Creek formation. It's roughly a 300 foot fixed sandstone with about 25% porosity so 25% of the rock is water filled space. The gas would be pumped into that water filled space and displace the water. The water would then help push the gas back to the well bore during the production cycle and bring the gas back to the surface. (Describing the slide). You can see the gas pocket stays inside the spacing unit. It wouldn't impact surrounding surface owners and pore space owners. The computer models say that 70% of the gas that is put into the ground can be recovered at a breakeven cost. The potential magnitude of this is enormous. It really would get us through all of these buildout times when we lack the necessary infrastructure to gather in natural gas. It would preserve that gas for the day that infrastructure is there and then it would turn it around and monetize it. The royalty owners would benefit. The state benefits. Flaring goes away. It's the most innovative idea to solve flaring that has come down the pike. When we talked to Gov. Burgum about it, he said "Why don't we offer a \$10M X prize for someone to solve this?" So we came up with the idea of an \$8M request to incentivize two projects. The House sent it over at \$4M for one project.

Chairman Holmberg: The sub-committee will be Senator Sorvaag, Senator Holmberg and Senator Mathern. He recessed the committee.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1014 (Housing Finance Authority)
3/4/2019
Job # 33120

- Subcommittee
 Conference Committee

Committee Clerk: Rose Laning / Marne Johnson

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes:

Testimony Attached 1 - 9

Legislative Council: Adam Mathiak
OMB: Becky Keller

Chairman Holmberg called the committee to order on HB 1014 – Housing Finance Agency.

Jolene Kline, Executive Director, Housing Finance Authority, North Dakota Industrial Commission

Housing Finance Authority testimony – **Attached # 1**. Review of the budget. Three requests to keep the House Appropriation for section 4; fund the Housing Incentive Fund (HIF); and to remove the essential service worker priority.

Affordable Housing Facts from the Senator's districts – **Attached # 2**.

(14:50) Senator Sorvaag: SB 2271 took it from 25% to 15%, but you are advocating for 0%?

Jolene Kline: SB 2271 removed essential service worker totally. It removes the language. Paused her testimony so that others could present.

(16:12) Jessica Thomasson, CEO, Lutheran Social Services of North Dakota

Testimony in support of HB 1014 - **Attached # 3**. Summarized Lutheran Social Services role in providing housing in rural areas.

(19:14) Lorraine Davis, Founder & Executive Director, Native American Development Center

Testimony in support of HB 1014 - **Attached # 4**. Talked about chronic homelessness, the housing in Indian county, and how the Housing Incentive Fund will help.

(25:11) Senator Dever: The other day we heard from the Indian Affairs Commission – The project you're planning in Bismarck for low income Native American funding, your request for

funding, you would categorize as support services, that did not make it into the DHS budget. Could you make some comments on that and why it might be justified to be in this budget?

Lorraine Davis: What's unique about the Native American development center and how we would deliver a permanent supportive housing model is that we would uniquely be able to provide culturally responsive services. We have mental health issues, chronic addiction, alcohol and drug issues. In order to get behind chronic homelessness and address it, is to understand the people who are chronically homeless who are dealing with mental health issues and addiction. It leads to the trauma that's been impacted. So we're experiencing generation to generation; trauma. We learned what our parents learned and suffer economically because of it. There is a lot to learn about consumer education alongside daily access to permit supportive services, in the manner that is culturally responsive to native Americans, for example, Sweat lodge services. On our land, where we would design permit supportive housing complex. I'm proposing a family housing project; it would be 36 family housing units. Our culture does live together and it's economically feasible to live together. Other ways of supportive services are specific to our needs is our peer support program. It's just having those who have the same lived experiences, that are uniquely presented on the reservations. It's a different way of survival. Having Native Americans helping Native Americans, is a good support; and they need that inspiration and this has been the model of addressing this need. Bismarck-Mandan has the largest Native American urban population in the state; this is a great place to start.

(29:50) Dan Madler, Chief Executive Officer, Beyond Shelter, Inc. (BSI), Lobbyist # 8
Testimony in support of HB 1014 - **Attached # 5.** Urged the committee to appropriate \$20 million to HIF, because it is a working program.

(34:07) Miranda Villarreal Eagle Horse, Native American Development Center
No written testimony but in support of HB 1014.
From Standing Rock Indian Reservation. Left because of domestic violence, and lack of services. Has been homeless for several years. With the help of the Native American Center, she is in a place, able to participate in her culture. Helped by people like Lorraine Davis.

(37:00) Katie Jo Armbrust, Grand Forks Housing Authority
Testimony in support of HB 1014 - **Attached # 6.** Summarize the first HIF project, Cherrywood Village.

(38:40) Senator Poolman: Eunice was my House mother, if you wanted millions of dollars, all you have to do is bring her homemade monster cookies.

(39:05) Brent Ekstrom, Executive Director, Lewis & Clark Development Group
Testimony in support of HB 1014 – **Attached # 7.** Summarized what HIF funding has allowed them to accomplish.

Carel Two-Eagles: I help the Church of the Helping Hand, we do some work with alternative housing forms, but we stand in support of this bill. I was married to an elderly man out in Standing Rock. We had a house, 1400 square feet, we had 22 people living in 1400 square feet of house. Think of the logistics of food, wash, bathing, sleeping. Some of us couldn't get

jobs, you sleep in shifts. I hope this motivates you to support this bill. I appreciate any help you can give.

The committee was recessed until the afternoon. The following testimony was submitted, but not read.

Blake Crosby, Executive Director, North Dakota League of Cities – Supplied Attached # 8, but did not present.

City of West Fargo Testimony – Submitted by Tim Fisk, City Administrator; Larry Weil, Community Development Director; Matt Marshall, Economic Development Director – Attached # 9.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
3/4/2019
JOB # 33141

- Subcommittee
 Conference Committee

Committee Clerk: Alice Delzer / Marne Johnson

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; to amend and reenact subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code, relating to the fund balance of the abandoned oil and gas well plugging and site reclamation fund; to provide a contingent authorization; to provide for a transfer; and to provide an exemption.

Minutes:

1. Testimony of Vance Taylor, Mill & Elevator
2. Testimony of DeAnn Ament, NDPFA
3. Testimony of Jason Bohrer, Lignite Research Council
4. Testimony of Andrea Pfennig, OHF
5. Testimony of Carmen Miller, Ducks Unlimited
6. Oil & Gas research Program
7. Pipeline Authority/Annual Report/Appendix A,B,C,D,E
8. Renewable Energy Program
9. ND Transmission Authority/Annual Report
10. Bonding Included in Proposed Legislation as of Crossover (Submitted by Chairman Holmberg)

Chairman Holmberg: Called the Committee back to order 1:45 pm in regards to HB 1014, Industrial Commission. Addressed at this hearing was: Mill and Elevator, Housing Finance with Jolene Kline (questions & answers), Public Finance Authority, Lignite Research, OHF and Administration recap with comments by Karlene Fine RE: Oil & Gas Research, ND Pipeline Authority, Renewable Energy Program and ND Transmission Authority. All committee members were present except Senator Bekkedahl. Adam Mathiak, Legislative Council and Becky J. Keller, OMB were also present.

(0:15) Vance Taylor, President and CEO, ND Mill & Elevator: Testified in favor of HB 1014 and submitted **Attachment # 1**; information about the Mill and Elevator and the budget requests for the biennium. Thanks to you who visited our mill, we invite you to come and visit us. Pointed out new features in the photo supplied on page 2; new storage bins and a new rail line.

(9:05) Chairman Holmberg: This is where he gives a shout out to Senators Sorvaag, Hogue, and Mathern for their leadership on overturning what the House demanded, which was to get rid of gainsharing.

(9:25) Vance Taylor: Thanks for the great support last session. He continued on page 6, the graphs show that shipments have increased 146% while FTEs have increased 23%; and increased efficiency up 90%. Page 7 shows the number of employees, Rule of 85 or 90, and years of service and their average age of service being 12.3 years of service per employee. Page 8 – shipments and operating costs which have increased from 6,000 hundredweights (cwt's) a year back in about 2000 to 16,000 cwt's now, up 146% and operating costs have increased as well, if you compare cost per hundredweight or the cost per unit over the almost 20 years here, our cost per hundredweight has only increased 37%, which is far less than the inflation rate. Bushels Ground and Acres Required is self-explanatory. **(13:30)** Page 9 – shows the Profits. Our profits over the last 9 years have equaled the profits from the previous 36 years. Our profits are close to or exceeding \$1 million per month. Page 11 Markets & Competition – shows the Economic Impact, the states where most of our flour is delivered is dark blue. New York, Indiana, Illinois, and North Dakota being the highest delivery. We work with UND Office of Work Force Development with our Strategic Plan 2019.

(18:35) Senator Grabinger: Before you get to the budget, we had a major employer near us go out of business, that facility is sitting there, when they closed it up, some of the talk was to use it for the state mill. It has huge storage capacities, was there any real consideration at looking at that facility if it can be utilized in your plan?

Vance Taylor: We have not looked at that to be folded into what we do. The barley malting process is completely different than flour processing. The equipment wouldn't be able to be used for flour production. There is nice storage, how that would fit in is something to consider.

Senator Grabinger: There is a huge aquifer under there, just to let you know.

(20:15) Vance Taylor: On page 12 is our Budget Request. We ask that you reinstate the FTEs cut by the House. We have increased the volume of flour inventory carried, which also requires more insurance expense. Four items, wages and benefits, utility expense, repair and demurrage expense and insurance expense reflect the increase of \$7,843,678. We request that the General Fund transfer be set at 50% of remaining profits.

(29:15) Chairman Holmberg: If we do nothing your responsibility will be the 50%, because that 75% was a one biennium requirement, and the House didn't add it, so skip over that and don't remind us.

(29:43) Senator Hogue: The Bank of North Dakota gets weekly enquiries about other states wanted to replicate the BND. Do you get similar inquiries from other states wanting to develop a state mill or processing facility?

Vance Taylor: Not a lot. I have had a couple calls over the years from other states. The most recent was from South Dakota. I haven't had one for a number of years.

Chairman Holmberg: Anyone else wants to testify on this section of the bill? No one replied. Let's go back to Jolene Kline with Housing Finance. There is a subcommittee assigned to this bill. We might have them meet next week.

Senator Sorvaag: How do you prioritize? The demand is much more than what you are getting.

Jolene Kline, Executive Director, Housing Financing: Our process is driven by our constituents, who uses our programs out there. We will pick a public hearing date, we will solicit public comments from our stakeholders, we develop an allocation plan, which identifies where you focus, if the majority of people that participate in our hearing want us to focus on rehab of existing, that will be the highest point potential. That application would rise to the top. It's a competitive scoring process. Once that plan is developed with feedback, from our stakeholders, it then goes through our agency's advisory board, then approval by the Industrial Commission. We then advertise and solicit applications. We would anticipate holding our funding round the end of September to coincide with our federal funding rounds for our low income housing tax credit and our housing trust fund, a lot of times the Housing Incentive Fund is a gap filler for projects using those federal resources. It might identify four areas where HIF really is needed; seniors, homeless, low income workforce, and rehab of existing housing stock. We certainly won't turn away \$10 million, but the need is much greater.

Senator Sorvaag: Geographically, there is big markets that could take it all, how do you decide where the need is?

Jolene Kline: The current allocation plan required us to put 25% of the fund into developing areas, it was worded in statute, we received \$30 million in income Tax credits and then \$10 million from the BND, it was worded that if that last \$5 million chunk came in from the BND, in statute we had to put those dollars into communities under 12,500 in population. If we receive \$10 million, the allocation plan would have us fund at least 3 projects, no project is eligible to receive more than \$3 million. It's the lesser of 30% of the total project costs or \$3 million. Its points driven, theoretically you could have Grand Forks who would submit the three highest scoring applications and there would be nothing that would prevent that from happening.

Senator Mathern: In the manner of resources available to you, what is easiest for you, if we give you \$10 million in tax credits, or \$10 million from the general fund; what is the consequence to you? Can you do more under one kind than the other?

Jolene Kline: \$10 million is \$10 million, but from our perspective it is a lot easier to administer \$10 million cash in the bank on August 1st. If it is \$10 million in credits, we have to go out and re-resurrect the interest in contributions into the program because you didn't give us any dollars in this biennium. There isn't the list of contributors waiting to invest, necessarily. Tax payers put money into the fund in return for the credit against their income tax liability, they are going to put those dollars in on December 31st to offset their 2019 state income tax liability, which means we don't have any dollars in the bank to start development this year. Theoretically we could have application in on September 30th, we could fund them by the end of October, they could get in the ground in November. While we would accept anything we get, for expediency purposes, tax credits would be the least expedient method of funding.

(38:40) DeAnn Ament, Executive Director, Public Finance Authority: Testified in favor of HB 1014 and provided **Attachment # 2** which gives the responsibilities of her department and the budget needs for her programs. She referred to Attachment # A –examples how these programs have worked together.

(44:50) Jason Bohrer, Chairman of the Lignite Research Council Testified in favor of HB 1014 and provided **Attachment # 3**, asking for continued funding of the Lignite research, Development and Marketing Program. This attachment provides a summary of the program scope and funding, and highlights a number of the successful results from the ND investments. Project Tundra was awarded money to perform an engineering study and evaluate the commercial viability of CCUS at the Milton R. Young Station and also the technology for application in future lignite-fired power plants using Allam Cycle technology.

(53:50) Andrea Pfennig, Deputy Executive Director, Outdoor Heritage Fund: Testified in favor of HB 1014 and submitted **Attachment # 4**, which explains the background of the Outdoor Heritage Fund (OHF) which was created in 2013 by the Legislature to provide grants to state agencies, tribal governments, political subdivisions and nonprofit organizations, with higher priority given to projects that enhance conservation practices in the state with 4 Directives listed on page 1 of testimony.

Chairman Holmberg: The House made a change in the percentage. Is that reflected in this blue chart, indicating that next biennium you will have \$15 million available, or is the House's action a reduction on that number?

Andrea Pfennig: The way the legislation is written now, the fund would receive \$40 million per biennium, but the House decreased it to \$15 million per biennium.

Chairman Holmberg: In there it talks about \$7.5 million per year, they went from \$40 million to \$15 million.

Senator Robinson: When is your next round of grant awards? He was told May 1st.

Senator Mathern: Could tree plantings along the highway be eligible for your funding? Could we plant trees with this money or shelterbelts for highway wind and snow blocks?

Andrea Pfennig: Yes, tree planting is an eligible activity, it is being done, we do have a couple of projects that are doing shelterbelts right now. They are not in conjunction with the department of transportation; soil conservation districts. We are not partnering with the Department of Transportation along the highways.

Senator Mathern: But this fund would be eligible, why aren't you doing that?

Andrea Pfennig: We need an application.

V. Chairman Wanzek: The water bank program, do they get funding from you as well? He was told yes.

Chairman Holmberg: And there is no connection between the tree project that you have and on our income tax we still have from the Centennial a check off on trees. He was told no.

Carmen Miller, Director of Public Policy for Ducks Unlimited' s Great Plains Region in Bismarck: I am here to support section 16 of HB 1014, which increases the Outdoor Heritage fund cap to \$7.5M per fiscal year. She submitted **Attachment # 5**. The 6th page is an article about Duck Unlimited and OHF collaboration, CCLIP, provides technical and financial support for producers to integrate cover crops in their rotations. It is innovative, there is no other fund that provides this type of support. We did the initial round of the project for 11 counties in the Southeast, it was so popular, in the last grant round in October we had another project approved for double the amount of funding in 38 counties. It is an example of how the fund and grantees over the course of the past 5 years have evolved and come a little closer together. Our biologist has been asking soil conservationists and water boards asking, what types of things would you like to see from this fund? What types of project are you interested in? This was tailored to with that in mind. As a result, it also accepted by the funding board. We are seeing more and more of that, where the board and the community are finding out what kinds of things they are interested in collectively. This is the state's only fund dedicated to the quality of life infrastructure. As our state grows there is going to be increased need for outdoor recreation, trails, parks, and wildlife habitats. This has been a successful 5-year collaboration and an unprecedented partnership between conservation, agriculture, recreation, landowners, sportsmen and women, and the energy industry.

(1:08:57) Karlene Fine, Executive Director, Industrial Commission: If you go back to my testimony under administration, it concluded with talking about those programs we have a continuing appropriation, the oil and gas research program, is funded from the oil and gas production and oil extraction tax, up to \$10 million per biennium. Lynn talked about our desire to have some additional funding for that specific program of the underground gas storage. See **Attachment # 6**-Oil and Gas Research. See **Attachment # 7** - ND Pipeline Authority with Annual Report, Director Justin Kringstad, that is funded through the oil and gas research fund, we funded \$325,000 for that program, for his compensation as well, as the studies that we do. See **Attachment # 8** – Renewable Energy Program comes from the resources trust fund, at a level of \$3 million per biennium. This is additional information about the program. We have been doing work there with the ethanol area, it involves CO2 we are having these programs work together where we have some lignite interest as well as with the renewable interest. See **Attachment # 9**, ND Transmission Authority with Annual Report, Director John Weeda, that funding comes through the lignite research fund, it is non matching dollars. We put a great deal of information on the website, if you are looking for information about the OHF, every project is on the site, you can get the summary reports. It was mentioned this morning, the director's cut, if you want to follow the most current information, every month Lynn Helms does a webinar, as well as his written report. You can be kept current for what we have for a current number of wells, and his insight about how he is looking at the oil and gas industry. I invite you to the Core library as well as the mill and elevator and our fossil digs. That concludes my testimony.

Chairman Holmberg: Submitted **Attachment # 10**. BONDING INCLUDED IN PROPOSED LEGISLATION AS OF CROSSOVER, which lists Senate Bills # 2214, 2268,

2275 and 2297, related to the Industrial Commission and Public Finance Authority. Legislative council had a question, about the amount of bonding that is going on. This was a memo that the council gave us talking about bonding in proposed legislation. It does not include the latest request from the Board of Higher Education for the UND to be able to bond \$80 million. This is as of now, what has been proposed, with \$80 million that will be presented. He stated that many of the Senators are interested in the bills that relate directly to the Industrial Commission and funding that may be passed in other bills that relate to the Industrial Commission.

Karlene Fine: Through the building authority, SB 2297 has the cap of the sales tax. The \$80 million is going to try to fit under the cap. Those are the only two with a cap the other ones establish their own cap. I don't want any confusion between what is in the statute already and what is in each of these bills. To the extent that SB 2214, 2268, and 2275; bonding would be done through the public finance authority.

Chairman Holmberg: We will close the hearing on HB 1014.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1014
3/14/2019
JOB # 33084

- Subcommittee
 Conference Committee

Committee Clerk: Alice Delzer

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; to amend and reenact subdivision f of subsection 1 of section 57-51-15 of the NDCC, relating to the fund balance of the abandoned oil and gas well plugging and site reclamation fund; to provide a contingent authorization; to provide for a transfer; and to provide an exemption

Minutes:

1. Industrial Commission Admin. Office -Karlene Fine with Attachment A.
2. BND – Eric Hardmeyer
3. Mason Sisk for Connie Ova, EDAND
4. Industrial Commission Staff List

Chairman Holmberg: called the Committee to order on HB 1014. Roll call was taken. All committee members were present except Senator Bekkedahl. Adam Mathiak, Legislative Council and Becky J. Keller, OMB were also present. The Subcommittee will be Senator Sorvaag, Senator Holmberg and Senator Mathern. Testimony on these minutes includes: Administrative Office, BND and public testimony.

Karlene Fine, Executive Director & Secretary for ND Industrial Commission: testified in favor of HB 1014 and provided Attachment # 1, stating the duties and responsibilities of the Industrial Commission. I am going to cover the administration portion of the Industrial commission. **(05.47)** See Attachment # A – North Dakota Building Authority Debt Service, which explains all the outstanding bond issues that is needed for the payment of the bonds. The Senate has already approved SB 2297 that includes funding for four projects for a total of \$151.9M so that is well within the limitation that we have of \$213.2M of projects. **(07.12)**

Chairman Holmberg: after these schedules if there is anyone from the public that want to testify, they can do so while we are hearing the testimony from the Industrial Commission.

(08.58) Eric Hardmeyer, President of BND: testified in favor of HB 1014 and provided Attachment # 2, which states the mission statement of BND and the responsibilities and functions of the BND. One of the issues we have is retaining and recruiting our employees, the reason is we cannot compete with the private sector concerning salaries and wages. Our employees have not a salary increase for at least 3 years. That is a big issue for the BND.

Our goal at the BND is to accomplish three things. 1. provide products and services to the financial institutions in ND. 2. serve as a steward of the revenues that pass-through BND. 3. most importantly is the mandate of our mission servicing economic development, agriculture and industry. On page 4 is the chart showing the BND Net Income. **(17.18)** Page 5 of his testimony shares over the last 2 biennium, BND's earnings and capital were utilized to assist the state with various programming needs, including the Infrastructure Revolving Loan Fund, buy-down loan programs and support to the Housing Incentive fund administered by Housing Finance Agency. The BND is required to provide another dividend or transfer to the general funds in the amount of \$140M. Additionally, there are several bills and a pending amendment that will require another \$37M coming from BND's capital during the next biennium. The BND can handle these transfers and still conduct business and produce earnings. As you look at the capital and assets of the BND, on page 3, we have grown, we went from \$4B in 2009 to \$8B in 2015.

(21.43) Chairman Holmberg: I think we saw the data on Friday that 60 years ago the bank and the mill together gave 13% of the entire revenue of the state. That came from those two sources. Neither one of us were around, that was 60 years ago.

Senator Sorvaag: If we would end up with the 228, what's out there, and lets say things go bad, like we did a couple of biennium ago, is that pushing you? We are taking more regularly out, obviously you have more, but are we pushing the line if 228, that might not exist at the end. I know where you want to be and where you don't want to end up.

Eric Hardmeyer: If you go back to page 3 and look at the capital, and you look at where we are projecting to be, our benchmark is 10%, That's where think we need to be in terms of capital. Today we are over that. We're about 12.28%. Based on the size of the bank, if we continue to be where we are at today, at about \$7B in assets and a 10% capital rate would mean we would need to have about \$700M of capital, so we're above and beyond that today. Even calculating the future dividends, the future earnings, it's likely that our capital will grow incrementally. There's still a lot of other things coming out of the bank, there's infrastructure money that continues to come out of the bank into the Infrastructure Revolving Loan Fund . But at the end of the day, in a year or two, if there is some kind of catastrophe, there would be the potential to do more from the bank's capital. But I would also say, at the same time, we are building up the Budget Stabilization Fund, the Legacy Fund is also \$5 ½ B in assets, so there's levers and triggers to pull in addition to the BND. In a pinch BND could support some more.

(24.40) Senator Dever: We are the envy of the states because we have our own bank. I spoke with someone from Chicago, and they had no concept on the role of the BND. Is there a way we could educate people regarding this? There is no excuse for people not to understand that.

Eric Hardmeyer: I engage in that every day. I get several calls from different states regarding the BND and whether I would advocate that for other states. I will not go to any state and advocate this model because I believe it is not in the state's interest to do so. I will give this advice to those who call if they want to start a state bank: #1. Staff it with bankers. #2. Know what it is that you want to accomplish as a state owned bank. There are many different ways it will work. We use 80 banks as our partners. That has worked well for us.

Senator Dever: What I say to them, if we did not already have the bank, we wouldn't create it now.

(29.03) Eric Hardmeyer: the one issue I had in New Jersey, at the end of the day they said they really can't buy into this concept of a state owned bank. They have too much corruption. I was asked how do you do handle that in your state? I told them: # 1. It's a small state, everyone knows everybody, and # 2. more importantly our transparency is so that people have access to the BND and what we are doing. I have never felt any political pressure on what to do. I think we all understand the BND and how it works, and because of that we perform well. **(31.14)** Mr. Hardmeyer continued with his testimony on page 6- the Appropriation. There are just two line items, Operations and Capital Assets. On page 7 – explains the operating expenses, includes salaries and benefits, data processing, training and development, supplies, postage, etc., contingency for compliance testing, hedge consulting and enterprise risk management. On capital Assets, section 6 in the bill – transfer from BND to the General Fund for the 2019-21 biennium in the amount of \$140,000,000.00. Pages 8-11 Section 8-11 regarding the transfer to BND Economic Development Buy Down Programs. Section 12 – Transfer from BND to the ND Development Fund Inc., It is our desire to get out of the venture capital business and to just put those funds with the Development Fund at this point. For us, having venture capital on our books is a challenge for accounting purposes. there's a lot of different things that you have to do with OTTI, a number of other issues that banks don't normally have to deal with, but we do because of our venture capital portfolio. In the business of trying to make government more efficient, we think this is a better way of doing it. You have one center of excellence doing venture capital and so you don't have two entities doing it. It is our desire to take the \$15M that we have on balance sheet, take that authorization, and transfer that to the Development Fund. As you add all of these up, along with the \$140M there's your additional \$51M taken to \$191M, all these programs plus the venture capital transfer.

(37.38) V. Chairman Krebsbach: When you are going to transfer that Venture Capital of \$15M, is the bank still going to be involved with the process.?

Eric Hardmeyer: As we look at the BND in financing of Economic Development, we have spent the last 3 or 4 years really looking at the equal system for business starting. Yes, it is our intent to work closely with the development fund. I don't think the two are mutually exclusive in terms of working together. I think it is imperative to work closely with the development fund. With their need to provide equity, our need to provide debt instruments as we take the state forward. Actually, it's our hope that in the next month or two the Development Fund will physically co-locate at the BND. They are with the Department of Commerce today, its our hope that they move to the BND. A lot of you have been there. You realize that we have the entrepreneurial Center there, we have SBA there, SBDC there, and also SCORE is there. if we could bring the Development Fund over to the BND we have the beginnings of a one-stop capital center. It's imperative that we work closely together as we work financially for the state. On page 9-11- is a summary of economic development programs.

(40.26) Senator Grabinger: This goes back to your employees, when you mentioned that they didn't get salary increases the past biennium and so forth, I noticed that the BND gives out bonuses through our bonus program at a higher rate than almost all of our other departments. Are you utilizing that program to subsidize the salaries for your employees or

do you have that many people that have just done some outstanding things?

(41.04) Eric Hardmeyer: We have utilized that program to the absolute extent we can by law since it's been allowed. We can do up to 25% of our employees get a performance bonus. And we have every year, maximized that. Yes, it is because of the good work that they do. This doesn't really substitute for salary increase. This is looking at performance. When you look at the BND performance, I skipped over our efficiency ratio, we are beyond any other bank in terms of how efficient we are in assets per employees. We are asking a lot from our employees and feel this is one thing that we can do to reward performance. This isn't a substitute for salary increase, this is because we have that many employees doing a great job.

Senator Mathern: You talk about the co-location of some of these programs, is there any consideration yet of another building to address all of those. Is that still in your planning phase, or is that all gone?

(42.43) Eric Hardmeyer: I think you are talking about the Financial Center which was approved in 2015. It was put on hold because the optics of the state going through a down term. That authorization exists today. Where we left it last session was that we would not do anything until 2019. We did all the architectural plans. We had a manager at risk hired. We were within about 30 to 40 days to breaking ground when it came to a halt. We continue to believe that it's still a good and smart move for the state and hope we can go forward with that at some point.

V. Chairman Wanzek: the other \$37M in other bills, can you elaborate on them?

Eric Hardmeyer: There is at least \$15M for Workforce Development that are in two different bills. We think that will be reduced down to 5 to 10. There is another 15M that is going for deferred maintenance for Higher Ed buildings. I think that is in Higher Ed's appropriation. So between those two, there is \$30M there. There is \$3M coming out of the BND for Research Development, which would be Mike Nathe's bill, HB 1333. Some of this may change, as things progress over the second part of the session, but there's the majority of it. And then there is \$4M for APUC that is going to be introduced as an amendment.

V. Chairman Wanzek: The Beginning Farmer Program is \$6M. There's that \$900,000 that's in the PSC for rail rate cases. Does that include that \$900,000?

Eric Hardmeyer: The beginning Farmer Revolving Loan Fund has been around since the late 80s. Within that fund is cash that is independent of the buy-down that is appropriated to us. So there's loans that have been funded, and repayment of those loans, so there's cash in there that would be used for that rail case independent of the buy-down dollars.

Chairman Holmberg: Senator Nathe's bill is being heard this week in the Senate. And SB 2282 is the companion, in the same turf area and that's in the House also. Deferred maintenance, that \$15M is in Higher Ed and that's a new concept.

(46.01) Eric Hardmeyer: In addition to those moneys coming out of BND's capital, there is a number of other programs that require the BND to provide loans to various state agencies for different things. There's \$120M for state radio, there is \$75M for the water commission,

there is another \$25M for the reinsurance in addition to the capital withdrawals, there is another \$200M+ required of BND to make loans to various state agencies for different things that you are working on here at the legislature.

(47.50) Mason Sisk, Economic Development Association of ND (EDAND): on behalf of Connie Ova, Vice president of Jamestown-Stutsman County Development Corporation and past president of EDAND. testified in favor of HB 1014 and provided Attachment # 3, which is a written statement urging the committee to support HB 1014 including the Flex PACE, consolidation of the venture capital fund with the North Dakota Development fund and the support of the ND Housing Finance Agency.

Chairman Holmberg: Anyone else want to speak on the BND? The next item we will hear from will be the Department of Mineral Resources. the committee took a recess at this time.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1014
3/21/2019
JOB # 34148

- Subcommittee
 Conference Committee

Committee Clerk: Alice Delzer/Amy Crane

Explanation or reason for introduction of bill/resolution:

A Subcommittee hearing for the industrial commission

Minutes:

1. BND 2019 Legislation Impacting Capital, Loan Programs, State Agency Borrowing Authority
2. Amendment Engrossed HB 1014

Senator Sorvaag: called the Subcommittee hearing together in the Harvest Room at 4:30 pm for the industrial commission. All subcommittee members were present: Senator Sorvaag, Chair., Senator Holmberg and Senator Mathern. Chris Kadrmas, Legislative Council and Becky J. Keller, OMB were also present.

Senator Sorvaag: Today we are going to start with two parts. start with Mill and Elevator, and then we'll go to the Bank of North Dakota (BND). The Mill & Elevator requested 4 FTE's executive put in all 4 and the House took two. Explain the positions again, quickly.

Karlene Fine, Industrial Commission: Out of the 4, 2 are in the food safety, the requirements for food safety are always increasing. There have been more requiring inspections of people coming in, they have a lot more paperwork. So they needed the two positions for food safety to keep up with all that, make sure the plant doesn't have any recalls, that sort of thing. Then the other two, are the utility workers, they are the folks that are out in the plant that are actually doing the cleaning of the operations. They're the ones that are working with the rail cars, they're sweeping the plant, the ones doing all that kind of work and so because of the plant's increase in size, they need to have two utility workers. On the House side they gave us one of the food safety, and they gave us one of the utility workers and we would request we get the other food safety person and the other utility worker.

Senator Sorvaag: Vance didn't choose the two, they chose the two? That was confirmed.

Senator Sorvaag: And if Mel was going to choose the two, would they choose the same two?

Karlene Fine: They would probably choose the food safety.

Senator Sorvaag: Or if we went to three, they would take two for food safety and one for the utilities. Obviously we know what they'd take with four but that would be their preference?

Karlene Fine: That would be their preference, yes.

Senator Sorvaag: I looked through the mill's budget, and unless something changes from here, they left in-share loan, where it fed back to 50% because that was just defaulted back to 50% after the biennium, so there's no action to that of the profits. And are there any other concerns that the mill had? He was told no, not at this time.

Senator Sorvaag: As far as I am concerned there is no issue except the employees.

Senator Mathern: In light of their excellent management and the return, we should listen to the manager and keep the employees in.

Senator Sorvaag: Well we'll keep them because we won't make any budgets. This whole budget has got a long way. But I think we should get at least three or four. There is nothing to discuss, the mill and the executive wanted 4 employees, the House reduced it to 2, and whether we should do 2, 3, or 4. And if they keep two they want to switch to the food safety.

Karlene Fine: If we're limited to two, we would prefer food safety but we really need four. I presume they split them because they are higher paid.

Senator Sorvaag: That one will be pretty done except for the employees.

Senator Holmberg: You're safe as long as we're here.

Senator Sorvaag: We're going switch to the bank. I had about 6 items. I think I gave most of them to the bank already. Where would you want to start?

Eric Hardemeyer, BND: The first question you had was the capital coming out of the bank. I have a spreadsheet. **Attachment # 1. Bank of ND – 2019 Legislation impacting Capital, Loan Programs, State Agency, Borrowing Authority** which lists and describes the bills that impact the BND.

Senator Sorvaag: I met with the bank people, Eric and Calvin, because the bill is HB 1333 which now only has \$3M. And I was wondering how much they were comfortable going in. There really has been no legislative action on that \$15M. That was the amount that you guys expressed if we decide to increase it, that you'd be comfortable going to. So that is where the 15 is coming from.

Eric Hardemeyer: Continues testimony, refer to attachment #1.

Senator Sorvaag: What do you anticipate you will be earning during the biennium?

Eric Hardemeyer: We might be earning at least \$300M, for \$150M each in the next two years. That might be slightly conservative. We may be earning upwards of \$320M.

Senator Sorvaag: What do you have now \$7 or \$8M?

Eric Hardemeyer: That's in capital. Today, where this is being drawn from we have somewhere around \$850M.

Senator Sorvaag: You still would go up if your predictions are correct? That was confirmed.

Eric Hardemeyer: Continued reading his testimony from Attachment # 1.

Senator Sorvaag: Are they locking into interest rates on those? Are you going to be able to charge what you do normally? Are you subsidizing out any of those?

(0.12. 36) Eric Hardemeyer: What we're offering is the rate that is consistent with all state agency debt, including the Adjutant General, it's the same rate. It's 150 over LIBOR (London Interbank Offered Rate). I wouldn't categorize it as a subsidized rate.

Senator Sorvaag: No but we do make you do things. You'd be able to do what you do with everyone else?

Eric Hardemeyer: Continues to go through chart on attachment. As you go down this section here there are bills that would require BND to provide services in terms of administering programs. SB 2008, that \$900,000 has been there since 2003, it's just a potential fund for rail case. SB 2214 is the School Construction bill. I think you all know that there is a debate about what happens there. The Senate has this bonding proposal, which would bond using Foundation Aid to pay the bonds back and it would raise \$250M, which goes into the School Construction Revolving Loan Fund. The House has hog-housed that and said no, you're going to get a one-time capitalization, \$75M, that will come from the Foundation Aid Stabilization Fund. That, obviously, will need to be ironed out.

Senator Holmberg: I had also HB 1171, there's 1171, and you have 2039 together. But isn't that 15?

Eric Hardemeyer: No that was 10. What happened was HB1171 was reduced down to \$5M, SB 2039 stayed at \$10M. We think that it is going to be brought back up even, the bills will be merged into one and its going to be \$10M. We knew that only one was going to survive, so this is a little bit more transparent.

Senator Holmberg: That answers the questions.

(0.16.06) Eric Hardemeyer: As I continue down on Attachment # 1, SB 2275 is the bonding bill for infrastructure that would take \$55M. I think at the original point it was anticipated coming from legacy earnings that would pay bonds back. Bonds would be issued in the amount up to \$500M. The proceeds of the buy-ons would be put into the Infrastructure Revolving Loan Fund, of which today, I am sure you are aware is \$150M in that infrastructure fund which is administered by BND. And that \$150M is completely committed.

Senator Sorvaag: That just got a do not pass by House appropriation. That was confirmed.

Eric Hardemeyer: SB 2276 is a bill that really provides legislative intent to use the Legacy fixed asset allocation and buy CDs at the BND rather than US Treasuries, or transit bonds, and we fund, use that CD to fund our match program with. We've been doing that since 1993 with SIB (A firm specializing in fixed, monthly cost reductions). In 2016, the funding of that was transferred to the Legacy Fund from the Budget Stabilization Fund because Budget Stabilization was funded. So this just provides legislative intent to do that and adds another component to it, which is to fund community infrastructure. Finally, SB 2296 takes money from the SIIF fund and puts \$50M into a reserve fund that can be used to guarantee loans for energy and that has been approved through both Houses and done. I think one of the things you wanted to discuss that could impact BND.

(0.18.34) Senator Sorvaag: Now some of this is going to pass, some of it may not. But you have no problems with them. That was confirmed. Of the other things I've asked, we can pick whichever one or two you want.

Eric Hardemeyer: See attachment #2, Amendment Engrossed HB 1014. The Senate Majority leader asked us to consider this, as you know there was a bill on the House side that allowed for a hedging task force and hedging action to hedge the oil revenue. That was defeated by one vote. It came out with a significant fiscal note, \$95M or so and that was then amended down to \$100,000 to form a task force which included folks from the bank, some from the legislature, some from the petroleum council and other areas that had expertise, with the idea that perhaps we would do a small hedge to get an understanding of how it would work. As I said, it was killed by one vote in the House. Senator Wardner talked to us, even unknown that that happened in the House. He thought this would be an interesting thing for us to look at, so we volunteered to conduct the study, we would pay for it. We'd probably have to do some consulting work but that we would provide a study that would be shown to legislative management and could be used during the 2021 legislative session to think about if you wanted to hedge some of the oil revenue, whichever part of it you wanted.

Senator Sorvaag: And you were talking about using \$50,000 out of your bank money?

Eric Hardemeyer: Yes, somewhere in there. And as you know, within our budget is a line item called contingency which has a \$4M balance there and certainly we could absorb it with that.

Senator Sorvaag: We talked about this during interim. There is some law that allows it but they're unworkable and we didn't go any farther but we did discuss this. There was a lot of cold feet but I think this idea, this is just a little tiny pilot to see if it is actually. Because the only place we could figure out is Mexico and they do good doing it.

Eric Hardemeyer: That is our understanding too. This doesn't do a hedge, it's just a study. Our CFO and I talked about it. We engaged a consultant on behalf of the bank to do some interest rate swaps, they're the same consultant firm that is experienced in oil hedging, and we've talked to them about it. And they might be a good source to go to. As we talked with them the only country that is good with it is Mexico. So that's the amendment that we would offer. You had requested to look at the growth of the administered programs that we're doing.

Senator Sorvaag: We'll wait with that. In a discussion we had, there is a gain share bonus for the mill that they run as a business. You run as a business most of the time, unless we ask you otherwise. You are always restricted, by what we do for salaries and wages. What I'm thinking about, is doing a study of your compensation this interim and whether you should be allowed a bonus system or a gain share system or something of that nature. Would you look for something like that or want something like that?

Eric Hardemeyer: In all honesty I'd probably rather leave it alone. We did talk to the Industrial Commission about putting together some ideas about this. They did not want to at the time harm what is going on with the Mill and Elevator by having conflicting types of things. I will tell you that we are doing a study on salaries to begin with. Our assessment is that no surprise to anybody we are trailing the market by a significant way in a lot of different positions at the bank. And of course, an important tool we don't have is a bonus program. We think at this point, our strategy would be to really look at market salaries first of all, and figure out how we can get closer to that, and then we can work with the Industrial Commission on a gain share complete copy if that works.

Senator Sorvaag: I think it is something you should look it. Because you are both businesses and the rest of our government aren't businesses and it's a fine line. You are a little less clear cut but you are still a business we want you to make profit because we are finding lots of uses for it. We will get to the other things. There is a lot of stuff on hold here.

Eric Hardemeyer: The only thing on your list we didn't get to was the growth of administered programs that we're doing on behalf of the state and then anything else.

Senator Sorvaag: I want Senator Homberg here when we have that discussion. We will adjourn for today.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
3/27/2019
Job # 34283

Subcommittee
 Conference Committee

Committee Clerk: Rose Laning/ Amy Crane

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes:

Testimony # 1 – 2

Legislative Council: Adam Mathiak
OMB: Becky Keller Becky Keller

Senator Sorvaag called the sub-committee to order on HB 1014. Senator Holmberg and Senator Mathern were also present.

Karlene Fine, Executive Director, North Dakota Industrial Commission:

Introduced **Jonathan Fortner**. We have a vital amendment we'd like to get passed this committee today.

Jonathan Fortner, Director of Government Relations, Lignite Energy Council

Legislative Intent – Lignite Litigation – Attached # 1.

Our association lobbies in both Minnesota and North Dakota for the lignite industry. As session has been going forward in Minnesota, there has been a number of harmful energy policies that have been proposed that would greatly impact our industry. One of them is 100% carbon free by 2050. That is currently in the house energy committee in MN and will be voted on tomorrow. There seems to be a lot of support for that - Governor Walls is supportive of that which would greatly impact our ability to work across the state boundary with them in the future. What we have been working on is we have looked back, in reference to the next generation energy act back in 2007, which I'm sure you're aware of the lawsuit that both the Lignite Energy Council and State of North Dakota entered into with the state of Minnesota that went on for a number of years. At the end of that, both the district court and an appellate court both ruled in favor of North Dakota that they had violate interstate commerce laws. So based off of that, what we are now proposing is to use the same strategies that we used before. Back in 2007, Senator Wardner proposed an amendment (Attached #1) that created legislative intent for lignite litigation. What this amendment would do is basically there is already an allocation in HB 1014 section 20 that authorizes \$4.5M for a variety of uses within

the lignite research fund. That fund was used to fund the litigation previously for that law suit. This would set a floor that \$500,000 of that \$4.5 could be used in a lawsuit, using that fund and then would also, when MN pays the remaining balance which last was \$740,000, that would go in to the Lignite Research fund, that we would authorize the use of that money to be used for a possible future lawsuit.

Senator Holmberg: You're not considering because we put \$2.5M in OMB budget, that you would double dip? Go here first and utilize this money rather than going to OMB and trying to get out of the \$2.5?

Jonathan Fortner: I believe that that is accurate. Last time, I believe that all of our funds either came from our member sources or out of Lignite Research fund to fund the last law suit.

Senator Sorvaag: You're looking for this subcommittee to move with this intent, and then you're going to take that action we'd do, in Minnesota?

Jonathan Fortner: I believe that is correct.

Senator Mathern: Is your strategy right? If the lawsuit was won but now you're dealing with a public policy question in MN that is even more demanding? I'm just wondering if your strategy is actually successful. It seems like it backfired.

Jonathan Fortner: This is the strategy we used last time. There was a lot of legal opinion that said that North Dakota and Lignite Energy Council as a plaintiff would not win. There was a lot of analysis done but through that process we were proven victorious.

Senator Mathern: I have no question that we won the lawsuit and were found right, but are we winning the battle but losing the war by the entire legislature and the governor now promoting a policy that might essentially eliminate the use of coal?

Jonathan Fortner: Just for clarification, the governor has signaled that he is supportive. Leaders in the House which is controlled by the democratic party are supportive, the Senate is not and they are controlled by the republican party. Myself and other lobbyists are pushing every day to try and work with them to make this bill better for our industry so that is our intention to continue to do that through the end of session. This is our backup. So I don't believe that it is a done deal by any stretch at this point.

Senator Sorvaag: But you're putting the backup out – even though nothing is a done deal.

Jonathan Fortner: MN has an every year legislative session for about six months. So this year is their budget year and next year will be their policy year, in their two-year biennium cycle. So as we meet one year in the biennium, we're just trying to get that out far enough so that even if we're able to survive this session in Minnesota, we don't know what comes next session. So this is just trying to put that marker out there until we're able to come back if need be in 2021.

Senator Sorvaag: Any wishes of the committee?

Senator Holmberg: I move this amendment – as long as we have on the record that it wouldn't be where they would go to money in the OMB budget. On the record they have indicated they wouldn't double dip.

Senator Sorvaag: Seconded the motion.

Senator Sorvaag: yes

Senator Holmberg: yes

Senator Mathern: No

A Roll Call Vote Was Taken: 2 yeas, 1 nays, 0 absent.

Motion carries.

Senator Sorvaag: He explained to students that came in that the hearing was on the budget for the industrial commission, the department of mineral resources. That is what is being submitted. This is more informal than a normal hearing because it's just a subcommittee.

Lynn Helms, Director, Department of Mineral Resources:

Handed out 2019-21 Costs to Continue for Contingent Positions – Attached # 2.

Went over the attachment. Asking them to amend their line item to add \$108,240, this money will be used primarily for the pickup trucks and cell phones that each of these field inspectors use. That is there office basically. They spend five days a week in their trucks inspecting wells.

We have no additions but given additional information.

Senator Sorvaag: Are these temporary or permanent?

Lynn Helms: These are permanent positions. They were approved by the budget section in December. We just need to be sure they have the operating money to continue to do their jobs.

Continued with page 2 attachment 1.

Senator Sorvaag: This is not a negotiated amount. These are all things they're going to charge you?

Lynn Helms: It's not negotiable.

Senator Sorvaag: These are all things the house either didn't discuss or didn't approve?

Lynn Helms: Correct.

Continued on page 3 – the Senate decided to pool all of OMB's budget. We're working with OMB to be sure that the department of mineral resources and the industrial commission is identified as one of the agencies. We're fine with that. we just want to make sure there is adequate funding in there. We've provided you a history of the 7 litigation processes that we've been involved in. The only one that has ended is the one on oil field waste. And we have a new one. We're asking not only to be identified in that fund, but add another \$550,000

to that fund. Last week, we found out that the state of Washington is attempting to impose a vapor pressure limit on crude oil from North Dakota arriving to Washington by rail. And so I flew out there to testify against the bill. We had a serious impact, but because the legislation is sponsored by their senate majority leader, something is likely to pass. We are committed to litigate it as an interstate commerce interference and in order to do that we looked at what the possibly would look like in terms of legal costs. We believe it's going to be similar to the BLN venting and flaring, so if you look at the last of the three pages you can see it at the bottom. It's the potential litigation with the state of Washington over SB 5579. The BLM venting and flaring rule was litigated in two different districts. The west coast states filed in the northern district of CA. ND filed in Wyoming because they are more sympathetic to how we do things east of the Rockies. So we had to litigate in two different districts and it will eventually be consolidated and could end up being appealed. We believe that over the next two years, a similar situation could develop with this Washington legislation. Its extremely important to the state of ND. About 200,000 barrels of crude oil a day is exported into northwestern Washington by rail, so that is a significant amount of crude oil that would be impacted and it would impact the bottom line for production and extraction taxes for the state of North Dakota. This oil would have to find a different home and would probably be heavily discounted in doing that. It would impact the state of Washington even more. There's a federal preemption which we've recognized in North Dakota law and regulation that Washington is ignoring. So the litigation would probably be over interstate commerce and the federal preemption of them imposing this rule.

Senator Sorvaag: Anymore of a case made to the House about OMB and the litigation pool?

Lynn Helms: We discussed let litigation pool with House and let them know we were in favor of what you had done, placing it in a pool. We're not entirely satisfied with the way its written into the OMB budget or with the amount. But they recognized that the \$1.5M dollars that we had in our line item should come out and go into that litigation pool. I think there is agreement between the Senate and House on using the litigation pool, it's just the naming of the agencies and the amount. We want to make it clear in this budget so when everything is reconciled, there should be \$2M in that pool available to the industrial commission to continue the six pieces of litigation that are ongoing and to add the potential new litigation with the state of Washington.

Institutional Knowledge (page 7-8 of attached # 1) we provided you with examples of what we're attempting to capture with the \$271,000 temp salary request that we had on page 46 and 55 of this handout. If you'll recall, I identified that I've got four senior highly experienced field staff who have qualified for the rule of 85 who are planning to retire by or near the end of this biennium. They combined have almost 150 years of experience and they've seen a lot of things over this time. We want to put \$271,000 in our temp salary line so that we could hire these individuals in a half time basis for 11 months to put together a searchable document, like an encyclopedia, of the types of things that we've identified for you on this two sided sheet of paper. We want to do this so the new younger inspectors have this available and know that when they go out on a mechanical integrity test, there are some things they should watch for. Especially in areas where there are high H2S or pressure problems things like that. The request was to add \$271,000 to the temporary line item so that we could hire these four people half time, no benefits for 11 months to put together this 150-year experience document.

Senator Sorvaag: The intent is put the document or are they actually going to work hands on with their replacements too?

Lynn Helms: They will do some mentoring and training because we are adding field inspectors during this time period but the primary intent is for them to go back through all of their old field books and their memories and create a searchable encyclopedia of things to look for in the field inspection area.

Senator Sorvaag: That isn't documented now?

(23:51) **Lynn Helms:** Some of it since 2003 is in our field notes database, but everything from the beginning of the department in 1981 through 2003 is in green notebooks. So they all have their notebooks from that roughly 22-year period, but it's never been translated into any kind of searchable electronic format where the young people could get at it. And as you know, our young people are good at google searches and finding this information but we have to have it in some sort of database for them to do that.

Senator Sorvaag: young people keep notes electronically now?

Lynn Helms: They do. All the notes are kept electronically now in a searchable database. But this date from these 22 years will be lost when these guys go out the door. So we think its very cost effective, for less than \$350,000, they can capture 150 years of field experience.

Senator Sorvaag: Are they retired now?

Lynn Helms: They will begin retiring the end of April and by July they will all be gone.

(Page 9-10 of Attached #1) This is just a little bit more documentation on the contingency field positions. And we were asking that you add two more positions at a cost of \$145,000. If the current rate of growth in well count and rigs continues, we'll never trigger these positions. But should industry decide to complete the 800 some non-completed wells, and should the rig count increase, due to an oil price increase, then we'll be short 2 people. The sheet shows they will be triggered in January 2021, so you all will be back here by the time they would be triggered. But we would like to have the funding in our salary and operating budget to be able to hire those people money in January 2021.

Senator Sorvaag: What rig counts would trigger that?

Lynn Helms: It's not a rig count, it's a well number, so if rig count increases to 75, we'll reach 22,500 wells in January of 2021. And it's a well count because we've learned that companies leave wells uncompleted and all sorts of things happen with that inventory. So rig count isn't the best marker for us measuring our workload. Well count is and so it's a 22,5000 well count.

Senator Sorvaag: So any of these models that you gave in your testimony?

Lynn Helms: It does pertain to the last model which is on page 53.

(28:40) There is one last thing, Bakken Produced Gas Storage Pilot (Page 11 of Attached #1) If you recall when we testified, you'll find that on pages 44-45. This is the first potential game changer in the flaring world that we've been able to identify. We proposed to the House that they fund through the oil and gas research council two demonstration projects. The House felt they could only afford one at \$4M which would pay roughly half the cost of the demonstration project. One fourth would come from the department of energy, one fourth from the oil and gas research council, and half from the industry partner. We're asking you to add in \$4M to bring that to \$8M so that we could do two demonstration projects. The potential is incredible. Each demonstration project will pay back seven times the state investment. And if the whole concept of produced gas storage works, we're looking at the savings of \$111B cubic feet of natural gas and well over \$1B in extraction and production tax that the state will benefit from this.

Senator Sorvaag: So this is ready to go forward if the money is allocated?

Lynn Helm: It is – I had a conversation with the EERC (Energy & Environmental Research Center), they are already in discussion with one potential partner and were wanting to know how confident we are of the \$4M and I told them we have a lot of confidence in that and we were going to be asking for another \$4M. I think they already have a partner for the first \$4M and a couple of interested parties for the second \$4M.

Senator Sorvaag: adjourned.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
4/2/2019
JOB #34430

Subcommittee
 Conference Committee

Committee Clerk: Alice Delzer and Alicia Larsgaard
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Explanation or reason for introduction of bill/resolution:

A Subcommittee hearing for the Industrial Commission

Minutes:

1.DMR Amendment to HB 1014 Re; SB 2037 Fiscal Note 2.ND Housing Financing by Jolene Kline
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Senator Sorvaag: Called the Subcommittee meeting to order.

Senator Holmberg and **Senator Mathern** were also present.

Adam Mathiak, Legislative Council and **Becky Deichert, OMB** were also present.

Senator Sorvaag: Last time we met we got side railed with something different. We did not have a lot of time for the Department of Mineral Resources. We are going to start with that today. Later we will visit with the Housing Finance Agency budget.

To get started, Lynn said some things have changed since he was last in front of us, just a few days ago, on a couple items. We will address those first.

Lynn Helms, Director of Department of Mineral Resources (DMR)

Submitted **Attachment #1**.

Yes. There are a couple of items that have changed since we were together last. The first one would be a new request to add section 21 to HB 1014. What has occurred, is that SB 2037 has passed the House with amendments. We are not sure if it is going to go to conference committee or not.

One of the things in that bill is on page 13 where it creates a high level radioactive waste fund. On page 14, it lays out a council which is to meet and develop administrative rules for the disposal exploration development of high level radio-active waste. They anticipate meeting half a dozen times during the biennium. The expected cost, travel, and other expenses are required to be reimbursed. It is anticipated that that will cost around \$20,000. There is no money in the fund.

The ask would be for an appropriation as we have written it up there to put \$20,000 in the high level radio-active waste fund so it can reimburse the council members. Most of them are legislators. There are three Governor appointees and 4 legislators. They are going to have to meet at least half a dozen times during the biennium. There is a need for some funding.

We modeled this after what was done in the year 2011 with the carbon storage management fund. In that case, we hired an FTE to work on EPA primacy. In this case, we would be paying the travel and expenses for this council.

Senator Mathern: I am wondering, did the department support SB 2037 and did you raise the cost issue in the House when they passed it?

(0.3.46) Lynn Helms: The answer is yes to both. We did support SB 2037. It was studied during the prior interim. The legislation was introduced. We supported the bill in both the Senate and the House. We did do a fiscal note with this expense on it. We weren't informed that if money wasn't put in this fund, it would come out of our operating budget. The industrial commission will have to cover the expenses if the money is not put in the fund. We did raise both issues as the bill moved through the House. It passed with no money.

Senator Holmberg: You presented a fiscal note on the 19th for \$19,600 and change. So the House had that as part of their discussions. The question we have is, should we put in the money or make them eat it? They did provide the information that the House had. It says it isn't in the budget. But they passed the concept. Both bodies have done that.

Senator Sorvaag: We will set that aside for now but it will be part of our discussion.

(0.05.22) Lynn Helms: That is the new item. The other new item has to do with the litigation funding. We discussed that last time we were here. We talked about the importance of designating the industrial commission as one of the parties that would have access to that litigation pool that you placed in OMB's budget. We also asked that the pool be increased by \$550,000.

The reason is what is happening in the state of Washington. I have an update for you on that. Yesterday, the House Environment and Energy Committee in the state of Washington gave a strong do pass to an amended SB 5579. That says that whenever the volume of crude oil arriving by rail from North Dakota increase 5% above the 2018 volumes, it will trigger a clock and two years later, all crude oil arriving from ND has to have a vapor pressure of 9 PSI or less. That is what they passed.

The two-year delay, on its face, is intended to allow for ND to build their infrastructure to devalue its crude oil. I will just say it the way it is. As we talked last time, that is not going to happen. I had conversations with Attorney General's Office last night. The way the language in their amendment is structured is a clear restriction on volumes of crude oil being imported by rail from North Dakota. He says it should be an easy inner state commerce case but we will have to litigate it.

It is anticipated that the House will pass it. We have heard from the Senate Majority leader out there who is the sponsor of the bill, that the Senate will concur and their Governor is running for President and has already indicated that he will sign. So, here we are. They meet for 105 days this year. In about another month, sometime in the next 30 - 60 days we will be filing a law suit in the tenth circuit. We anticipate there will be a counter suit filed in the 9th circuit because that is friendly to the west coast. Like the BLM venting and flaring rule, we will have to litigate it in two federal circuit courts and get it brought together so we can work

on it from there. We used the BLM venting and flaring rule as a model for the anticipated cost over the next two years.

Senator Sorvaag: This would maybe be a question to Senator Holmberg but, would this be debated in your OMB budget for the litigation?

Senator Holmberg: We do not have the OMB budget. That is in the House.

Senator Sorvaag: That is where the money would have to be put. Wasn't the idea to get all the litigation in one spot?

(0.09.10) Lynn Helms: They are at 2 ½ now. Our request would be that somehow in this budget or when that one comes back to go to conference, what we would hope that in HB 1014 there would be some language inserted to designate the industrial commission as one of the parties that has access to that litigation pool. The way it is right now is general language. Basically any agency that had a legal bill could come and ask for funding from the pool. We'd like it to be more specific. We thought HB 1014 could be a vehicle for accomplishing that. That may not be the best way. I defer to your wisdom and instructions on that matter.

Senator Holmberg: Wouldn't that be in direct contradiction to what they are doing if you take money from budgets and put it over here in OMB and then in the budgets that may have had the money, you say so much is for us? That is not awkward because we do many awkward things here but it is interesting.

Lynn Helms: That is certainly the case. I don't think we are asking for a specific amount to be designated for the industrial commission. We just want the three agencies that identified litigation be identified as having access to the pool so that other agencies, should they happen to run up a big legal bill, could not come in and spend the money. That is our request. You have heard the reasons why. It is awkward and it runs between two different budget bills. I believe you all will see OMB's bill back in conference as well.

Senator Holmberg: As will this one.

Senator Sorvaag: We will take this under advisement and there will be a lot of discussion.

Lynn Helms: We are certainly comfortable having it handled at either place or both places. I will be happy to come in and explain the issue at the time of the discussion of OMB's budget.

Senator Sorvaag: That is why I was directing questions to Senator Holmberg. As he stated, the whole intent was to put it all under one budget. We will have to have some discussion. It is noted that you are going to be in this law suit.

Lynn Helms: What we are asking that the amount be increased and, if possible, that the agencies that identified needs, be identified in the bill.

Senator Sorvaag: Was there anything else? I cut you off last time as we ran out of time.

(0.12.35) Lynn Helms: We have one thing we would like you to look at. I transposed some numbers. In section 1, subdivision 1, we talked about some temporary salary money for retention of intellectual knowledge. I said it was \$271,000 but it is actually \$217,617. We showed you an example of some of the work that they've already begun doing. I talked about the field inspector notebooks. We brought you some examples today to look at and see the type of thing we are going to be asking these individuals to explain. I have put some sticky notes in here. I just flagged a couple or more dozen items, when I was flipping through there, that would be of value to a young new field inspector but they are so cryptic in these note books that there is going to need to be an explanation. In particular, one of the individuals described getting involved in a war of words between a land owner and operator. A lot of four letter words were used describing the three parties in the discussion. I flagged that because that field inspector was able to resolve that issue amicably. What I would like to have happen is the individual with 30 to 40 years of experience, explain how they went about resolving it. Because every one of our field inspectors, at some point in time, is going to run into that. Everything from land owners pointing guns at them to calling them names and that sort of thing. I liked that one because it described a situation where you would like to have that veteran explain how they amicably resolved that fight between themselves, the surface owner and the operator and give some advice to the young folks on how they could go about that. There are a few other things in there about how to plug an oil and gas well and some interesting mechanical integrity tests. There are a lot of numbers and a description of the things they say but there is no real description of why that made them question whether the well was leaking and how they went about testing the well to prove it was leaking and requiring it to be repaired.

(0.15.49) Senator Sorvaag: What kind of data base are you going to set up? One can sit and put everything in a spreadsheet but it's of no use if it isn't easily recoverable. For example, a mad land owner, does that come up as an example? How is that going to be devised?

Lynn Helms: Our IT folks have designed a home to put this information in. It's a searchable document. A young field inspector can hit Control F and type in what they are looking for like a strange MIT. The program will search for those words in their explanations and take them to the article or "angry landowner". It'll be searchable just by hitting Control F and typing the text in. It will take them to each document in the encyclopedia that addresses that particular issue. We did a count of the notebooks up at our warehouse. Seventeen boxes and a little over 1,500 notebooks. That is knowledge that will be lost or unusable unless we can address it in some fashion. The proposal that we brought is to have the money in temp salaries to hire these 4 folks for 11 months and have them go through the 1,500 notebooks and write up the articles of interest while using keywords that are searchable.

Senator Sorvaag: Are there any operating expenses beside the salary related to them?

Lynn Helms: There would be no operating cost. They would do this from our existing field offices with using their existing computer equipment.

Senator Sorvaag: So, that is the temp salary for 4 up to 11 months?

Lynn Helms: Yes. Temp salaries for 4 individuals, half time up to 11 months is roughly \$218,000.

Senator Sorvaag: Okay. We will take that under consideration.

Lynn Helms: I already received the retirement letters from two of those individuals. They do mean business. I got those in the last week. Two of them sent in their retirement date in their resignation letter.

Senator Sorvaag: But they are going to wait until the next biennium?

Lynn Helms: One of them goes June 30 and the other goes June 1st. They will be leaving at the end of this biennium. They will be around until the near end. They will be gone by July 1.

Senator Sorvaag: And the replacements are there? That was confirmed.

Senator Sorvaag: I do not think we talked about this last time but you had proposed an amendment to section 17 to go from \$14M to \$18M. Do you want to talk about that?

(0.19.39) Lynn Helms: That was all the new information that I wanted to provide. I am happy to take questions on anything. Yes. We had proposed amending section 17 to double the amount of money going into the oil and gas research council fund or flowing through that fund to the Energy and Environmental Research Center in Grand Forks for pilot projects for underground gas storage.

This was in our original proposal on the House side. Due to budget constraints at the time, the House felt they could only afford one demonstration project, not two. I did have a conversation with the man from EERC 3 days ago. They are in conversations with one of the two operators who is interested because they feel confident about the 4 million. They have access to \$8M from the Department of Energy which they would use to fund 25% of each of these two projects. They would like to have access to \$8M from the research council which would fund the other 25% and then the two partners of XTO and Stat Oil, would each pay 50% of their demonstration project. This would allow industry to invest \$16M in testing what we laid out for you as the possibility of storing our flared natural gas underground until we have the infrastructure in place to bring it back out and process it and send it to market.

(0.21.42) We identified in our economic analysis and it was in our original presentation to you, we identified that this is really the first game changer to come along. The two demonstration projects, if funded, would yield \$28M in additional production and extraction taxes just by allowing additional oil production and salvaging the gas rather than flaring it and putting it to market. If it should work, there is a possibility of 15 to 20 long term projects over a 20-year time period which would save 111 Billion cubic feet of natural gas from being flared and yield over \$1B in additional production and extraction tax. The potential benefits are enormous. We feel like we would do a much better job of evaluating the economics, risks, and all the factors involved by doing two demonstration projects instead of one and showing real interest in adequately funding them. I realize this is all wrapped up in the pore space bill too. It is one of the issues involved in the pore space bill but this will not move forward to commercial use of pore space until at least two years of these demonstration projects. So,

over the next biennium it is anticipated that this is all that would happen and then we would be ready to move forward with commercial produced gas storage.

(0.23.42) Senator Mathern: I support these projects. I am concerned about the costs. Is there some method to make sure this is the correct cost you have? It seems very high in light of the technology and the work we have done and other ways of using that space. It seems like a lot of money. Tell me, where does that figure come from and is it in some way related to other projects around the country?

Lynn Helms: I was also surprised by the cost. That figure was derived by EERC when they ran their computer model and wrote the report for the industrial commission. A great deal of the cost is drilling of the well but an enormous amount of it is the anticipation of the need for very large compression equipment to capture the gas and pump it underground. Now, the current enhancement recovery test that is taking place in Tioga, is showing that the pressures are not going to be as high as anticipated when they arrived at these costs. So there may be some significant efficiencies or reductions in the cost but the numbers came directly from EERC who went through and itemized each item they felt they would need to do a demonstration project. They used high values to make sure they did not run short of money. It involves drilling an injection well and equipping it with all the right equipment to pump the gas underground. It came from EERC.

Senator Mathern: Is this new in the country?

Lynn Helms: Yes, it is. The storing of produced gas and reproducing it to avoid flaring has not been done anywhere else. They have stored processed natural gas for decades. Storing produced gas in a distributed fashion and in bringing it back out to reduce flaring has never been tried.

Senator Sorvaag: I have a few more things and then that is probably all for today. I am looking at page 55 in your testimony. It was the requested amendments to the House bill. One was the temp salary which it had the right number on. Then you asked for \$108,000 that was your cost to continue operating expenses. That moved to the salary line item.

Lynn Helms: Yes. What happened there was there were two contingency positions built into last biennia or the current biennium's budget. We qualified for those positions in December. So they have been funded under the 17-19 budget. The money was included in our budget for their salaries on a cost to continue basis but the money got left out for the operating expense on a cost to continue. If we don't amend the operating line to add this \$108,000, we will have to find the money somewhere else to provide them with their pickup truck, computer, and cell phones so they can go out and do their job in the next biennium.

Senator Sorvaag: Did you bring this before the House?

Lynn Helms: Yes. They chose not to add it. We raised the issue at the time, because we recognized it when the Governor's budget recommendation came out that it had been left out by OMB.

Senator Sorvaag: I think we have talked about everything else on that page. The other thing I want to do today is the sheet you passed out the other day. That is showing your contingent employees. The House approved the first 2, at 20,800 wells. You are anticipating March 11 of 2020. They didn't fund the two at \$22,500 but that, you are anticipating, will not actually come in until late January of 2021.

Lynn Helms: Yes. That is why out of the 7 items we have talked about, it is priority #7 because if it triggers, it won't trigger until you come back here. If we are to end up in dire need of two FTEs, we could deal with it at that time.

Senator Sorvaag: That was where my questions were going to come from. You would only be 5 months away from us funding them as needed next session.

Lynn Helms: There is always the possibility that we will see a spike in oil prices and activity would rise drastically but our best projections put us in January of 2021 which is 5 months short of the end of the biennium and the legislature would be back in session by that time. Of our request, that one is at the bottom of our priority list.

Senator Sorvaag: The two that come on board in December, when did you anticipate them coming? I am asking you how close they are.

Lynn Helms: The ones that most recently came on in December?

Senator Sorvaag: Yes, because they were contingency.

Lynn Helms: We anticipated to hit that trigger in October when we presented our budget. We were not too far off but we were a couple of months off.

Senator Sorvaag: We will take that under consideration, unless there is anything else. I think we have everything that is new that you wanted to talk about. Are there any questions from the committee on the DMR for today? If not, we will move on to the Housing Finance. We obviously have to work on a lot of these issues. We will have you again somewhere along the line.

(0.31:00) Senator Sorvaag: I think the biggest issue is going to be after we see what happens today with SB 2271. It came out as a do not pass. I think it is on the floor today in the House. Even though that bill is probably going to fail, it did pass the Senate. Why don't you just review with the committee about that bill. We have the language already in your budget. The main challenge is with the line of the essential workers, correct?

Jolene Kline, Executive Director, North Dakota Housing Finance Agency (NDHFA)
Correct. She submitted Attachment # 2, a letter requesting funding for the Housing Incentive Fund (HIF). I am here requesting for an amendment to be added to HB 1014 to include funding of \$40M which was the amount that was initially included in SB 2271. I have a little history on what happened. You are right that SB 2271 came out of committee with a 16-1 do not pass. That will be on the 6th order of business for today. What I am not sure of is, whether that vote is on the amendments or if it is to kill the actual bill.

Senator Sorvaag: I think they are rolling everything out of that right away. They put the language back in for the essential working language and they took the money out from what their IBL committee looked at.

Jolene Kline: Yes. SB 2271 was initially introduced with \$40M funding by Senator Kreun. It included the funding request, removal of the essential service worker priority, and it reduced the percentage of the fund that had to be used in developing communities from 25% down to 15%. The Senate passed out the bill as introduced but decreased the funding to \$10M. The House IBL amended the bill, increasing the funding back up to \$40M and added the essential service worker priority language back in. The discussion in that committee was that there was still a need for essential service worker housing. One of the committee members had family members out in western ND that was really struggling to find affordable housing. I believe she was a teacher. That committee member was adamant that that language be included in the bill. In the past, HIF has been funded with a variety of different funding sources with state income tax credits with General Fund appropriations with profits from the Bank of ND. The governor had recommended that the funding source be the SIIF Fund in this biennium. One of the questions in the full house appropriations when Representative Keizer carried the bill from IBL to appropriations, Chairman Delzer asked him if that committee had considered it being a credit. Senator Keizer responded that no they had not considered that. That was the end of that discussion so, had it been a credit instead of a General Fund appropriation, if there would have been more buying on it, I cannot answer that. Whether it was just looking for a reason to kill it, I do not know.

Senator Sorvaag: As you know, our chamber already killed credits. There was not much enthusiasm for credits.

(0.34.52) Jolene Kline: My second page of testimony states what we would do with different funding levels. (See page two of testimony) The interesting thing when you look at the average HIF investment per unit of \$47,000 is interesting. Moved in testimony to page 2 under "Targeted Housing Populations Using Future HIF Funding". She emphasized Seniors/Frail Elderly one where the DHS today is spending \$90,000 per year per Medicaid recipient in a nursing home. Where if they are providing in-home services it's costing between \$17,000 and \$23,000 depending on the type of services. Even if you look at the high end of \$23,000, that is a \$67,000 difference. It is going to cost the state \$67,000 to keep the person in a nursing home for a year, you can create an affordable unit for \$47,000 that is going to be affordable for a minimum of 15 years. To me, it makes economic sense that we invest on the front end and keep those people out of nursing homes as long as possible. That is not only for the sake of saving the state money, but also improving the quality of life to those individuals that are going to be in the nursing homes. It is similar savings on the homeless side. What it costs the state and the local jurisdictions, \$30,000 to \$50,000 per year. That is a variety of services including hospital care. It has been shown that a HIF funded permanent support of housing unit reduces that cost by 40%. Again, those are significant savings by and upfront investment in the program. There are also more talking points to persuade you to consider adding this in. She continued reading testimony on the bottom of page 2 and moving on to page 3.

(0.39:00) Senator Mathern: What level of funding would it take for a big project to go online? Take the high rise in Fargo for example. What level of funding do you have to get to, overall in the state, to actually take on big projects? Is this high enough for any big project?

Jolene Kline: HIF would not be able to solve the high-rise. It would be a part of that solution. That is 240 units of housing in downtown Fargo that is serving very low income people. That is particularly people with disabilities and seniors. We have been trying to figure out how to address that for 10 years already. It is such a big project. I believe the rehab costs on that are either \$19M or \$32M. Both of those numbers are floating in my head. But, over the years, we've looked at combining it and maybe doing 2 years of awards of federal resources. We looked at the non-competitive 4% credits. We can issue multifamily bonds for it. That leveraged with 4% non-competitive credits, HIF could go a long way in filling that gap. So, we could do it with the non-competitive credits. With the competitive 4% credits, we would be using up all of our credit authority for two full years for one project. That would leave the rest of the state out.

Senator Mathern: So these levels, the 10, 20, or 40 wouldn't take on a project like that?

Jolene Kline: \$40M would solve the problem if we were going to put all the money into one project.

Senator Mathern: That is considering you have a state wide mission. It would not take on that project. Okay, thank you.

Senator Sorvaag: It is sitting at 25% for the essential. I know you want that language out. We moved it to 15%. Is there a need for essential workers that would use that up in the definition?

Jolene Kline: I want to clarify. The percentage does not deal with the essential worker side. The percentage says that currently we have to use 25% of the fund in a developing community to address a housing shortage. Right now, we have defined a developing community as 20,000 or less. That is just saying that if it is a \$40M fund, we have to put \$10 M of it into smaller sized communities. The essential service worker is a whole different thing.

Senator Sorvaag: I read that wrong.

(0.42.06) Jolene Kline: In century code right now, it says we have to give priority to housing essential service workers defined as employees of the city, county, or state medical facilities. That language was put in in the second biennium funding to address the shortage of housing in the oil country. It also said it was essential service workers in energy impacted areas. I believe that essential service worker housing has been mostly met. The House committee member did raise a point. He said his daughter was X number of dollars by the time she netted off her child care, by the time she netted off her student loans, she couldn't afford to pay the \$1000 rent out there. She still needed the value of a HIF assisted unit out there and she was making a decent salary. Whether or not that language is in there, it just says we have to give priority to those groups of people or others as defined by the agency as meeting an essential service. Today I think you could make the argument that a day care worker was providing as essential service. We keep hearing it is the main street workers such as the

clerks in the grocery stores and the waitresses in the restaurants that are providing those services, that when people look at moving to an energy impacted area, they are going to want to know if there are restaurants, shopping, and things to do to improve that quality of life before they make that decision to move. So we have some latitude. If that language stays in there, it is not going to be a deal breaker for us. It is not that we are not going to be able to put the money to use. Again, we have to give priority. In our point structure, there are additional points for addressing that if that applicant can show there is a need for an essential service worker housing in that particular community.

Senator Sorvaag: That is really my question. You know what is out there. Would they eat up all the money?

Jolene Kline: We are not going to fund projects where we do not believe there is a need. If we have a vacancy issue with our essential service worker housing in an existing community, there would be no reason why we would fund another essential service worker project in that community.

Senator Sorvaag: You could still fund essential workers even without the language. You could do it anyway if they fit your point. They just would not get the kick up point for however you do it for the essential. That was confirmed. Are there any questions? Any other things you want to discuss, Jolene? You requested funding for one employee. Was that all settled in the House? Are you fine on there?

Jolene Kline: Yes. There are no questions on our budget.

Senator Sorvaag: So this is really the only point we need to discuss in your budget.

Jolene Kline: Yes. Whether or not, the discussion is going to come up along the way. It was a point raised in House appropriations. It may of just have been a way to not fund the bill. One of the committee members asked why does that agency need this additional funding when they already received \$31M in grant funds. There was no opportunity to say that is incorrect. Yes, our budget shows \$31M but all but \$4 M of that is pass-through money. That is money that we get from HUD that we pass-through to owners of existing projects for rental subsidies. So that is not available for any new construction or any rehab. The other \$5.4M that is included in there is that housing trust fund which I have talked about here. In the absence of state funding, we have the \$2.7M annually of housing trust fund and the \$3.1M of federal tax credits. That's it. We fund 3 or 4 projects a year with our federal resources.

Senator Sorvaag: Thank you. We are going to have another meeting this week. I am not sure which areas. We still have some small areas to go through with this budget. We will have to start making some decisions. We are still waiting for some things to happen out there especially with the bank side of it. For now, we will adjourn subcommittee until the next scheduled meeting.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1014
4/4/2019
Job # 34526

- Subcommittee
 Conference Committee

Committee Clerk: Rose Laning /MJ, Pam Dever

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes:

Testimony # 1 – 4.

Legislative Council: Adam Mathiak
OMB: Becky Keller Becky Keller

Senator Sorvaag called the sub-committee to order on HB 1014. **Senator Holmberg** and **Senator Mathern** were also present.

Senator Sorvaag: We are going to go back and start talking about a few things we haven't covered yet. We are not going to move on anything, but anything we have a consensus on, we need to go forward. Adam Mathiak can start moving forward and getting things off our list. That is kind of the intent of today.

Main administration has no changes there. We are leaving that alone. We are fine going forward on that.

Lignite Council really has the only thing in there was \$4.5M of non-matching dollars for research. I did ask Karlene to put together a chart of what all the Lignite Council is getting, so if you want to pass that around, you can explain it to us.

Karlene Fine, Executive Director, North Dakota Industrial Commission:

Used Analysis of the Lignite Research Fund (att. # 1). The \$4.5 M you're talking about is within this numbers. It is not an addition.

Senator Sorvaag: So, no big changes? (Answer – none.)

Senator Sorvaag: Outdoor Heritage Fund: The House last session had that down to \$10M capped, and this one increased the cap to \$15 M. That would go to the Outdoor Heritage Fund and up the oil dollars. What are the feelings and discussion of the committee on that?

Senator Mathern: Wondering where the level of application is for this biennium? I had asked some questions earlier and someone said a lot of applications were coming in here the last few months. I am just wondering if we could have an up to date report as to the requests there?

Karlene Fine: In information that we've provided to you, under the tab OHF, there was a chart that showed the OHF funds that have been received and awarded by biennium. That shows that we have awarded \$9.6 M, which is about \$9.7M dollars of current biennium. The amount of applications that we had were higher than that. But we have one more round to go.

Senator Mathern: That round I guess, is filling up? How does it look?

Karlene Fine: For the May 1st round, we've had a number of individual's calling in saying that they are working on the applications, but I don't have a total dollar amount or number at this time. But I expect it to be more in the average of \$5-7 million dollars requested.

Senator Mathern: For the next round.

Karlene Fine: Correct.

Senator Mathern: So we'll go over the dollars.

Karlene Fine: We'll go over the dollars received. We did carry over some dollars from the prior biennium, so currently we have uncommitted dollar of about \$9.9M dollars available for this next May round.

Senator Sorvaag: So would that information, the \$15M would be added from what's been coming in, adequate money for the next biennium.

Karlene Fine: We are comfortable with that number.

Senator Sorvaag: Based on what's been happening.

Karlene Fine: The commission has not given any direction to request additional funding. So we'll be going with that \$15 Million. We are comfortable with that.

Senator Sorvaag: Public Finance Authority –There is a ¾ of an employee that's authorized but not funded? Is that correct?

Karlene Fine: No, we have a ¾ position is unfilled. But it is funded. The Public Finance Authority would have 2.75 FTEs. We're comfortable with that.

Senator Sorvaag: We won't do anything more with Public Finance that one is a go. Now, talking about Housing Finance. We are not going to talk about the dollars today, but we're going to talk about the language. SB 2271 changed some of the language from 25% to 15%, for developing communities. They took out the essential worker part of it. In the House, they put that language back in and they played out over things. But I think that's hasn't passed yet. I don't know if it's going to kill the bill. Did they kill it yet?

Karlene Fine: They did kill the bill.

Senator Sorvaag: The question in front of us is do we put back that language from 2271. Jolene is going to address that to the committee with her request.

Jolene Kline, Executive Director, Housing Financing: Handed out some statutory language change that mirrors SB 2271, that was initially introduced by Sen. Kreun, and that bill was killed on Monday. Attached # 2. It basically puts back or takes out the essential service worker priority. We, as an agency, do not feel that that needs to be a priority anymore. That doesn't mean that we're not going to fund essential service worker housing, but our position is that every community has a unique housing issues. Let's leave it up to the local communities to define what their needs are; whether their needs are senior housing, or whether they are workforce housing, or whether it's housing for homeless. We'll leave it up to the communities. We go through an allocation plan process which is a very public process. We get input from our stakeholders as to how our point structure should be defined. Through that allocation plan process, we will then decide whether workforce housing receives more points than elderly housing. But I think that that is a local issue. It shouldn't be up to the state to say what the priorities should be for this funding source.

Senator Sorvaag: You're for the 15% for the development. I mean that passed in both chambers. That is probably the only piece of 2271 that was consistent - lowering that from 25% to 15%.

Jolene Kline: That is correct. I did leave that in there in my draft proposed language. We have no issue with the 25 versus the 15, because again there is some latitude in that language. It says it must be used to address developing communities to address some unmet housing need or alleviate a housing shortage. I think you could make the case that any application that comes in, is an attempt to address a housing shortage, otherwise, they wouldn't be applying.

Senator Sorvaag: Do you have any idea why that was put in there? Have you consulted with anybody as to why it got changed?

Joline Kline: I believe there was concern that the rural communities needed to get their fair share and that's why it was initially put in. The main bill sponsor of 2271, was from Grand Forks and I think that....

Senator Sorvaag: I think it was quite an urban oversight. You based it on the income, from the medium family federal registry, or whatever the needs of a community. Is that number, one number for the whole state or does that vary by community? The reason I am asking that is because for essential workers that could be a more relative a higher number where the pay is higher. Is it one number for the state or does it vary for regions?

Joline Kline: HUD publishes those income limits annually and they are by county by county basis. Our allocation plan currently goes anywhere from 30% of that area county median income number, all the way up to 140% of the area median income. The language is in there that we are going to use the funds to address low to moderate income. So the moderate would be that 140%, that has always been in there, that's how we got to the two teacher household kind of essential services.

Senator Sorvaag: So you still could deal with the essential workers within this in some of these. That is being driven by the areas where the incomes are higher, the rents are higher, and all that.

Joline Kline: That is correct.

Senator Mathern: If we're going to do this and asking to put this into the bill. Is there anything in NDCC 54-17-40 that is sort of extraneous? Is it just sort of hampering you from getting your work done, that we should address at this point? Sometimes we just pass things on and on, or are you comfortable with the way it is?

Jolene Kline: Other than that, the striking of it on the way last page of what I handed, and again that is consistent with what was in the 2271 - the reporting requirements, if that remains in there, I just find it kind of silly to report on the progress we've made in reducing the number of units that are master leased or owned by political jurisdictions. By the time I got my last report to the budget section, we had surveyed those jurisdictions so many times, and we were getting the same information. The units that are still owned by the political jurisdictions are basically those owned by local school districts. They've owned those homes for 20-30-40 years. They have no intentions of selling that home. That is there recruitment tool for getting that teacher or that principal into the community. So I think that reporting requirement is not necessary. I think it's just putting extra work out there.

Senator Sorvaag: Our chamber passed 2271. All we would be doing is putting that language back to what we passed as a Senate earlier on.

Senator Holmberg: But you should give the House the opportunity to revisit the issue.

Senator Sorvaag: so we'll put the language back in then or the changes. We're not going to discuss the money now. That will be a later date. Any questions, otherwise we'll move on. We're going to leave DMR alone right now.

Go to Mill and Elevator - was very cut and dried. The House really did; we only have an issue of employees. They left or reverted back and they made no change. That we only take 50% of the profits. They left gain share and all of that discussion that we had last biennium alone. So everything I think was in good shape. The only thing is the Mill had requested 2 food safety employees additional and two utility workers. The House gave them 1 food safety and 1 utility worker. The Mill would still like two - or both. If they had a preference, they would like 2 food safety over the utility. So, I guess what I am looking for is input from the committee. Do we leave it with the House at one of each, or do we go two food safety and one utility, or do we just put all four in at this point and be discussed in conference?

Senator Mathern: They've been operating efficiently. They have been returning profits. I think we ought to support management and just put the employees in. Actually, it is a return to North Dakota. It's like putting good money to where good things are happening. So I would hope that we would just put these all in that management wants.

Senator Holmberg: Senator Mathern is correct. It's special fund money that they raised themselves. They have had an exemplary track record and after last session and with the

discussions with the many conference committees that occurred, the legislature has obviously backed away from the attitude that some had. I think we should put them back in, and let the conference committee work it out. But I think we should start with the position of what management had put into the budgets of two and the two.

Senator Sorvaag: As committee, is there a consensus that we'll put in the 4 employees - the 2 food safety workers and 2 utility workers? With that, I think we are done with the Mill and Elevator.

I'd like to go to the Bank. I have two amendments for the subcommittee to look at. There was a bill in the House to look at doing foot options and different options on the oil prices. Actually, go back farther, in the interim we discussed in our Government Finance quite a bit of times. There is some part of the law now, that they can do part of it, but it's not really workable. There was no desire by the interim committee to push anything forward, and the bill died on that. What this amendment does is it allows the bank to do a study with their own funds, to play around with this and see if it will work. The amendment is 19.0202.02001 - Attached # 3.

Eric Hardmeyer, President, Bank of North Dakota: There was a bill on the House side to do a hedging strategy along with putting some governance around it as well. That died 47 to 46. There was a fiscal note that was attached to that originally started at \$95M. It was then reduced to \$100,000 to again establish a committee of sorts, a task force, as well as to do potential hedging, a small pilot program. That was killed. We had then revisited the issue with the Senate Majority leader, Senator Wardner, who expressed interest in bringing that concept back and we suggested that we just attach this to 1014, and the Bank of North Dakota would pay for and conduct the study to look at various hedging strategies. As it says here to protect the state from volatile swings in oil prices. There is a number of areas that this could look at whether its general fund revenue. It could look at Legacy Fund revenue. It could look at various other trusts that use oil revenue. So we think that we can absorb the cost of this study within our budget. As you know we do have some contingency money available if it gets approved that we would use that as a place holder to conduct the study. Our really preliminary cost estimates, would be somewhere in the \$40,000-\$50,000 range perhaps. You're aware of one other country, Mexico, who is doing this. Other states have not really considered it, but this might be a sure timely thing to look at.

Senator Mathern: Wondering if you should have a little more authority than this. In light of volatility, if we're too conservative in our approach or our willingness, this is another kind of management thing. The BND has been doing well and returning profits. It appears from that, that more can be done if you have the ability. So we have this study, it says that Mexico is flattening out their income stream, its positive and then it would be another 2 years, we'll say you can spend 1% or whatever. But the time we get it figured out, all the upfront advantages are gone as everybody else is doing it. I am just wondering if do you really need a study or do you need authorization to do it? Your good managers already.

Eric Hardmeyer: It gets back to what portion of the revenue are you looking to hedge? As I said, there's various revenue streams that collect oil revenue and are we protecting the general fund, are we protecting the legacy fund, the foundation aid, and what is the right entity to actually put the hedging instrument in play? Would it be OMB, who would that be? I think it is more complicated and in fact I think quite frankly the study would be the way to go,

and I sure appreciate your view on the sense of urgency. We've all been dealing with the volatile energy prices and know what that has meant to state revenues and forecasts and budgets. But I think is a very complicated area. It is probably worth taking the time to study it and then coming back with a governance structure around it in determining what parts of the revenue stream you want to hedge.

Senator Sorvaag: We talked about it in two or three meetings during the interim. It was just part of the discussion. We actually had that gentleman from NDSU that is kind of an expert on this and he testified to, and I just think that the reason there was no bill out of that committee, or really no action, there is a real concern. Are we gambling with public money is what we are doing? That's why I am supportive of this, because I think this is an avenue without taking anywhere out, it's just in your management to keep it limited and see if it is realistic. Then we can come to and actually have something to base it on. His testimony was impressive but again speculative even though he works with foreign countries. But I would guess you would even look at that, as some of your areas of investigating this. But I think going beyond a study is not only politically difficult, but I am not even sure if I would support going beyond that without something to base it on. It's more than just a foreign country who we all know they do handle our business differently than most countries.

Eric Hardmeyer: There is a lot of different ways that we could look at this. Whether it is as a type of insurance product where you would insure a floor or put a collar around it, where you protect both the down side but you limit the upside and you give yourself a range that you operate within that protects the revenue to a certain extent but also limits the upside, so there is a lot of different ways to look at this. I agree completely that this is a complicated subject that the state should I think, Tim Porter, CFO and I have been looking at this for a number of years. This is a strategy that the state really should consider when it looks at the volatile revenue streams that come into the state. It's a tool, that should be considered.

Senator Sorvaag: So is the committee supportive of moving this forward or is there objections?

Senator Holmberg: Could you do this study without legislative intent or do you feel more comfortable because we've had couple of instances where folks come to us and they've done the study and the Legislature complains why did you study this?

Eric Hardmeyer: Legislative intent is helpful so I would recommend you keep this language in play here. We certainly wouldn't do this in a vacuum either. We might lean on Lynn over here to help us think about it as well, so I just think it would make sense to have this.

Senator Sorvaag: Would the committee like to just wait on this?

Senator Holmberg: No, I'm fine

Senator Mathern: I'm fine. Let's do it.

Senator Sorvaag: We'll go forward with that one. Are you considering an additional 1 – 2 employees because of some of the additional roles that we are putting on for the bank. It's been casual discussions. HB 1333 adds more responsibilities, are you comfortable with your

present workforce with no additional with what you see developing in the legislature at this time?

Eric Hardmeyer: We thought long and hard about 4 additional four FTEs. At the onset we said I think we can work with our authorized FTE count of 181.5 and it would really depend on the work requirements that were added to BND based on legislation that comes forward. You've already mentioned a few of those have kind of come and gone. I think as we look at some of the VSEP (Voluntary separation), that we've deployed looking at some efficiencies and structures that we look over the next biennium. I think it would be our position at this point, that the FTE count is sufficient. This gets back to salary issue that you've taken up and maybe you have not heard this issue before. As we heard Senator Holmberg describe it on the floor, as the canary in the coal mine view on how you look at the salaries using the Indian Commission's budget as the example. In looking at the minimums and maximums that you put forward, I would just like to be on record to tell you that for the large part of our employee base that is very positive and we appreciate that but there is certainly another segment of our employees that I think are at risk. Upper level management where they signal that we are giving them is that after 3 years of no pay increase, they won't even get a 2% pay raise. I certainly appreciate the budgetary issues that you work under and again recognizing that BND is a special fund agency that supports itself along with the general fund. That is a bit of a mixed message for us and for those of us who manage agencies that have employees that are upper end salary ranges where it is just something that I felt compelled to mention.

Senator Holmberg: One item on table and not finished was larger agencies that might find some roll up within their budget. In the OMB budget, one of the items that will be considered is to allow those agencies that have it to use it for retention and removing compression problems. That is not in OMB. OMB is in the House and that suggestion did come from one of the House people. They had changed their position, and increased the dollar amount substantially, is that still on the table – for OMB budget. That is an item of discussion for the OMB budget. But some agency, your agency would benefit from that whereas like the Council on the Arts will not have rollup.

Senator Mathern: Do we have a scale or comparison of bank salaries to its' peers pulled out of human resources from OMB? Are we farther apart from the private market in the bank than we are, for example in Human Services or more in the Arts Council? Do we have that separation?

Eric Hardmeyer: Not sure what the state has, but have our own work. We've commissioned separately from any legislation so that we can always tell where we are in comparison to the industry. We conducted a study using a reputable firm out of the cities. In the last 4-5 years we've used them to benchmark salaries and so the issue that you talk about here, is almost essential for us. We have employees significantly at risk if we don't adjust salaries to reflect what the present market conditions are. As you talked about the mill and elevator being successful, and achieving its goals I sit here and tell you the same thing for the BND - fifteen years of record profits. As I look beyond myself, and Tim and I are in the last few years of our careers here at the bank, we look at those coming up behind us and look at succession planning and look at where we are and benchmarking, we are significantly behind. We need to work this thru the Industrial Commission. It is a significant issue that we need to deal with.

We'd hope you provide the flexibility within any kind of language that you can come up with, OMB bill or otherwise, to help us with these really significant issues.

Senator Mathern: Can OMB comment on that?

Becky Deichert, Legislative Council: You're asking if we have data based on the industry?

Senator Mathern: Like a specific sector, not just generally our state employees. Private market, like this industry of the bank.

Becky Deichert: Nothing that I'm aware of, but can double check.

Senator Holmberg: The issue of top people at agencies and the divisions within the agencies. We did as a legislature, put into compensation packages. There are a few agencies that put into their budgets specific money for retention. There are a couple, but we do have that in a few agencies.

Senator Mathern: Mr. Hardmeyer raises an important point. Not all state agencies are the same, not all employee groups are the same, and we need to separate that out a little bit so we are a little more fine-tuned in terms of our responses. I don't know if that would be wording in here, or OMB. We'd be in dire hurt, if we didn't have Bank or Mill or some of our other entities. I see so many places in our bills that we're saying the bank should do this and that. Why are we doing that? Because they have the people that can actually do the stuff, and they should be fairly compensated.

Senator Holmberg: Do we make a differentiation between those people that are in agencies that are unclassified? We have some agencies that people are not part of the classification system. We know who some of them are; WSI and Commerce. (39.46)

Eric Hardmeyer: We offered a bill that was passed and signed by Governor that exempts BND from classification system. We, along with Commerce and Mill & Elevator. WSI's officers are exempt. They were completely removed, but were brought back in later. There are 17-18 agencies that have some limitations, but there are three agencies that have complete removal. (40.16)

Senator Holmberg: That was done in part because you are operating like the Mill in the private sector. (40.33)

Eric: Yes.

Senator Sorvaag: This is more of an OMB type process instead of doing as one committee.

Senator Mathern: In terms of the bill that has been passed, will it be signed by the governor? (It has.) Will that give you greater range?

Eric Hardmeyer: Based on our current budgeting, we have the flexibility and maneuverability within our budgets to do just that; salary adjustments based on equity needs. We think there is money to do that. We are not looking for additional authorization because we believe that it exists today within the flexibility of our two-line budget. To answer your questions, today before the bill was signed, 28 of our positions were unclassified. That is not

enough. We have levels of bankers that compete with the private sector that would have no good comparison to any state employee position. It provides some flexibility that you talk about. We have never asked for additional dollars. We live within our budget from day one.

Senator Holmberg: Are you bound by the number of FTEs that we authorized.? You're different, like higher education, they are not bound by those numbers. If they have the cash, they can add FTE's.

(43.25) **Eric Hardmeyer:** We are bound but if you would like to take us out of that, that would be OK with us. We run as a business, like the Mill runs theirs. We run this as efficiently as any bank. We would not unnecessarily add employees.

Senator Sorvaag: It's important you run efficiently because right now we're asking for \$240 million.

Becky Deichert: We do have a salary survey, so I'll get that to the committee. (44.41)

Senator Sorvaag: I handed out amendment for HB 1014 (amendment 19.0202.02003 - attached #4). SB2275, that we passed in the Senate, has \$500 million of financing. There is one little change. I want the committee to go along with amending this back in to the Industrial Commission budget. If you go to page 4, the second item, 'J', it says "communication infrastructure". When this was developed, there was talk to leave fiber optics infrastructure out. That wasn't on the initial bill. I'm asking committee to amend this back in.

Senator Holmberg: I suggest we add that, even though House killed the bill, it should have another day in court. The House has added into the tax department, the \$150M income tax deduction that the Senate rejected 42-4. You can say this is very necessary for a number of projects that need to go forward.

Senator Sorvaag: If the committee has consensus, we'll add the .02003 as approved.

Senator Sorvaag: We approved the \$500,000 research litigation. There was a request for \$550,000 to Washington state. The feeling was to leave that alone. That can be addressed in the OMB budget in that litigation fund. (47.58)

Lynn Helms, Director, Dept. of Mineral Resources: If I may speak to that. I spoke to Rep. Vigesaa about this issue. They are willing to discuss and address our concerns in SB 2015. I was scheduled to discuss it with them at 10:00, but they were called away by Rep. Delzer. We will discuss and address it in SB2015 before it moves out of Government Operations. (48.32)

Senator Sorvaag: Let's go to the \$217,000 plus for 4 temporary half time employees for 11 months, basically for recording their notebook files to a digital medium. What are your feelings? Did that get addressed by the House?

Lynn Helms: That was addressed on House side and it was turned down by House Appropriations.

Senator Mathern: How do you get employees to look at books and transfer? Are there people out there that do this stuff?

Lynn Helms: It would be the people who actually recorded most of those notes. These are our district supervisors who are retiring all three of them plus one more senior employee. They are submitting their retirement plans. Under the current ethics rules by the Industrial Commission and HRMS policies, they have to take the first month off in order to get the maximum benefit out of their pension and health insurance. Then they are restricted from working in a position that would place them in a conflict of interest for representing any client or anyone like that for one year when they leave the employment of the Industrial Commission. This is an opportunity for them to mentor their replacements and go through their notebooks and build this institutional knowledge data base for us. It's the very people who wrote those notes that you looked at that would be flagging them and putting them in the data base.

Senator Sorvaag: You must have had employees in the past with the same positions with notes that were left. Nothing was done with that? (51.12)

Lynn Helms: There has been a little of that, but we have never had a mass exodus of 150 years of experience all occurring over a three-month time period. In the past it was a few here and there. We were able to redirect their efforts of the last few months on the job. Because of the situation, I will lose vast experience in a three-month period and no real opportunity to capture it unless we do something innovative like this. (51.59)

Senator Sorvaag: We'll have act on that later. Continuing, you asked for \$20,000 for high level radioactivity. That was new. (52.28)

Lynn Helms: That was a new request as of this week. It was the first time we were aware that if we did not ask for funding, it would come out of the geologic survey's operating budget. We asked for just what we needed there so there isn't money available there. It would mean cutting back on mapping or something in order to fund the expenses of this council.

Senator Sorvaag: Would the committee be in favor of putting \$20,000 back in? (All in agreement). You asked for \$5560 for additional auditor to the fee line? Can you absorb that?

Lynn Helms: We can absorb that.

Senator Sorvaag: Look at the \$108,000 operating for the contingent's employees. The House just ignored that.

Lynn Helms: Correct. It got ignored by OMB when the budget was put together, and also got turned down by the House.

Senator Sorvaag: They're working right now?

Lynn Helms: They are in the hiring process now. We will have them on the payroll before the end of the biennium. This would be for the next biennium. There were no operating funds for trucks, computers, etc. in the budget.

Senator Mathern: When you say ignored by OMB, did they forget or decided against it?

Lynn Helms: They actually indicated to us that they needed to cut something so that is what they cut. They made a conscious decision to not fund the operating expenses of those two employees.

Senator Sorvaag: We will stop for today. The two pilot projects and most of DMR on Monday. We will have mineral resources part and clean stuff up. Adjourned.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
4/8/2019
Job # 34589

Subcommittee
 Conference Committee

Committee Clerk: Alice Delzer/ Meghan Pegel

Explanation or reason for introduction of bill/resolution:

A Subcommittee hearing for the Industrial Commission

Minutes:

No Attachments

Senator Sorvaag called the Subcommittee to order on HB 1014. Let the record show that all three members are present: **Senator Sorvaag**, Chairman; **Senator Holmberg** and **Senator Mathern**. Adam Mathiak, Legislative Council, and Becky J. Keller, OMB, were also present.

Senator Sorvaag: A lot of what we're going to do is going to be with the Department of Mineral Resources; that's most of our loose points. We still have housing and finance. We agreed to change that language, but the only piece of that yet is the amount, and we're not going to move on that today. We approved to put the amendment for SB 2275 in. After we approved it, there were a few questions on some of the language changed. Adam, please address that.

Adam Mathiak, Legislative Council: There was one typo that was corrected as part of it. The other major change was adding some language. Right now, 2275 as it came across authorized the public finance authority to issue bond anticipation notes. That would allow them to put money into the infrastructure revolving loan fund before the actual bonds are issued. Then those bond anticipation notes get repaid when the bonds are issued. The bank and the public finance authority wanted some additional flexibility, so they requested to have an additional option in which the bank could provide up to a \$100M loan to put money into the infrastructure revolving loan fund early. It would be kind of an alternative proposal to the bond anticipation notes that they could use one or the other method. Then if they did do the loans or a line of credit from the bank, the bank would be repaid from the bonds when those are issued. it's just two different options for them to put money into the fund a little bit before the bonds are issued. It takes a little bit to issue the bonds, and this would provide that money up front.

Senator Sorvaag: When the bank spoke to me, I told them I was comfortable putting whatever language in, but since we did it by consensus, approve the amendment, is the committee okay with the changes that they're doing? (**both agreed**) Then we'll go forward

with them that way then. We have about 6 items in the Department of Mineral Resources. There was a request to add in \$108,240. That's the operating expense for the two contingency employees that were added in December of 2018. Lynn, you had operating for the rest of this biennium for them, but this is for the next biennium, correct?

Lynn Helms, Director of the Department of Mineral Resources: Correct. Part of the contingency request was for operating funds for the 2017-19 biennium, and that was approved. However, there was no cost to continue for those operating funds into the 2019-21 biennium.

Senator Sorvaag: They're employees, and we presume they will be working after July 1st because there's a need for them. What is the committee feeling? Should we put the \$108,000 in? **(both agreed)** Okay, we'll put it in by consensus. We're not going to deal with litigation; that's going to be done at OMB. Let's talk about the \$217,600 temporary salaries. We've all heard it multiple times that it's for 4 people, halftime for 11 months to take their recorded history from their notebooks and put it into a database or format so that it can be used by present and future employees at the Department of Mineral Resources.

Senator Mathern: Why 11 months and why all the same?

Lynn Helms: The 11 months is derived from the Industrial Commission's ethics policy and also the retirement requirements. When one of these individuals retires, they have to remain out of state employment for one month in order to optimize their pension and health insurance continuation in retirement. The Industrial Commission ethics policy requires that individuals in positions like this not represent anyone to the Industrial Commission for one year following termination of service. For example, these are district supervisors, so they have been in a position of making a lot of policy recommendations to the commission. They are not able to go out and take a consulting job or represent an oil and gas company in similar type things for one year. We know for a fact that they're not going to want to do this after the one year. They'll be able to make a lot more money working in consulting or representing oil and gas clients, but they are restricted for that first year and can't work at all for that first month. That's how we arrived at the 11 months. That would be the absolute maximum. Some of them will not work the full 11 months; I'm certain they'll finish up their work and go on their way. In fact, one of the individuals who's going to be one of the earliest retirements plans to take time off during the cold winter months and go south. 11 months is the absolute maximum that we would utilize, and more than likely, they'll all be less than that.

Senator Sorvaag: This is just salary, no benefits.

(0.07.30) Lynn Helms: Correct. This would just be salary for halftime with no benefits.

Senator Sorvaag: and they're all paid equally under this? Is there any feelings by the committee if we should do this? We will meet again so we can discuss it more if we're not ready to move at this point.

Lynn Helms: We got the idea from the Department of Health. They have struggled to replace people with decades of service, so they typically hire retired individuals back at half time. That's federal funds and usually in federal programs, so you probably haven't heard a lot about it, but it's been a very successful program over there for capturing that institutional

knowledge particularly like in their air quality program with getting all their files in order and recorded electronically as well as mentoring their replacements. It's a pretty common practice over there, and that's where we got the idea.

Senator Sorvaag: But if we reduce the amount, you'd just get what you would get in that timeframe. You're just anticipating this amount if they work the 11 months. That was confirmed.

Senator Mathern: Who specifically supervises these people for that period of time that you're thinking of bringing them on?

(0.09.17) Lynn Helms: The supervisor for these people would be their current supervisor, which is the field supervisor, who manages the entire field inspection core. That is the individual who's going to be responsible for their replacements and the knowledge transfer to the young field inspectors. Since they currently work for him, they would retire under his supervision, and the people replacing them and benefiting from their knowledge will work from him. That's the ideal person to oversee this project so we actually get the benefit out of it that we're looking for.

Senator Sorvaag: We will think about this amount.

Senator Holmberg: This is one of those that I don't feel it, but I understand it. We have other things, the housing and other things that are big ticket items, and this is small ticket. I don't have a problem waiting.

(0.10.50) Senator Sorvaag: Okay. Let's stay with the employees. The House approved two contingents at 20,800 wells. You're requesting two more at 22,500. You proposed that to the House, and they didn't put it in?

Lynn Helms: Correct. We proposed 4 positions, 2 approved and 2 not approved to the House. They came to much the same conclusion that you have in that more than likely we would qualify for these positions about within the last 6-7 months of the biennium, and the legislature will be back in session around that time. Their conclusion was that it can be dealt with at that time; it really wasn't necessary to set aside the money in this budget. I can't counter that argument. We've run the numbers several times, and we always come back to the same conclusion that the 22,500 wells trigger would be reached in December of 2020 or January of 2021.

Senator Sorvaag: Of all the things we're talking about, it's not number one on your list.

Lynn Helms: No. In fact, I think it's number 7 out of our priority list.

Senator Sorvaag: What happens if it goes to 22,600 if you don't have them? You still function; it just puts a lot more pressure on the employees, is that correct?

Lynn Helms: Yes. There would be extra workload on the other employees, and we would adjust. Perhaps we would lengthen out the time between inspections on a few of the facilities, but then they would be built into the next budget request. The workload would be picked up.

Senator Sorvaag: and like you said, we would be close to being in session also. That was confirmed.

Senator Mathern: Does this put money aside if we do it contingent? Let's say we would approve it contingent on this well number. Does that actually put money aside, or is that coming from the future? I'm concerned that if we have high activity, I assume these people will be there.

Adam Mathiak: It would show up as part of their budget, so it would affect the bottom line of the general fund. It's just that it would be contingent on that, so that money is essentially tied up. It's not just sitting out there above and beyond the budget; it would have to be part of the budget. Even with the existing two contingencies, it does show up in the budget right now, and it is part of the bottom line of the general fund balance as being an expenditure. However, in the event that they don't need them, it would then become turn back to the general fund at the end of next biennium.

Senator Mathern: Couldn't we make it contingent on the time frame, like the last 6 months, so we don't allocate a full biennium of funding?

Senator Sorvaag: There is 145,000. That can't be for the long-term.

Lynn Helms: Correct. We arrived at that because that's what they would cost for the last 6 months of the biennium, the salary and operating for two employees. It does affect the ending fund balance, and the money does get set aside. It can't be spent on anything else.

(0.15.25) Senator Sorvaag: What is the committee feeling. Should we leave it as the House brought it across? That's 2 contingents at \$20,800 and I guess if the numbers go to 22,500 next September, there's a lot of good things happening.

Lynn Helms: Correct. If we arrive at that number early, it means that there is significant amounts of revenue coming in, and we can approach the Emergency Commission if it was a really serious issue.

Senator Sorvaag: Should we leave it as the House has it?

Senator Mathern: I am concerned that they have the proper staff to monitor that activity, but I am okay with the fact that you would take it to the Emergency Commission. I am fine with leaving it like the House. With our discussion, I would hope that the Emergency Commission would act favorably if that were to happen.

Senator Holmberg: Is there any language that would be necessary to this bill that would say that if it arrived early that you should go to the Emergency Commission and ask because there is money in the contingency in the Emergency Commission. Would it help your case if there was language in the bill that said that had the contingent but there was no money put in, but that the department should go to the Emergency Commission? Adam, do we do that?

Adam Mathiak: If that was something that you intended, I don't know if it would have to go in the bill. I think it could be part of the record here as part of the discussion that they had

asked for it, that they did anticipate that there might be this need and there's a strong case to be made. I would think the Emergency Commission too, they evaluate different things, they might consider that because there is sufficient revenues and the revenue picture might be very robust that at the end of the day that money could get repaid back to that fund even if it was a temporary bridge measure to get these employees on the books for the last few months. I suppose there is always options too, depending on the timing of this, but they could also get a deficiency appropriation from next session to get the employees started early. Yes, I think it would be part of the record from this committee that the subcommittee was supportive of them seeking Emergency Commission approval and wouldn't necessarily require anything in the bill.

Senator Sorvaag: It avoids us tying up 145-146,000 that may or may not be used.

Senator Holmberg: The record should reflect that. I can see the discussion of the Emergency Commission, someone will say, "well, the legislature is in town, so why are we spending the money? Let's wait until the legislature finishes it" but at least it gives you an avenue, and it's an avenue that the legislature directed you to consider.

(0.19.12) Lynn Helms: That would be very useful to have something in the record or in the bill. In particular, the industry that we regulate is very volatile, and it's unlikely that they will act as we have estimated. If they do respond to high oil prices and drill lots and lots of wells, it will happen well before December or January, and that will allow us to go to the Emergency Commission and say "we anticipated this might happen, it's happened because of this volatility and there is something in the record that the Senate subcommittee was in support of this request.

Senator Sorvaag: As you stated earlier, our revenues would be more robust if you arrived at this that early in the process.

Lynn Helms: This represents 50% of the sales tax on one drilling well. The money would certainly be coming in if in fact wells were being drilled and completed at that pace because each well pays roughly double this in sales tax.

Senator Sorvaag: For now, we'll leave the language as the House does. Next was what was done in section 17 in the bill dealing with the Oil and Gas Research Fund. You're requesting that to be increased from \$14M to \$18M. The House left it at \$14M is that correct?

Lynn Helms: Correct. We made the request on the House side for the \$18M to do two demonstration projects. Looking at the numbers, they felt that they could justify financing one demonstration project at \$4M.

Senator Sorvaag: But to increasing the revenue up to the \$18M?

Lynn Helms: The House passed it through at \$14M, and left it as one pilot project.

Senator Mathern: It seems to me the pilot project indicates some research going on. Research is oftentimes such that it has a better outcome if you have something to compare with, and this seems to be a fairly new technology. It would seem that our body of knowledge

and indications of whether or not we proceed in such a manner would be better if we had two pilot projects.

(0.22.30) Lynn Helms: I very strongly agree. In the risk of research, If you spread the risk, you have a much better chance of gaining the information that you're after. There's always a chance that you get one bad partner. This is going to require two industry partners if we do two projects, and things just go wrong.

Senator Mathern: I would think too there's a little bit of scholarly competition that can happen if you have a couple projects moving forward. Members of the subcommittee, I would hope that we would do two pilot projects.

Senator Sorvaag: Would these be done in separate environments so they aren't trying to replicate the same thing? Would the areas be different enough?

Lynn Helms: Yes. The two companies that have expressed interest operate in separate parts of the state. They both are under heavy corporate rules to reduce their flaring, and they are looking at quite different approaches to doing this. The nice thing about it is we've targeted putting the money through the EERC, so all of the knowledge gathered from both operators in both projects is going to go through the same group of scientists at the EERC. They will be able to sort out the successes and failures of the different approaches. The goal and understanding of the EERC folks who've been talking to the Department of Energy and these two operators is to produce two projects in two different parts of the state that would truly give a good test to this technology.

Senator Holmberg: You're capped at 14 then it goes in under 57-51. What's the next bucket?

Lynn Helms: I'm not sure.

Adam Mathiak: This is right before the list of buckets. Increasing this by \$4M would result in, based on our projections, we anticipate getting to the final bucket of the list of buckets which is the Strategic Investment Improvements Fund, so any increase to this would result in a reduction to that. Based on the January forecast, it would have affected the political subdivision allocations, those new non-oil buckets, but at this point, it would be affecting SIIF in that final bucket.

Senator Sorvaag: What was the final number for the SIIF? After the Prairie Dog fills?

Adam Mathiak: Based on all the various legislation out there, I think we were sitting somewhere around \$500M. We'd get that first \$400M then around another \$100M. SB 2362 had a bigger impact on that number as well. There's not necessarily a lot of cushion between the end of the biennium and when that money would be going in before it would start affecting things like the airport allocation. If the forecast is an underestimate, then there wouldn't be any problems. If it's an overestimate, it could potentially affect other places, but at this point, it would affect the new money going into SIIF if you increased it by \$4M.

(0.27.00) Senator Sorvaag: We'll hold off making a final decision on this and think about it. We'll wait on that item and the housing finance amount to see how some of these other things

are working with them. I think we covered all the items on the list. The only one left to deal with is whether we do the second pilot project.

Lynn Helms: Thank you. We'll talk about the institutional knowledge and the second pilot when we get together again.

Senator Sorvaag: Is there anything else to address?

(0.28:45) Eric Hardmeyer, President of the Bank of North Dakota: The only thing that's on our radar right now is buy-down for school construction. That we had pushed over to the Foundation Aid Stabilization Fund where they were going to provide \$5M for the school loans that we hold on our books. The math on that works out to about \$5M for the next biennium. BND had previously provided that, but we had proposed to move that to the Foundation Aid Stabilization Fund this biennium. And for whatever reason, that got reduced from \$5M to \$2.5M. I'm not sure why because the math clearly says we need \$5M to take it down. That's something that we have to ensure through SB 2214; it either comes back there, or we're going to need to bring it back through this bill.

Senator Sorvaag: SB 2214 is still being worked on?

Eric Hardmeyer: Yes. One way or the other, we need to take care of that.

Senator Mathern: This earlier discussion, we approved an amendment to give you some leeway in terms of the infrastructure bonding. It sounds like you'd be open to front that until the bonding all gets through. I think that's a very good idea. Is it possible that you should be given more authority? What if it would be in the bank's interest to actually carry the whole works without bonding? What if it was better for all the parties? Let's say something happened to the bonding market, should we give you more authority so you could actually do the project from the bank?

(0.31:21) Eric Hardmeyer: Let's make sure we're clear on how this bonding would work. That is, the payments for the bond would come from the legacy earnings. The proceeds of the bond would be dumped into the Infrastructure Revolving Loan Fund where they would then co-mingle with the \$150M that's existing today. Then you'd build the fund from \$150M to whatever number the bonding allows for whether it's another \$250M or \$500M. The bond market is separate from the infrastructure program; let's make sure we segregate those two and don't get those confused because the political subs would still be borrowing at 2% under that scenario. The legacy fund would be making the bond payments, and those would be whatever the bond market is today. It may have backed up a little bit since, so it's still very affordable. We've been asked why the bank doesn't just make these loans directly. We've been adamant that we don't have 2% 30-year money that we can access and still cover. We'd be doing those at a significant loss, so we've been adamant that those don't get put on our books.

Senator Mathern: I'm not saying at the lower 2% rate. Whatever the bond market is, and if that fits where you can still be profitable.

Eric Hardmeyer: Another issue comes into play though. And that is how much of our capacity do we want to use to fund infrastructure versus the things that we normally do such as economic development, student loans, etc.? You start using our dried powder up for 30-year infrastructure loans, and that's not where we need to be right now in terms of our abilities.

Senator Sorvaag: There are no other bills or issues that affect this budget that we should be watching before we do this? Is there anything you want to bring up?

Karlene Fine, Executive Director for the Industrial Commission: There's nothing more.

Senator Holmberg: One big issue is housing finance. We have to get a number to plug in there. What are we doing with the general fund? We have the demonstration project, and the institution of knowledge isn't a lot of money. Before our next meeting, if we could have Adam give us a comparison as to where we are now in relation to what came over from the House in these various funds, because we've added a number of things but still have some question marks.

Senator Sorvaag: Those are the three things left, and we just have to figure out if we do them or not. We can adjust the temporary salary amount too.

Chairman Holmberg: One of the first questions is how this is in comparison dollar wise general fund to what the House had sent us. I don't have that number.

Senator Sorvaag: We will meet again soon.

The Subcommittee hearing was adjourned.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
4/9/2019
Job # 34636

Subcommittee
 Conference Committee

Committee Clerk: Rose Laning / Florence Mayer

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes:

Attachments # 1 - 4.

Legislative Council: Adam Mathiak

OMB: Becky Keller

Senator Sorvaag: Called the subcommittee to order on HB 1014. Senator Holmberg and Senator Mathern were also present.

Adam Mathiak: Handed out the Base Level Funding Changes for HB 1014:

Mill and Elevator Association – Attachment # 1.

Housing Finance Agency – Attachment # 2.

Bank of North Dakota – Attachment # 3.

Industrial Commission – Attachment # 4.

Senator Sorvaag: We have 3 items we need to take action on, then we will go through the long sheets. If there is anything we aren't clear on or that we have missed, this will be the opportunity. I want to wrap it up with this meeting. Before we go to long sheets, one of three we still haven't decided on is the pilot projects for natural gas storage. The House brought it out with \$4 Million in one pilot project. It was requested that we consider two pilot projects & \$8 Million. The reasoning for two projects in different areas is a good rationale. The money will come out of the oil fund. Is there desire of the committee to go along with the 2 pilots?

Senator Holmberg: Moved that we go with 2 pilot projects for natural gas storage.

Senator Mathern: I agree. Second.

Senator Sorvaag: It's been moved and seconded to go with 2 – we'll take this as a consensus and move forward.

Voice vote.

Senator Sorvaag: Housing financing funding, that has been all over the place. There was a bill earlier that is now long dead, that had \$40 million. The Senate reduced it to \$20 million,

the House moved it to \$40 million, and then they moved it to zero and killed the bill. It is really in front of this committee to pick an amount. There have been many discussions. I am looking at \$20 million and would like some input from the committee members of how they feel on that.

Senator Holmberg: It's been up and down. I think that \$20 million is a good central position going to the House. It went \$40 million to zero, and \$20 million is better than zero.

Senator Sorvaag: We will still end up in conference to talk about the number anyway.

Senator Mathern: I wonder if you're talking about straight general fund dollars or tax credits?

Senator Sorvaag: I was approached to discuss tax credit. The first information I got was that it wouldn't work too well with the new federal tax law, and then they said it might. It is too late now. So we are talking out of general fund appropriations and no tax credits. Whether we can bring tax credits as part of the discussion in conference, we will see what happens

Senator Mathern: What was in the Governor's budget?

Adam Mathiak: \$40M of a general fund transfer. It was not proposed with credits or anything.

(3:31) Jolene Kline, Executive Director, Housing Finance Authority, North Dakota Industrial Commission: The Governor had \$20M from SIIF in his budget.

Senator Sorvaag: Okay and we're taking \$20M from general fund.

Senator Holmberg: Moved to take \$20M from the general fund to Housing Finance Authority.

Senator Mathern: We need to at least do the \$20M. We have great needs and if we can do it through the general fund, it frees up the agency to move quicker. I would second that motion.

Voice vote.

Senator Sorvaag: So there is consensus on \$20 million of general fund.

Before we go through the sections I have; is the temporary salaries for 4 half-time employees for 11 months, did we pass on their recorded notebooks of history. The request was for \$217,000.

Senator Mathern: I saw the emails from the people who have gotten this kind of service, and my heart went out to the department. It felt so good to see how they have done this kind of thing in the past. Just how giving and mentoring makes them successful and actually the services the state's interest. I would hope we put all 4 of those in for that temporary time. We get that mentoring done, we have a fast moving industry, and there is so much potential for dangers to people or our environment so to have it all clicking well requires us to have this kind of mentoring. I would ask we put all those positions in for 11 months.

Senator Sorvaag: You're talking the \$217,000? (Right.) And the House put \$0 in.

Senator Holmberg: I am missing, with the use of the word “Mentoring”, am I thinking of something different?

Senator Sorvaag: I think it was described that it would be part of their training work.

Senator Mathern: I saw it as they are doing two things. These people would be translating their knowledge and workbooks into all other kinds of documentation but in the process, the new staff people would benefit from working alongside those people as they get that information. That is why I used the word mentoring.

Lynn Helms, Director, Department of Mineral Resources: The House had zero in this item because I don’t think we actually brought it before the House. It was a new concept after we had made our presentation to House government operations which is when these folks started announcing their retirements. It was an entirely new idea that we wanted to bring before you. Senator Mathern is correct. In the process of training these young women, they folks constantly got out their old notebooks and talked about projects they had worked on, interesting things they had done, and pointed out what their cryptic notes meant. Unfortunately, we have a very short time to capture this from these individuals. This happened a couple years ago while they were still on the pay roll and still serving in a training capacity. They are no longer going to be available to do that, unless we find a way to keep them on part-time. They will be gone at the end of this biennium.

Senator Sorvaag: Is there are lower amount that you can make this work? You’re not getting it all, but you still could prioritize and it is still some value.

Lynn Helms: Obviously, we did the calculation and this is the maximum amount we could utilize. Some of these individuals are going to take 2-3 months of that time period off and not stick around during the cold winter months. We could reduce it by 25-35% and have enough in there to keep them on, with the exception of that time period that they would rather go to Mexico or Arizona. I think 50% would make it very hard to capture the value. Something in the 65-75% of the \$217,000 would work.

Senator Sorvaag: Moved \$175,000 for recorded notebooks of intellectual knowledge.

Senator Mathern: Second.

Voice vote.

Senator Sorvaag: Asked Adam Mathiak to go over the long sheets.

Attachment # 1 - No changes to the mill and elevator budget, just added the 2 additional employees. One in food safety and one in utilities.

Attachment # 2 - Housing Finance. Basically, we reconstructed in language SB 2271. We took out the removing essential workers. Also took out the reporting language too. We reduced the 25% for developing communities. That was in the bill that went back and forth. It was lowered to 15% and then no other changes. We did accept the dollar amount, which is \$20 million.

Bank of North Dakota – We made no major changes on the top, except the salaries. Adam Mathiak will walk through the Senate version and explain each section. It starts with that \$100 million line of credit. Did that come in with the amendments or the changes the bank wants?

Adam Mathiak: (Reading the Senate Version changes on attachment #3.)

Most of the changes related to the bank of North Dakota relate to rolling SB 2275 into this bill. Yes, as you mentioned the line of credit, that allows them to put some money into the infrastructure revolving loan fund prior to the issuance of the bond. So that maybe some additional loans can be started from the infrastructure revolving loan fund. Then most of the transfers relating to the economic development programs and the general fund all stay the same. There is \$140 million to the general fund out of the bank profits. The \$26 million with PACE, the \$3 million for the Agriculture, \$1 million for the biofuels, and then \$6 million for the beginning farmer-revolving loan fund. There is also \$15 million of bank profits being used to buy out some venture capital assets and move them off the bank's books and into the development fund. That was the same as the House as well. Then the infrastructure revolving loan fund, were moved over with small changes and corrections compared to SB 2275. In addition, there was also a study added related to hedging strategies and the volatility of oil prices.

(14:04) Senator Sorvaag: The only other items floating out there of your profits. There is still \$20 million between HB 1333 and the higher education. But there is nothing else going on with the bank? (Correct.) Let's go to the main budget, the industrial commission one. All of the line items are covered in the section except for the salaries and stuff.

Adam Mathiak: (Going over the Industrial Commission budget No. 405.) There was the compensation change for the \$112,000 standard across the budgets. The \$108,000 was added for the additional upgrading expenses related to the 2 contingent FTE positions that recently started. They are authorized in the 2017-2019 biennium and that contingency was met. They will be continuing on. This provides operating expenses for them next session. In the one-time-funding section there was \$20,000 added from the high-level radioactive waste fund for the high-level radioactive waste advisory council. That is related to Sb 2039. There will be a section or two related to that in the bill. The authorization to spend the money from that special fund shows up in section 1 of the bill as part of their budget. There is not continuing appropriation on that fund, so there has to be an appropriation granted to them to spend it. Since there is no money in the fund, also a section transfers \$20,000 from the general fund to that special fund. That shows up in a separate section of the bill. Looking at the sections of this, the bond payments, that is the same as the House version. As the bank also had, some changes related to the infrastructure revolving loan fund and all the bonding associated with that. Since the public finance agency is underneath the main part of the budget, those provisions of expanding the bonding authority and authorizing the bonding show up in this part. The next page, the high-level radioactive waste fund, there are 2 sections in the bill; one is doing the transfer of the \$20,000 from the general fund to that special fund. Section 19 is just identifying that \$20,000 in section 1, is actually coming from the high-level radioactive waste fund. Contingent FTE positions stayed the same. The subcommittee supported if the oil activity is much stronger, the agency can go to the emergency commission and pursue that avenue or a deficiency appropriation if needed. The administrative clause transfers, so there is an adjustment for that based on the compensation package. The amount did increase a little more on the House side. The transfer didn't include

the amounts needed for the health insurance increase, that adjustment was made. It may seem like a little bit larger of an increase than would be expected. That is to account for the health insurance that was accidentally omitted in the first part. This would be the new corrected amount. There is also an exemption related to that, but that is from last time's transfer so they have flexibility to cover expenses this time with last time's money. That was already in the bill as it came over from the House. There are no changes to the funding identified from SIIF, the \$270,000 for the 2 studies. The abandoned oil and gas well site reclamation fund, same concept as what the House had with identifying \$5 million for the IT project and also limiting the fund balance associated with the oil allocations. If the fund has \$50 million in it, there would be no new oil allocations, but we are quite a ways from that level. It was at \$100 million and this reduces it down to \$50 million. There are some sections related to county levy and bonding authority that are included as part of the changes for the bonding authorization. That is associated with SB 2275, which was brought into here so it is not in the House version. The Heritage fund, same as what the House had. Decreasing the limit for the oil allocations down from \$20 million per fiscal year to \$7.5 million per fiscal year. That is only a temporary limit for the 2019-2021 biennium. The 2021-2023, the current law amount would be back at that \$20 million per fiscal year. The oil and gas research fund, the House had it going from \$10 million to \$14 million. The additional \$4 million would be available for the pilot project. Then that would change with the subcommittee's action to go up to \$18 million. There is an exemption provided for some funding that was appropriated during the current session. It related to the ordinary high water mark. The industrial commission was tasked with working with an engineering and surveying firm. They did that during this biennium, but they have asked for an exemption to be able to carry over that funding from SIIF, so if there are any litigations and they need to produce expert witnesses they would be able to cover that. Then also, there is language related to the lignite research fund. Some of that came over from the House. The designation of the \$4.5 million from the lignite research fund, that doesn't require matching funds. That was continuing into this one but then there was an additional section that was added to provide legislative intent regarding funding for lignite litigation.

IFF

(21:42) Senator Sorvaag: Any questions by the committee? I think we have covered all we need to cover to move it to the full committee. I am looking for a motion to approve.

**Senator Holmberg: Moved the Senate version of changes to the base level funding.
Senator Mathern: Seconded the motion.**

**A Roll Call Vote Was Taken: 3 yeas, 0 nays, 0 absent.
Motion carried.**

Senator Sorvaag: Thanked the subcommittee and everyone involved. Subcommittee for HB 1014 is adjourned.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
4/10/2019
JOB #34663

- Subcommittee
 Conference Committee

Committee Clerk: Alice Delzer and Alicia Larsgaard
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Explanation or reason for introduction of bill/resolution:

A Bill for an Act for an appropriation to defray the expenses of the Industrial Commission.
(Do Pass as Amended)

Minutes:

1. Proposed Amendment #19.0202.02004

Chairman Holmberg: Called the committee back to order on HB 1014. Let the record show that all committee members were present. Adam Mathiak, Legislative Council and Becky Deichert, OMB were also present. We have three bills that we will be able to look at today, the first one is going to be 1014, the Industrial Commission.

Senator Sorvaag: Submitted **Attachment #1**; Amendment 19.0202.02004.

HB 1014 is the Industrial Commission budget. There are substantial amendments to it. why there is so many pages, and I am just go with what we're doing and the one thing to start with, SB 2275 was the \$500M infrastructure bonding bill that we passed in Senate unanimously. It died in the House and now it is in the Industrial Commission budget with a few changes. Section 5, 6, 17, 21, 22, 23, 24, 25, 26, 28, 29, 31, and 32 all relate to SB 2275. I am not going to touch on them at all as we go through. One of the main differences is section 6. I need to note that one. That was not in SB 2275. That allows the Bank of North Dakota (BND) to set up a line of credit of \$10 M. That would just be able to get this thing going quickly and right away.

The other thing to note is the \$26M that would be used in the first biennium to subsidize these loans, is going to come out of General Fund dollars from the 17-19 biennium. They anticipate there is going to be quite a few carry over or extra dollars. They would be going to fund this before they get moved to the Budget Stabilization Fund.

The next item would be on page 3, section 8. SB 2271 was a \$40M bill for the Housing Incentive Fund. It had changed some language. When it left the Senate, we put it at \$10M. In the House, they raised it to \$40M, took the language change out, took the appropriations to 0 and then took it to the floor to kill it. The language already existed in this bill from previous times. Your subcommittee put in \$20M to the Housing Incentive Fund. That is what we did in section 8.

Section 20; we earlier approved a bill and it was to setup high level radioactive advisory group, council, and there was no funding for expenses in it. So, section 20 is putting \$20,000 of General Fund dollars into this fund so you can pay the expenses of the council as they do their work. We have a lot of pages of SB 2275 in the amendments.

The next one I want to point out would be on page 10, section 27. That also has to do with the Housing Incentive Fund. In SB 2271, there was language that took out the essential workers, it lowered the amount that had to go to developing communities from 25% to 15%. It took some recording language out. Section 27 puts those changes into this budget that the Senate had passed unanimously in SB 2271. We are just putting the language back to match what SB 2271 did earlier in the session.

(0.04.14) Let's go to page 13. There's a couple more little amendments down near the bottom of section 38. It is a hedging strategy that the BND would authorize them to do. During the interim in Government Finance, we were supposed to look volatility of our revenues and what could be done about it. We never came out with any bills but we did talk about options and strategies. There are some laws that are already on the books that allow some of it but it is considered by those who know anything about it, that it is not workable.

There was a bill in the House to appropriate some money to do a pilot for this. That got killed. We are authorizing the BND to experiment it with some in their own operating dollars. I think the bank anticipates that maybe they could use \$40,000 - \$50,000 while trying different things. There are a few other states that have looked at it but no one has really implemented doing this. The whole purpose is that if this would work to stabilize our revenue from the oil industry. The only government entity using it, we don't usually use foreign government as an example, that's why we'd like a pilot, is that Mexico uses this substantially and they have stabilized out. It is a questionable strategy but this just allows the bank to do some experimenting and report to the next legislature in the next biennium.

Section 39 removed most of the litigation money into OMB. This is just 500 that they are going to be using. It is coming out of the Lignite Research Fund on some litigation issues. Page 14; there are 4 budgets. We have the main office of the Industrial Commission, the BND, and the Housing Finance and the Mill and Elevator. The only changes in most of it is we're adding two employees to the Mill and Elevator over what the House did. They requested for two food safety people and two utility workers. The House put in two, one of each of those positions, and the Senate put the other two in to fully staff them. The Department of Mineral Resources had requested four contingency employees. Two based on when the oil hits 20,800 barrels, they'd be able to hire two, and that at 22,500, they wanted the ability to hire two more. The House just put the two for the first trigger and your Senate agreed with the actions of the House because with anticipating when they would hit that point, it would be close to when we will be in session again for the last two. It was also felt they could go to the Emergency Commission if they needed to look at that. That was more of an agreement than an add-in.

(0.07.28) Last session, we approved two contingency employees for the Department of Mineral Resources, just like now. They were hired in December of 2018. Since it was after they had put their budget in, they had not put in any operating money for those two operate in the next biennium. There is \$108,000 for the operating expenses which is pickups,

computers, and everything else for those two employees that were hired this last December for the upcoming biennium. Another request, they have four veteran field people retiring who kept their notes in notebooks by hand. They are all going to be retiring in the next year. They wanted the authority to hire them half time for 11 months, the four of them, to record, work, mentor some, but to record all their hand written notes into a data base for future references. The House didn't approve this. Their request was for \$217,000. Your Senate subcommittee put in \$175,000. They have to make it work with that amount.

Another change, I am now on the back page of 16. I am going to mention just a couple more changes. The House allocated \$4M and they want to do a natural gas EERC to study underground storage of natural gas. They want to do a pilot project. They figure it take \$4M to do a pilot project on the storage, how does it work, soil type, etc. The House had approved one. The request was for two pilot projects. Your subcommittee agreed that we should have two pilot projects. It will be \$8 M coming out of the Oil and Gas Research Fund. There will be two pilot projects in two different locations. It is critical to our oil fields. If we can't handle all the natural gas instead of flaring it, it is can we store it for future use? Your committee agreed with the request and went with \$8 M for two pilot projects. I think I have covered most of the major amendments that we made to the House budget.

Senator Sorvaag: Moved Amendment 19.0202.02004. 2nd by Senator Mathern.

Chairman Holmberg: Any questions on the amendments. All in favor say aye.

A Voice Vote Was Taken. Motion Carried

Senator Sorvaag: Moved a Do Pass as Amended on HB 1014. 2nd by Senator Mathern.

Senator Sorvaag: On the House bill as amended, I am going to mention a couple other points. The grand total of all the four budgets together is \$254M and about \$48M of it being General Funds. The others are Special Funds. The BND operates all off the funds and so does the elevator. I am looking at a Christmas Tree (version of the bill) that you do not have. We are taking bank profits this session. we have last session. You hear we are taking \$140 M but that is just to transfer to the General Fund. We are taking more than that out of this budget. We are putting \$140M into the General Fund from the profits of the BND this biennium.

(0.11.55) We are also in an assisting community expansion partnership. That is \$26M of their profits. We are doing \$3M and these are all old programs that have been around with an agriculture partnership and assisting communities. There is a biofuels partnership for \$6M to beginning farmers. There is also \$15M that is going to be used to purchase some existing venture capital assets by the bank. It is more to transfer things around and get it off their books. That all totals to about \$220M. Not in this budget, there are two bills out there going around and one has \$5M with the other having \$15M of the bank profits. At this time, we are pushing the bank pretty hard. With everything going on and if it holds together, there will be about \$250M of their profits are going to be used. They are an important tool in all our budgets.

I need to note, the House had did it, the Abandoned Well Fund had been capped at \$100M. That cap has been lowered to \$50M. In the Outdoor Fund, last session, we held it to \$10M and in this bill we are capping it at \$15M for the biennium. That is \$7.5M per year. They do have a carryover close to \$10M. We are capping that at \$15M. The Lignite Research Development Fund is coming from the House of \$4.5M that will be used for marketing and developing programs. That is the extent of the bill and I would stand for questions.

Senator Robinson: We are going to need to open another bank. It's the "Bank of the West".

Chairman Holmberg: Call the roll on a Do Pass as Amended.

A Roll Call Vote Was Taken: 14 yeas, 0 nays, 0 absent. Senator Sorvaag will carry the bill.

The hearing was closed on HB 1014.

SK
4/11/19
12/19

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 2, after the semicolon insert "to create and enact section 6-09.4-28 of the North Dakota Century Code, relating to the infrastructure revolving loan fund debt repayments;"

Page 1, line 3, after "reenact" insert "sections 6-09-49, 6-09.4-06, and 6-09.4-10, subsection 6 of section 21-03-07, sections 21-03-19, 54-17-40, 57-15-06.6, and 57-47-02, and"

Page 1, line 4, after "to" insert "the infrastructure revolving loan fund, borrowing and lending authority, reserve funds, expanded bonding authority for counties, the housing incentive fund, and"

Page 1, line 5, after the first semicolon insert "to repeal section 61-02-78 of the North Dakota Century Code, relating to a revolving loan fund for water projects;"

Page 1, line 5, replace "and" with "to provide a continuing appropriation; to provide a bond issuance limitation;"

Page 1, line 6, after "exemption" insert "; to provide for a study; to provide a report; to provide a statement of legislative intent; to provide an effective date; and to declare an emergency"

Page 1, remove lines 18 through 24

Page 2, replace line 1 with:

"Salaries and wages	\$22,014,084	\$1,570,366	\$23,584,450
Operating expenses	5,305,888	814,339	6,120,227
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>7,807</u>	<u>229,544</u>
Total all funds	\$40,752,193	\$4,690,795	\$45,442,988
Less estimated income	<u>15,343,206</u>	<u>2,670,584</u>	<u>18,013,790</u>
Total general fund	\$25,408,987	\$2,020,211	\$27,429,198"

Page 2, replace lines 7 through 9 with:

"Bank of North Dakota operations	\$58,489,204	\$4,358,595	\$62,847,799
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$5,058,595	\$64,357,799"

Page 2, replace lines 15 through 19 with:

"Salaries and wages	\$7,892,056	\$616,959	\$8,509,015
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,891,652	\$47,421,891"

Page 2, replace lines 25 through 30 with:

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"Salaries and wages	\$39,308,519	\$7,269,376	\$46,577,895
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
Total special funds	\$68,213,519	\$8,911,376	\$77,124,895
Full-time equivalent positions	153.00	4.00	157.00"

Page 3, replace lines 4 through 6 with:

"Grand total general fund	\$25,408,987	\$22,040,211	\$47,449,198
Grand total special funds	<u>187,386,168</u>	<u>19,532,207</u>	<u>206,918,375</u>
Grand total all funds	\$212,795,155	\$41,572,418	\$254,367,573"

Page 3, replace lines 12 through 19 with:

"Litigation	\$1,000,000		\$0
Industrial water supply asset study	150,000		0
Soil remediation studies	5,000,000		0
Survey review	800,000		0
Temporary employees	0		175,000
Radioactive waste advisory council	0		20,000
Rare earth elements study	0		160,000
Fracturing sand study	0		110,000
Oil database software upgrade	<u>0</u>		<u>5,000,000</u>
Total all funds	\$6,950,000		\$5,465,000
Less estimated income	<u>6,950,000</u>		<u>5,290,000</u>
Total general fund	\$0		\$175,000"

Page 4, after line 15, insert:

"SECTION 5. APPROPRIATION - 2017-19 BIENNIUM - PUBLIC FINANCE AUTHORITY - EXEMPTION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with bonds issued to support the infrastructure revolving loan fund, for the period beginning with the effective date of this Act and ending June 30, 2019. The funding provided in this section is not subject to section 54-44.1-11 and may be continued into the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 6. APPROPRIATION - BANK OF NORTH DAKOTA - LINE OF CREDIT. The Bank of North Dakota may extend a line of credit, not to exceed \$100,000,000, to the infrastructure revolving loan fund established under section 6-09-49. The Bank may access the line of credit, to the extent necessary, the sum of which is appropriated, for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance by the public finance authority, for the biennium beginning July 1, 2019, and ending June 30, 2021. The interest rate associated with the line of credit must be the same as the prevailing interest rate charged by the Bank to North Dakota governmental entities. If a line of credit is extended pursuant to this section, the Bank shall repay the line of credit from bond proceeds associated with the bonds issued by the public finance authority to support the infrastructure revolving loan fund.

SECTION 7. APPROPRIATION - TRANSFER GENERAL FUND TO HIGH-LEVEL RADIOACTIVE WASTE FUND. There is appropriated out of any moneys in the

general fund in the state treasury, not otherwise appropriated, the sum of \$20,000, which the office of management and budget shall transfer to the high-level radioactive waste fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item.

SECTION 8. 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 \$20,000,000, which the office of management and budget shall transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item."

Page 4, line 16, replace "APPROPRIATION" with "FUNDING"

Page 4, line 16, remove "FUNDING"

Page 4, line 26, replace "\$1,150,782" with "\$1,172,603"

Page 6, after line 3, insert:

"SECTION 17. TRANSFER INFRASTRUCTURE REVOLVING LOAN FUND FOR WATER PROJECTS TO INFRASTRUCTURE REVOLVING LOAN FUND. The state water commission shall transfer any outstanding loans from the infrastructure revolving loan fund under section 61-02-78 to the infrastructure revolving loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 6, after line 12, insert:

"SECTION 20. ESTIMATED INCOME - HIGH-LEVEL RADIOACTIVE WASTE FUND. The operating expenses line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council.

SECTION 21. AMENDMENT. Section 6-09-49 of the North Dakota Century Code is amended and reenacted as follows:

~~6-09-49. 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 two percent per year.~~
- ~~2. For purposes of this section, "essential infrastructure projects" means capital construction projects for the following:~~
 - ~~a. New or replacement of existing water treatment plants;~~
 - ~~b. New or replacement of existing wastewater treatment plants;~~
 - ~~e. New or replacement of existing sewer lines and water lines; and~~

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- d. ~~New or replacement of existing 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 fifteen million dollars per loan. 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.~~
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 administer this loan program in accordance with the provisions of this section and to supplement and leverage the funds in the infrastructure revolving loan fund. Additionally, the Bank may adopt policies allowing participation by local financial institutions.~~

Infrastructure revolving loan fund - Bank of North Dakota - Continuing appropriation.

1. The infrastructure revolving loan fund is a special fund in the state treasury administered by the Bank of North Dakota. The Bank shall use moneys in the fund to provide loans to political subdivisions for eligible infrastructure projects pursuant to subsections 6 and 7 and to provide loans to institutions of higher education for eligible infrastructure projects pursuant to subsection 8.
2. The Bank may adopt policies and establish guidelines to administer the loan program in accordance with this section, including policies to supplement and leverage the moneys in the fund and policies to allow participation by local financial institutions. A loan made from the fund must have an interest rate that does not exceed two percent per year. The maximum term of a loan for an infrastructure project under subsections 6 and 8 is thirty years, and the maximum term of a loan for an infrastructure project under subsection 7 is forty years.
3. All principal and interest payments received on loans made from the infrastructure revolving loan fund must be deposited into the fund. The Bank may use a portion of the interest paid on the outstanding loans as a servicing fee to pay 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 under this section.

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4. An applicant shall issue an evidence of indebtedness as authorized by law. An institution of higher education shall identify at least one funding source for the debt repayment, including:
 - a. Tuition or fee revenue collected by the institution of higher education;
 - b. Distributions of state aid received by the institution of higher education under chapter 15-18.2; or
 - c. Other sources of revenue.

5. In processing loan applications under this section, the Bank shall calculate the maximum loan amount available to a qualified applicant. Each applicant may have no more than twenty-five million dollars of outstanding loans from the fund for infrastructure projects under subsections 6 and 8. The Bank shall consider the ability of the applicant 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. If an infrastructure project qualifies for funding through the state revolving fund established pursuant to chapters 61-28.1 and 61-28.2, the Bank shall verify the loan application is for the portion of the project that is ineligible to receive funding from the state revolving fund.

6. Eligible infrastructure projects are capital construction projects to construct new infrastructure or to replace existing infrastructure which provide the fixed installations necessary for the function of a political subdivision and are in best interest of the public. Except for routine maintenance and repair projects, eligible capital construction projects include:
 - a. Water treatment plants;
 - b. Wastewater treatment plants;
 - c. Sewer lines and water lines, including lift stations and pumping systems;
 - d. Water storage systems, including dams, water tanks, and water towers;
 - e. Storm water infrastructure, including curb and gutter construction;
 - f. Road and bridge infrastructure, including paved and unpaved roads and bridges;
 - g. Airport infrastructure;
 - h. Electricity transmission infrastructure;
 - i. Natural gas transmission infrastructure; and
 - j. Communications infrastructure, excluding fiber optic infrastructure.

7. Eligible infrastructure projects are capital construction projects to construct new infrastructure or to replace existing infrastructure which provide the fixed installations necessary for the function of a political subdivision and are in the best interest of the public. Except for routine maintenance and repair projects, eligible capital construction projects include:

- a. Flood control;
 - b. Water supply; and
 - c. Water management.
8. Eligible infrastructure projects for institutions of higher education are capital construction projects to construct new infrastructure or to replace existing infrastructure which provide the fixed installations necessary for the function of the institution and are in the best interest of the public. Except for routine maintenance and repair projects, capital construction projects include:
- a. Sewer lines and water lines;
 - b. Storm water infrastructure, including curb and gutter construction; and
 - c. Road infrastructure.

SECTION 22. AMENDMENT. Section 6-09.4-06 of the North Dakota Century Code is amended and reenacted as follows:

6-09.4-06. Lending and borrowing powers generally.

1. The public finance authority may lend money to political subdivisions or other contracting parties through the purchase or holding of municipal securities which, in the opinion of the attorney general, are properly eligible for purchase or holding by the public finance authority under this chapter or chapter 40-57 and for purposes of the public finance authority's capital financing program the principal amount of any one issue does not exceed five hundred thousand dollars. However, the public finance authority may lend money to political subdivisions through the purchase of securities issued by the political subdivisions through the capital financing program without regard to the principal amount of the bonds issued, if the industrial commission approves a resolution that authorizes the public finance authority to purchase the securities. The capital financing program authorizing resolution must state that the industrial commission has determined that private bond markets will not be responsive to the needs of the issuing political subdivision concerning the securities or, if it appears that the securities can be sold through private bond markets without the involvement of the public finance authority, the authorizing resolution must state reasons for the public finance authority's involvement in the bond issue. The public finance authority may hold such municipal securities for any length of time it finds to be necessary. The public finance authority, for the purposes authorized by this chapter or chapter 40-57, may issue its bonds payable solely from the revenues available to the public finance authority which are authorized or pledged for payment of public finance authority obligations, and to otherwise assist political subdivisions or other contracting parties as provided in this chapter or chapter 40-57.
2. The public finance authority may lend or transfer money to the Bank of North Dakota underas follows:
 - a. Under terms and conditions requiring the Bank to use the proceeds to make loans for agricultural improvements that qualify for assistance

under the revolving loan fund program established by chapter 61-28.2; and

b. Under terms and conditions requiring the Bank to use the transferred proceeds to make loans for infrastructure projects that qualify for assistance under the infrastructure revolving loan fund established under section 6-09-49 and to use the transferred proceeds to support the resources trust fund. Bonds issued for this purpose are payable in each biennium solely from amounts the legislative assembly may appropriate for debt service for any biennium or from a reserve fund established for the bonds. This section does not require the state to appropriate funds sufficient to make debt service payments with respect to the bonds or replenish a related reserve fund. The bonds are not a debt of the Bank or the state, and the full faith, credit, and taxing powers of the state are not pledged to the payment of the bonds. The obligation of the public finance authority with respect to the bonds must terminate and the bonds are no longer outstanding as of the date appropriated funds and reserves are insufficient to pay debt service on the bonds. In addition to providing funds for transfers to the Bank, the public finance authority may use the bond proceeds to pay the costs of issuance of the bonds and establish a reserve fund for the bonds.

3. Bonds of the public finance authority issued under this chapter or chapter 40-57 are not in any way a debt or liability of the state and do not constitute a loan of the credit of the state or create any debt or debts, liability or liabilities, on behalf of the state, or constitute a pledge of the faith and credit of the state, but all such bonds are payable solely from revenues pledged or available for their payment as authorized in this chapter. Each bond must contain on its face a statement to the effect that the public finance authority is obligated to pay such principal or interest, and redemption premium, if any, and that neither the faith and credit nor the taxing power of the state is pledged to the payment of the principal or the interest on such bonds. Specific funds pledged to fulfill the public finance authority's obligations are obligations of the public finance authority.

4. All expenses incurred in carrying out the purposes of this chapter or chapter 40-57 are payable solely from revenues or funds provided or to be provided under this chapter or chapter 40-57 and nothing in this chapter may be construed to authorize the public finance authority to incur any indebtedness or liability on behalf of or payable by the state.

SECTION 23. AMENDMENT. Section 6-09.4-10 of the North Dakota Century Code is amended and reenacted as follows:

6-09.4-10. Reserve fund.

1. The public finance authority shall establish and maintain a reserve fund in which there must be deposited all moneys appropriated by the state for the purpose of the fund, all proceeds of bonds required to be deposited therein by terms of any contract between the public finance authority and its bondholders or any resolution of the public finance authority with respect to the proceeds of bonds, any other moneys or funds of the public finance authority which it determines to deposit therein, any contractual right to the

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receipt of moneys by the public finance authority for the purpose of the fund, including a letter of credit or similar instrument, and any other moneys made available to the public finance authority only for the purposes of the fund from any other source or sources. Moneys in the reserve fund must be held and applied solely to the payment of the interest on and the principal of bonds and sinking fund payments as the same become due and payable and for the retirement of bonds, including payment of any redemption premium required to be paid when any bonds are redeemed or retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if the withdrawal would reduce the amount in the reserve fund to an amount less than the required debt service reserve, except for payment of interest then due and payable on bonds and the principal of bonds then maturing and payable and sinking fund payments and for the retirement of bonds in accordance with the terms of any contract between the public finance authority and its bondholders and for the payments on account of which interest or principal or sinking fund payments or retirement of bonds, other moneys of the public finance authority are not then available in accordance with the terms of the contract. The required debt service reserve must be an aggregate amount equal to at least the largest amount of money required by the terms of all contracts between the public finance authority and its bondholders to be raised in the then current or any succeeding calendar year for the payment of interest on and maturing principal of outstanding bonds, and sinking fund payments required by the terms of any contracts to sinking funds established for the payment or redemption of the bonds.

2. If the establishment of the reserve fund for an issue or the maintenance of an existing reserve fund at a required level under this section would necessitate the investment of all or any portion of a new reserve fund or all or any portion of an existing reserve fund at a restricted yield, because to not restrict the yield may cause the bonds to be taxable under the Internal Revenue Code, then at the discretion of the public finance authority no reserve fund need be established prior to the issuance of bonds or the reserve fund need not be funded to the levels required by other subsections of this section or an existing reserve fund may be reduced.
3. No bonds may be issued by the public finance authority unless there is in the reserve fund the required debt service reserve for all bonds then issued and outstanding and the bonds to be issued. Nothing in this chapter prevents or precludes the public finance authority from satisfying the foregoing requirement by depositing so much of the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve the required debt service reserve. The public finance authority may at any time issue its bonds or notes for the purpose of providing any amount necessary to increase the amount in the reserve fund to the required debt service reserve, or to meet such higher or additional reserve as may be fixed by the public finance authority with respect to such fund.
4. 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. However, the commission may approve a resolution for the issuance of

bonds, as provided by section 6-09.4-06, which states in substance that this subsection is not applicable to the required debt service reserve for bonds issued under that resolution.

- 5. If the maturity of a series of bonds of the public finance authority is three years or less from the date of issuance of the bonds, the public finance authority may determine that no reserve fund need be established for that respective series of bonds. If such a determination is made, holders of that respective series of bonds may have no interest in or claim on existing reserve funds established for the security of the holders of previously issued public finance authority bonds, and may have no interest in or claim on reserve funds established for the holders of subsequent issues of bonds of the public finance authority.
- 6. The industrial commission may determine that this section is inapplicable in whole or in part for bonds issued ~~under section~~ as follows:
 - a. Under section 6-09.4-06 and as authorized by the sixty-sixth legislative assembly;
 - b. Under section 6-09.4-24; or ~~under~~
 - c. Under the public finance authority's state revolving fund program.

SECTION 24. Section 6-09.4-28 of the North Dakota Century Code is created and enacted as follows:

6-09.4-28. Debt service requirements - Infrastructure revolving loan fund - Resources trust fund.

Each biennium, the public finance authority shall request from the legislative assembly an appropriation from the general fund to meet the debt service requirements for evidences of indebtedness issued by the authority to support the infrastructure revolving loan fund and the resources trust fund.

SECTION 25. AMENDMENT. Subsection 6 of section 21-03-07 of the North Dakota Century Code is amended and reenacted as follows:

- 6. The governing body of any county may also by resolution adopted by a two-thirds vote dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of section 57-15-06.7 and may authorize and issue general obligation bonds to be paid by the dedicated levy for the ~~purpose of providing funds for the purchase, construction, reconstruction, or repair of regional or county correction centers, or parks and recreational facilities~~ purposes identified under section 57-15-06.6 and subsection 5 of section 57-15-06.7; provided, that the initial resolution authorizing the tax levy dedication and general obligation bonds must be published in the official newspaper, and any owner of taxable property within the county may, within sixty days after publication, file with the county auditor a protest against the adoption of the resolution. Protests must be in writing and must describe the property which is the subject of the protest. If the governing body finds such protests to have been signed by the owners of taxable property having an assessed valuation equal to five percent or more of the assessed valuation of all taxable property within the county, as

theretofore last finally equalized, all further proceedings under the initial resolution are barred.

SECTION 26. AMENDMENT. Section 21-03-19 of the North Dakota Century Code is amended and reenacted as follows:

21-03-19. Bonds - Terms.

Bonds issued under this chapter must be authorized by resolution, bear such date or dates, be in such denomination or denominations, be in such form, be subject to redemption with or without premium, and be subject to such other terms or conditions as in the judgment of the municipality are in the public interest of the municipality, and must provide that the last installment of principal falls due not more than twenty years from the date of the bonds or not more than thirty years for bonds sold to the entities under section 21-03-30. The requirements of this section apply to each new issue of bonds, or if so determined by the governing body, to the bonds of a new issue combined with all of the outstanding bonds of one or more designated issues of bonds previously issued and similarly payable from taxes or other sources of revenues, or both, as the case may be.

SECTION 27. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. 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.
 - a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least ~~twenty-five~~fifteen percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage.
 - b. 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.~~
 - c. ~~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.~~

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.
6. 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.
7. ~~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.~~
8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.
- 9.8. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. ~~The report must include the following:~~
 - a. ~~The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and~~
 - b. ~~A listing of projects approved and the number of units within those projects that provide housing for essential service workers.~~

SECTION 28. AMENDMENT. Section 57-15-06.6 of the North Dakota Century Code is amended and reenacted as follows:

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57-15-06.6. County capital projects levy.

1. The board of county commissioners of each county may levy an annual tax not exceeding ten mills plus any voter-approved additional levy as provided in subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:
 1. a. Constructing and equipping and maintaining structural and mechanical components of regional or county corrections centers or for the purpose of contracting for corrections center space capacity from another public or private entity.
 2. b. Acquiring real estate as a site for public parks and construction and equipping and maintaining structural and mechanical components of recreational facilities under section 11-28-06.
 3. c. Acquiring real estate as a site for county buildings and operations and constructing and equipping and maintaining structural and mechanical components of county buildings and property.
 4. d. Acquiring real estate as a site for county fair buildings and operations and constructing and equipping and maintaining structural and mechanical components of county fair buildings and property as provided in section 4-02-26.
 5. e. Acquiring and developing real estate, capital improvements, buildings, pavement, equipment, and debt service associated with financing for county supported airports or airport authorities.
 6. f. Expenditures for the cost of leasing as an alternative means of financing for any of the purposes for which expenditures are authorized under ~~subsections 4~~ subdivisions a through 5e.
 - g. Improvement of the county road system, including the acquisition of land, construction of new paved and unpaved roads and bridges, replacement of existing paved and unpaved roads and bridges, and maintenance and repair of existing paved and unpaved roads and bridges.
2. Any voter-approved levy for the purposes specified in this section approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved. After January 1, 2015, approval or reauthorization by electors of increased levy authority under this section may not be effective for more than ten taxable years.

SECTION 29. AMENDMENT. Section 57-47-02 of the North Dakota Century Code is amended and reenacted as follows:

57-47-02. County authorized to borrow - Term - Interest rate.

Whenever in the judgment of the board of county commissioners all taxes authorized to be levied in any one year for general or special county purposes are insufficient to carry on the primary governmental functions, or to pay the mandatory obligations imposed by law upon a county, then such a county may borrow money in

such an amount as the board shall determine to be necessary to meet the deficiencies existing in its general or special funds, or to carry on primary governmental functions, and to pay mandatory obligations. For the purpose of borrowing, a county may issue evidences of indebtedness, which must consist of an agreement by the county to pay a stated sum on a specified date, or on or before a specified date, not more than fivetwenty years in the future, together with interest thereon at a rate or rates resulting in an average annual net interest cost not to exceed twelve percent per annum if sold privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or any of its agencies or instrumentalities. A public sale must comply with the procedures set out in chapter 21-03. There is no requirement for an advertisement for bids if an evidence of indebtedness is sold privately or to the state of North Dakota or any of its agencies or instrumentalities."

Page 6, after line 26, insert:

"**SECTION 31. REPEAL.** Section 61-02-78 of the North Dakota Century Code is repealed.

SECTION 32. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE

LIMITATION. Pursuant to the bonding authority under section 6-09.4-06, the public finance authority may issue up to \$500,000,000 of evidences of indebtedness, but not in an amount that would cause the repayments to exceed \$55,000,000 per biennium, for the purpose of supporting the infrastructure revolving loan fund and the resources trust fund during the biennium beginning July 1, 2019, and ending June 30, 2021. Of the total evidences of indebtedness issued by the public finance authority, an amount equal to the outstanding principal balance of loans transferred under section 17 of this Act must be used to support the resources trust fund, and the remaining amount must be used to support the infrastructure revolving loan fund. The term of any evidences of indebtedness issued under this section may not exceed thirty years. The public finance authority may issue bond anticipation notes for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance."

Page 7, line 8, replace "\$14,000,000" with "\$18,000,000"

Page 7, line 11, replace "\$4,000,000" with "\$8,000,000"

Page 7, line 13, replace "a pilot project" with "pilot projects"

Page 7, line 14, replace "project" with "projects"

Page 8, after line 16, insert:

"SECTION 38. HEDGING STRATEGIES STUDY - BANK OF NORTH DAKOTA - REPORT TO LEGISLATIVE ASSEMBLY. During the 2019-20 interim, the Bank of North Dakota shall conduct a study on the use of various hedging strategies to protect the state from volatile swings in oil prices. Before January 15, 2021, the Bank of North Dakota shall report the results of its study to the appropriations committees of the sixty-seventh legislative assembly.

SECTION 39. LEGISLATIVE INTENT - LIGNITE RESEARCH FUND - LIGNITE

LITIGATION. It is the intent of the sixty-sixth legislative assembly that at least \$500,000 of the funding in section 37 of this Act and any funding deposited in the lignite research fund related to successful litigation is available from the lignite research fund to be used to pay fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources.

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SECTION 40. EFFECTIVE DATE. Section 31 of this Act becomes effective July 1, 2021.

SECTION 41. EMERGENCY. Section 5 of this Act is 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
Office of Management and Budget				
Total all funds	\$0	\$0	\$20,020,000	\$20,020,000
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$20,020,000	\$20,020,000
FTE	0.00	0.00	0.00	0.00
Industrial Commission				
Total all funds	\$40,752,193	\$45,027,118	\$415,870	\$45,442,988
Less estimated income	15,343,206	17,987,425	26,365	18,013,790
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198
FTE	110.25	112.25	0.00	112.25
Bank of North Dakota				
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799
Less estimated income	59,299,204	64,164,235	193,564	64,357,799
General fund	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50
Housing Finance Agency				
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891
Less estimated income	44,530,239	47,374,675	47,216	47,421,891
General fund	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00
Mill and Elevator				
Total all funds	\$68,213,519	\$76,839,812	\$285,083	\$77,124,895
Less estimated income	68,213,519	76,839,812	285,083	77,124,895
General fund	\$0	\$0	\$0	\$0
FTE	153.00	155.00	2.00	157.00
Bill total				
Total all funds	\$212,795,155	\$233,405,840	\$20,961,733	\$254,367,573
Less estimated income	187,386,168	206,366,147	552,228	206,918,375
General fund	\$25,408,987	\$27,039,693	\$20,409,505	\$47,449,198
FTE	488.75	492.75	2.00	494.75

House Bill No. 1014 - Office of Management and Budget - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
High-level radioactive waste fund			\$20,000	\$20,000
Housing incentive fund			20,000,000	20,000,000
Total all funds	\$0	\$0	\$20,020,000	\$20,020,000
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$20,020,000	\$20,020,000
FTE	0.00	0.00	0.00	0.00

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Department 110 - Office of Management and Budget - Detail of Senate Changes

	Transfer to High-Level Radioactive Waste Fund ¹	Transfer to Housing Incentive Fund ²	Total Senate Changes
High-level radioactive waste fund	\$20,000		\$20,000
Housing incentive fund		\$20,000,000	20,000,000
Total all funds	\$20,000	\$20,000,000	\$20,020,000
Less estimated income	0	0	0
General fund	\$20,000	\$20,000,000	\$20,020,000
FTE	0.00	0.00	0.00

¹ One-time funding of \$20,000 is added from the general fund for a transfer to the high-level radioactive waste fund.

² One-time funding of \$20 million is added from the general fund for a transfer to the housing incentive fund.

House Bill No. 1014 - Industrial Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$22,014,084	\$23,296,820	\$287,630	\$23,584,450
Operating expenses	5,305,888	5,991,987	128,240	6,120,227
Capital assets		5,000,000		5,000,000
Grants - Bond payments	13,210,484	10,508,767		10,508,767
Contingencies	221,737	229,544		229,544
Total all funds	\$40,752,193	\$45,027,118	\$415,870	\$45,442,988
Less estimated income	15,343,206	17,987,425	26,365	18,013,790
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198
FTE	110.25	112.25	0.00	112.25

Department 405 - Industrial Commission - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Adjusts Funding for Operating Expenses ²	Adds Funding for Temporary Employees ³	Adds Funding for Radioactive Waste Council ⁴	Total Senate Changes
Salaries and wages	\$112,630		\$175,000		\$287,630
Operating expenses		\$108,240		\$20,000	128,240
Capital assets					
Grants - Bond payments					
Contingencies					
Total all funds	\$112,630	\$108,240	\$175,000	\$20,000	\$415,870
Less estimated income	6,365	0	0	20,000	26,365
General fund	\$106,265	\$108,240	\$175,000	\$0	\$389,505
FTE	0.00	0.00	0.00	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding is added for operating expenses associated with 2 contingent FTE positions that were authorized in the 2017-19 biennium and will continue in the 2019-21 biennium since the contingency was met.

³ One-time funding of \$175,000 from the general fund is added to hire temporary employees to record historical information to provide guidance to current and future employees.

⁴ One-time funding of \$20,000 from the high-level radioactive waste fund is added for reimbursing travel costs of the high-level radioactive waste advisory council. The amendment also includes a transfer of \$20,000 from the general fund to the high-level radioactive waste fund. The House did not include this funding.

This amendment also includes the following items related to the Industrial Commission:

- Appropriates \$26 million from the general fund during the 2017-19 biennium and allows the funding to continue in the 2019-21 biennium to repay bonds issued by the Public Finance Authority. An emergency clause is included related to the appropriation. The House did not include this funding.
- Adjusts the transfer for administrative costs to provide a total transfer of \$1,172,603. The House provided for a transfer of \$1,150,782.
- Increases oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$8 million, from \$10 million to \$18 million for contracting with the Energy and Environmental Research Center for pilot projects relating to underground storage of produced natural gas. The House increased the allocations by \$4 million for this purpose.
- Amends provisions of law relating to the Public Finance Authority's authorization to issue bonds to support the infrastructure revolving loan fund and resources trust fund. The House did not amend these provisions of law.
- Clarifies the authority of counties to access loans from the infrastructure revolving loan fund. The House did not clarify the authority of counties to access loans from the infrastructure revolving loan fund.
- Authorizes the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund with a term of 30 years and authorizes bond anticipation notes. The House did not include authorization for bonds.
- Identifies \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council. The House did not provide funding for the council.
- Authorizes counties to use property taxes levied for capital projects for county road projects and allows counties to borrow for up to 20 years when taxes are insufficient to meet the needs of the county, an increase from the current limit of 5 years. The House did not change the levy and bonding authority for counties.
- Provides legislative intent related to funding for lignite litigation expenses from the lignite research fund. The House did not include legislative intent for lignite litigation.

House Bill No. 1014 - Bank of North Dakota - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Capital assets	\$810,000	\$1,510,000		\$1,510,000
Bank of North Dakota operations	58,489,204	62,654,235	\$193,564	62,847,799
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799
Less estimated income	59,299,204	64,164,235	193,564	64,357,799
General fund	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50

Department 471 - Bank of North Dakota - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Total Senate Changes
Capital assets		
Bank of North Dakota operations	\$193,564	\$193,564
Total all funds	\$193,564	\$193,564
Less estimated income	193,564	193,564
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also includes the following items related to the Bank of North Dakota:

- Authorizes the Bank to extend a line of credit up to \$100 million to the infrastructure revolving loan fund to support new loans from the fund prior to the issuance of bonds by the Public Finance Authority. The House did not include a line of credit for the infrastructure revolving loan fund.
- Requires the State Water Commission to transfer outstanding loans for water projects to the infrastructure

revolving loan fund related to the repeal of a revolving loan fund designated for water projects. The repeal of the revolving loan fund is effective July 1, 2021. The House did not transfer outstanding loans for water projects or repeal the revolving loan fund designated for water projects.

- Amends North Dakota Century Code Section 6-09-49 relating to the infrastructure revolving loan fund to allow additional entities, including institutions of higher education, to obtain low-interest loans for infrastructure projects, and to expand the types of eligible infrastructure projects. The House did not expand the infrastructure revolving loan fund.
- Provides for the Bank to study hedging strategies related to the volatility of oil prices. The House did not include a study of hedging strategies.

House Bill No. 1014 - Housing Finance Agency - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$7,892,056	\$8,461,799	\$47,216	\$8,509,015
Operating expenses	4,743,355	5,346,276		5,346,276
Grants	31,794,828	33,466,600		33,466,600
HFA contingencies	100,000	100,000		100,000
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891
Less estimated income	44,530,239	47,374,675	47,216	47,421,891
General fund	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Total Senate Changes
Salaries and wages	\$47,216	\$47,216
Operating expenses		
Grants		
HFA contingencies		
Total all funds	\$47,216	\$47,216
Less estimated income	47,216	47,216
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also adds a section to amend Section 54-17-40 relating to the housing incentive fund to decrease the amount of funding designated for small communities and to remove the prioritization for essential service worker housing. The House did not amend the housing incentive fund.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$39,308,519	\$46,292,812	\$285,083	\$46,577,895
Operating expenses	28,195,000	29,837,000		29,837,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	\$68,213,519	\$76,839,812	\$285,083	\$77,124,895
Less estimated income	68,213,519	76,839,812	285,083	77,124,895
General fund	\$0	\$0	\$0	\$0
FTE	153.00	155.00	2.00	157.00

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Department 475 - Mill and Elevator - Detail of Senate Changes

	Adds FTE Positions¹	Total Senate Changes
Salaries and wages	\$285,083	\$285,083
Operating expenses		
Contingencies		
Agriculture promotion		
<hr/>	<hr/>	<hr/>
Total all funds	\$285,083	\$285,083
Less estimated income	285,083	285,083
General fund	\$0	\$0
<hr/>	<hr/>	<hr/>
FTE	2.00	2.00

¹ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,071), to provide a total of 4 new FTE positions. The House added 2 FTE positions.

No other sections were added by the Senate related to the Mill and Elevator Association.

Date: 3-27-19

Roll Call Vote # 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: legislative Intent - lignite litigation (attachment #1)

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 Holmberg Seconded By Sorvaag

Senators	Yes	No	Senators	Yes	No
Senator Holmberg	X		Senator Mathern		X
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag	X				
Senator Oehlke					
Senator Hogue					

Total (Yes) 2 No 1

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
At a minimum \$500,000 of the amount allocated to the lignite Research Fund is to be used to pay for fees associated with lignite litigation.

Date: 4-9-19

Roll Call Vote # 1

2019 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 move 2 pilot projects for natural gas storage

Motion Made By Holmberg Seconded By Mathern

Senators	Yes	No	Senators	Yes	No
Senator Holmberg			Senator Mathern		
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag					
Senator Oehlke					
Senator Hogue					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote

Date: 4-9-19

Roll Call Vote #: 2

2019 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
 - Reconsider

Other Actions:

\$20M from general fund to Housing Finance Authority

Motion Made By Holmberg Seconded By Mather

Senators	Yes	No	Senators	Yes	No
Senator Holmberg			Senator Mather		
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag					
Senator Oehlke					
Senator Hogue					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

*Motion Carried
Voice Vote*

Date: 4-9-19
 Roll Call Vote #: 3

**2019 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

\$175,000 for recorded notebooks of intellectual knowledge

Motion Made By Sorvaag Seconded By Mather

Senators	Yes	No	Senators	Yes	No
Senator Holmberg			Senator Mather		
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag					
Senator Oehlke					
Senator Hogue					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote
Motion Carried

Date: 4-9-19

Roll Call Vote #: 4

2019 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 Holmberg Seconded By Mathern

Senators	Yes	No	Senators	Yes	No
Senator Holmberg	X		Senator Mathern	X	
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag	X				
Senator Oehlke					
Senator Hogue					

Total (Yes) 3 No 0

Absent 0

Floor Assignment _____

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

Date: 4-10-19
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 19.0202.02004

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 Sorvaag Seconded By Mather

Senators	Yes	No	Senators	Yes	No
Senator Holmberg			Senator Mather		
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag					
Senator Oehlke					
Senator Hogue					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

*Voice Vote
Carried*

Date: 4-10-19
 Roll Call Vote #: 2

**2019 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 Sorvaag Seconded By Mathern

Senators	Yes	No	Senators	Yes	No
Senator Holmberg	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator Grabinger	✓	
Senator Wanzek	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Poolman	✓				
Senator Bekkedahl	✓				
Senator G. Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Sorvaag

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** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1014 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "to create and enact section 6-09.4-28 of the North Dakota Century Code, relating to the infrastructure revolving loan fund debt repayments;"

Page 1, line 3, after "reenact" insert "sections 6-09-49, 6-09.4-06, and 6-09.4-10, subsection 6 of section 21-03-07, sections 21-03-19, 54-17-40, 57-15-06.6, and 57-47-02, and"

Page 1, line 4, after "to" insert "the infrastructure revolving loan fund, borrowing and lending authority, reserve funds, expanded bonding authority for counties, the housing incentive fund, and"

Page 1, line 5, after the first semicolon insert "to repeal section 61-02-78 of the North Dakota Century Code, relating to a revolving loan fund for water projects;"

Page 1, line 5, replace "and" with "to provide a continuing appropriation; to provide a bond issuance limitation;"

Page 1, line 6, after "exemption" insert "; to provide for a study; to provide a report; to provide a statement of legislative intent; to provide an effective date; and to declare an emergency"

Page 1, remove lines 18 through 24

Page 2, replace line 1 with:

"Salaries and wages	\$22,014,084	\$1,570,366	\$23,584,450
Operating expenses	5,305,888	814,339	6,120,227
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>7,807</u>	<u>229,544</u>
Total all funds	\$40,752,193	\$4,690,795	\$45,442,988
Less estimated income	<u>15,343,206</u>	<u>2,670,584</u>	<u>18,013,790</u>
Total general fund	\$25,408,987	\$2,020,211	\$27,429,198"

Page 2, replace lines 7 through 9 with:

"Bank of North Dakota operations	\$58,489,204	\$4,358,595	\$62,847,799
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$5,058,595	\$64,357,799"

Page 2, replace lines 15 through 19 with:

"Salaries and wages	\$7,892,056	\$616,959	\$8,509,015
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,891,652	\$47,421,891"

Page 2, replace lines 25 through 30 with:

"Salaries and wages	\$39,308,519	\$7,269,376	\$46,577,895
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>

Total special funds	\$68,213,519	\$8,911,376	\$77,124,895
Full-time equivalent positions	153.00	4.00	157.00"

Page 3, replace lines 4 through 6 with:

"Grand total general fund	\$25,408,987	\$22,040,211	\$47,449,198
Grand total special funds	<u>187,386,168</u>	<u>19,532,207</u>	<u>206,918,375</u>
Grand total all funds	\$212,795,155	\$41,572,418	\$254,367,573"

Page 3, replace lines 12 through 19 with:

"Litigation	\$1,000,000	\$0
Industrial water supply asset study	150,000	0
Soil remediation studies	5,000,000	0
Survey review	800,000	0
Temporary employees	0	175,000
Radioactive waste advisory council	0	20,000
Rare earth elements study	0	160,000
Fracturing sand study	0	110,000
Oil database software upgrade	<u>0</u>	<u>5,000,000</u>
Total all funds	\$6,950,000	\$5,465,000
Less estimated income	<u>6,950,000</u>	<u>5,290,000</u>
Total general fund	\$0	\$175,000"

Page 4, after line 15, insert:

"SECTION 5. APPROPRIATION - 2017-19 BIENNIUM - PUBLIC FINANCE AUTHORITY - EXEMPTION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with the bonds issued to support the infrastructure revolving loan fund, for the period beginning with the effective date of this Act and ending June 30, 2019. The funding provided in this section is not subject to section 54-44.1-11 and may be continued into the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 6. APPROPRIATION - BANK OF NORTH DAKOTA - LINE OF CREDIT. The Bank of North Dakota may extend a line of credit, not to exceed \$100,000,000, to the infrastructure revolving loan fund established under section 6-09-49. The Bank may access the line of credit, to the extent necessary, the sum of which is appropriated, for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance by the public finance authority, for the biennium beginning July 1, 2019, and ending June 30, 2021. The interest rate associated with the line of credit must be the same as the prevailing interest rate charged by the Bank to North Dakota governmental entities. If a line of credit is extended pursuant to this section, the Bank shall repay the line of credit from bond proceeds associated with the bonds issued by the public finance authority to support the infrastructure revolving loan fund.

SECTION 7. APPROPRIATION - TRANSFER GENERAL FUND TO HIGH-LEVEL RADIOACTIVE WASTE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000, which the office of management and budget shall transfer to the high-level radioactive waste fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item.

SECTION 8. 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

\$20,000,000, which the office of management and budget shall transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item."

Page 4, line 16, replace "APPROPRIATION" with "FUNDING"

Page 4, line 16, remove "FUNDING"

Page 4, line 26, replace "\$1,150,782" with "\$1,172,603"

Page 6, after line 3, insert:

"SECTION 17. TRANSFER INFRASTRUCTURE REVOLVING LOAN FUND FOR WATER PROJECTS TO INFRASTRUCTURE REVOLVING LOAN FUND. The state water commission shall transfer any outstanding loans from the infrastructure revolving loan fund under section 61-02-78 to the infrastructure revolving loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 6, after line 12, insert:

"SECTION 20. ESTIMATED INCOME - HIGH-LEVEL RADIOACTIVE WASTE FUND. The operating expenses line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council.

SECTION 21. AMENDMENT. Section 6-09-49 of the North Dakota Century Code is amended and reenacted as follows:

~~6-09-49. 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 two percent per year.~~
- ~~2. For purposes of this section, "essential infrastructure projects" means capital construction projects for the following:
 - ~~a. New or replacement of existing water treatment plants;~~
 - ~~b. New or replacement of existing wastewater treatment plants;~~
 - ~~c. New or replacement of existing sewer lines and water lines; and~~
 - ~~d. New or replacement of existing 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 fifteen million dollars per loan. 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.~~

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 administer this loan program in accordance with the provisions of this section and to supplement and leverage the funds in the infrastructure revolving loan fund. Additionally, the Bank may adopt policies allowing participation by local financial institutions.~~

Infrastructure revolving loan fund - Bank of North Dakota - Continuing appropriation.

1. The infrastructure revolving loan fund is a special fund in the state treasury administered by the Bank of North Dakota. The Bank shall use moneys in the fund to provide loans to political subdivisions for eligible infrastructure projects pursuant to subsections 6 and 7 and to provide loans to institutions of higher education for eligible infrastructure projects pursuant to subsection 8.
2. The Bank may adopt policies and establish guidelines to administer the loan program in accordance with this section, including policies to supplement and leverage the moneys in the fund and policies to allow participation by local financial institutions. A loan made from the fund must have an interest rate that does not exceed two percent per year. The maximum term of a loan for an infrastructure project under subsections 6 and 8 is thirty years, and the maximum term of a loan for an infrastructure project under subsection 7 is forty years.
3. All principal and interest payments received on loans made from the infrastructure revolving loan fund must be deposited into the fund. The Bank may use a portion of the interest paid on the outstanding loans as a servicing fee to pay 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 under this section.
4. An applicant shall issue an evidence of indebtedness as authorized by law. An institution of higher education shall identify at least one funding source for the debt repayment, including:
 - a. Tuition or fee revenue collected by the institution of higher education;
 - b. Distributions of state aid received by the institution of higher education under chapter 15-18.2; or
 - c. Other sources of revenue.
5. In processing loan applications under this section, the Bank shall calculate the maximum loan amount available to a qualified applicant. Each applicant may have no more than twenty-five million dollars of outstanding loans from the fund for infrastructure projects under subsections 6 and 8. The Bank shall consider the ability of the applicant

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. If an infrastructure project qualifies for funding through the state revolving fund established pursuant to chapters 61-28.1 and 61-28.2, the Bank shall verify the loan application is for the portion of the project that is ineligible to receive funding from the state revolving fund.

6. Eligible infrastructure projects are capital construction projects to construct new infrastructure or to replace existing infrastructure which provide the fixed installations necessary for the function of a political subdivision and are in best interest of the public. Except for routine maintenance and repair projects, eligible capital construction projects include:
 - a. Water treatment plants;
 - b. Wastewater treatment plants;
 - c. Sewer lines and water lines, including lift stations and pumping systems;
 - d. Water storage systems, including dams, water tanks, and water towers;
 - e. Storm water infrastructure, including curb and gutter construction;
 - f. Road and bridge infrastructure, including paved and unpaved roads and bridges;
 - g. Airport infrastructure;
 - h. Electricity transmission infrastructure;
 - i. Natural gas transmission infrastructure; and
 - j. Communications infrastructure, excluding fiber optic infrastructure.
7. Eligible infrastructure projects are capital construction projects to construct new infrastructure or to replace existing infrastructure which provide the fixed installations necessary for the function of a political subdivision and are in the best interest of the public. Except for routine maintenance and repair projects, eligible capital construction projects include:
 - a. Flood control;
 - b. Water supply; and
 - c. Water management.
8. Eligible infrastructure projects for institutions of higher education are capital construction projects to construct new infrastructure or to replace existing infrastructure which provide the fixed installations necessary for the function of the institution and are in the best interest of the public. Except for routine maintenance and repair projects, capital construction projects include:
 - a. Sewer lines and water lines;

- b. Storm water infrastructure, including curb and gutter construction; and
- c. Road infrastructure.

SECTION 22. AMENDMENT. Section 6-09.4-06 of the North Dakota Century Code is amended and reenacted as follows:

6-09.4-06. Lending and borrowing powers generally.

1. The public finance authority may lend money to political subdivisions or other contracting parties through the purchase or holding of municipal securities which, in the opinion of the attorney general, are properly eligible for purchase or holding by the public finance authority under this chapter or chapter 40-57 and for purposes of the public finance authority's capital financing program the principal amount of any one issue does not exceed five hundred thousand dollars. However, the public finance authority may lend money to political subdivisions through the purchase of securities issued by the political subdivisions through the capital financing program without regard to the principal amount of the bonds issued, if the industrial commission approves a resolution that authorizes the public finance authority to purchase the securities. The capital financing program authorizing resolution must state that the industrial commission has determined that private bond markets will not be responsive to the needs of the issuing political subdivision concerning the securities or, if it appears that the securities can be sold through private bond markets without the involvement of the public finance authority, the authorizing resolution must state reasons for the public finance authority's involvement in the bond issue. The public finance authority may hold such municipal securities for any length of time it finds to be necessary. The public finance authority, for the purposes authorized by this chapter or chapter 40-57, may issue its bonds payable solely from the revenues available to the public finance authority which are authorized or pledged for payment of public finance authority obligations, and to otherwise assist political subdivisions or other contracting parties as provided in this chapter or chapter 40-57.
2. The public finance authority may lend or transfer money to the Bank of North Dakota underas follows:
 - a. Under terms and conditions requiring the Bank to use the proceeds to make loans for agricultural improvements that qualify for assistance under the revolving loan fund program established by chapter 61-28.2; and
 - b. Under terms and conditions requiring the Bank to use the transferred proceeds to make loans for infrastructure projects that qualify for assistance under the infrastructure revolving loan fund established under section 6-09-49 and to use the transferred proceeds to support the resources trust fund. Bonds issued for this purpose are payable in each biennium solely from amounts the legislative assembly may appropriate for debt service for any biennium or from a reserve fund established for the bonds. This section does not require the state to appropriate funds sufficient to make debt service payments with respect to the bonds or replenish a related reserve fund. The bonds are not a debt of the Bank or the state, and the full faith, credit, and taxing powers of the state are not pledged to the payment of the bonds. The obligation of the public finance authority with respect to the bonds must terminate and the bonds are no longer outstanding as of the date appropriated funds and reserves are insufficient to pay debt service on the bonds. In addition to

providing funds for transfers to the Bank, the public finance authority may use the bond proceeds to pay the costs of issuance of the bonds and establish a reserve fund for the bonds.

3. Bonds of the public finance authority issued under this chapter or chapter 40-57 are not in any way a debt or liability of the state and do not constitute a loan of the credit of the state or create any debt or debts, liability or liabilities, on behalf of the state, or constitute a pledge of the faith and credit of the state, but all such bonds are payable solely from revenues pledged or available for their payment as authorized in this chapter. Each bond must contain on its face a statement to the effect that the public finance authority is obligated to pay such principal or interest, and redemption premium, if any, and that neither the faith and credit nor the taxing power of the state is pledged to the payment of the principal or the interest on such bonds. Specific funds pledged to fulfill the public finance authority's obligations are obligations of the public finance authority.
4. All expenses incurred in carrying out the purposes of this chapter or chapter 40-57 are payable solely from revenues or funds provided or to be provided under this chapter or chapter 40-57 and nothing in this chapter may be construed to authorize the public finance authority to incur any indebtedness or liability on behalf of or payable by the state.

SECTION 23. AMENDMENT. Section 6-09.4-10 of the North Dakota Century Code is amended and reenacted as follows:

6-09.4-10. Reserve fund.

1. The public finance authority shall establish and maintain a reserve fund in which there must be deposited all moneys appropriated by the state for the purpose of the fund, all proceeds of bonds required to be deposited therein by terms of any contract between the public finance authority and its bondholders or any resolution of the public finance authority with respect to the proceeds of bonds, any other moneys or funds of the public finance authority which it determines to deposit therein, any contractual right to the receipt of moneys by the public finance authority for the purpose of the fund, including a letter of credit or similar instrument, and any other moneys made available to the public finance authority only for the purposes of the fund from any other source or sources. Moneys in the reserve fund must be held and applied solely to the payment of the interest on and the principal of bonds and sinking fund payments as the same become due and payable and for the retirement of bonds, including payment of any redemption premium required to be paid when any bonds are redeemed or retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if the withdrawal would reduce the amount in the reserve fund to an amount less than the required debt service reserve, except for payment of interest then due and payable on bonds and the principal of bonds then maturing and payable and sinking fund payments and for the retirement of bonds in accordance with the terms of any contract between the public finance authority and its bondholders and for the payments on account of which interest or principal or sinking fund payments or retirement of bonds, other moneys of the public finance authority are not then available in accordance with the terms of the contract. The required debt service reserve must be an aggregate amount equal to at least the largest amount of money required by the terms of all contracts between the public finance authority and its bondholders to be raised in the then current or any succeeding calendar year for the payment of interest on and maturing principal of outstanding

bonds, and sinking fund payments required by the terms of any contracts to sinking funds established for the payment or redemption of the bonds.

2. If the establishment of the reserve fund for an issue or the maintenance of an existing reserve fund at a required level under this section would necessitate the investment of all or any portion of a new reserve fund or all or any portion of an existing reserve fund at a restricted yield, because to not restrict the yield may cause the bonds to be taxable under the Internal Revenue Code, then at the discretion of the public finance authority no reserve fund need be established prior to the issuance of bonds or the reserve fund need not be funded to the levels required by other subsections of this section or an existing reserve fund may be reduced.
3. No bonds may be issued by the public finance authority unless there is in the reserve fund the required debt service reserve for all bonds then issued and outstanding and the bonds to be issued. Nothing in this chapter prevents or precludes the public finance authority from satisfying the foregoing requirement by depositing so much of the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve the required debt service reserve. The public finance authority may at any time issue its bonds or notes for the purpose of providing any amount necessary to increase the amount in the reserve fund to the required debt service reserve, or to meet such higher or additional reserve as may be fixed by the public finance authority with respect to such fund.
4. 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. However, the commission may approve a resolution for the issuance of bonds, as provided by section 6-09.4-06, which states in substance that this subsection is not applicable to the required debt service reserve for bonds issued under that resolution.
5. If the maturity of a series of bonds of the public finance authority is three years or less from the date of issuance of the bonds, the public finance authority may determine that no reserve fund need be established for that respective series of bonds. If such a determination is made, holders of that respective series of bonds may have no interest in or claim on existing reserve funds established for the security of the holders of previously issued public finance authority bonds, and may have no interest in or claim on reserve funds established for the holders of subsequent issues of bonds of the public finance authority.
6. The industrial commission may determine that this section is inapplicable in whole or in part for bonds issued ~~under section~~ as follows:
 - a. Under section 6-09.4-06 and as authorized by the sixty-sixth legislative assembly;
 - b. Under section 6-09.4-24; or ~~under~~
 - c. Under the public finance authority's state revolving fund program.

SECTION 24. Section 6-09.4-28 of the North Dakota Century Code is created and enacted as follows:

6-09.4-28. Debt service requirements - Infrastructure revolving loan fund - Resources trust fund.

Each biennium, the public finance authority shall request from the legislative assembly an appropriation from the general fund to meet the debt service requirements for evidences of indebtedness issued by the authority to support the infrastructure revolving loan fund and the resources trust fund.

SECTION 25. AMENDMENT. Subsection 6 of section 21-03-07 of the North Dakota Century Code is amended and reenacted as follows:

6. The governing body of any county may also by resolution adopted by a two-thirds vote dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of section 57-15-06.7 and may authorize and issue general obligation bonds to be paid by the dedicated levy for the purpose of providing funds for the purchase, construction, reconstruction, or repair of regional or county correction centers, or parks and recreational facilities purposes identified under section 57-15-06.6 and subsection 5 of section 57-15-06.7; provided, that the initial resolution authorizing the tax levy dedication and general obligation bonds must be published in the official newspaper, and any owner of taxable property within the county may, within sixty days after publication, file with the county auditor a protest against the adoption of the resolution. Protests must be in writing and must describe the property which is the subject of the protest. If the governing body finds such protests to have been signed by the owners of taxable property having an assessed valuation equal to five percent or more of the assessed valuation of all taxable property within the county, as theretofore last finally equalized, all further proceedings under the initial resolution are barred.

SECTION 26. AMENDMENT. Section 21-03-19 of the North Dakota Century Code is amended and reenacted as follows:

21-03-19. Bonds - Terms.

Bonds issued under this chapter must be authorized by resolution, bear such date or dates, be in such denomination or denominations, be in such form, be subject to redemption with or without premium, and be subject to such other terms or conditions as in the judgment of the municipality are in the public interest of the municipality, and must provide that the last installment of principal falls due not more than twenty years from the date of the bonds or not more than thirty years for bonds sold to the entities under section 21-03-30. The requirements of this section apply to each new issue of bonds, or if so determined by the governing body, to the bonds of a new issue combined with all of the outstanding bonds of one or more designated issues of bonds previously issued and similarly payable from taxes or other sources of revenues, or both, as the case may be.

SECTION 27. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. 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. a. 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.
- b. ~~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.~~
 - e. ~~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.~~
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.
 6. 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.
 7. ~~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.~~

8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.
- 9.8. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. The report must include the following:
 - a. ~~The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and~~
 - b. ~~A listing of projects approved and the number of units within those projects that provide housing for essential service workers.~~

SECTION 28. AMENDMENT. Section 57-15-06.6 of the North Dakota Century Code is amended and reenacted as follows:

57-15-06.6. County capital projects levy.

1. The board of county commissioners of each county may levy an annual tax not exceeding ten mills plus any voter-approved additional levy as provided in subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:
 1. ~~a.~~ Constructing and equipping and maintaining structural and mechanical components of regional or county corrections centers or for the purpose of contracting for corrections center space capacity from another public or private entity.
 2. ~~b.~~ Acquiring real estate as a site for public parks and construction and equipping and maintaining structural and mechanical components of recreational facilities under section 11-28-06.
 3. ~~c.~~ Acquiring real estate as a site for county buildings and operations and constructing and equipping and maintaining structural and mechanical components of county buildings and property.
 4. ~~d.~~ Acquiring real estate as a site for county fair buildings and operations and constructing and equipping and maintaining structural and mechanical components of county fair buildings and property as provided in section 4-02-26.
 5. ~~e.~~ Acquiring and developing real estate, capital improvements, buildings, pavement, equipment, and debt service associated with financing for county supported airports or airport authorities.
 6. ~~f.~~ Expenditures for the cost of leasing as an alternative means of financing for any of the purposes for which expenditures are authorized under ~~subsections 4~~ subdivisions a through 5e.
 - g. Improvement of the county road system, including the acquisition of land, construction of new paved and unpaved roads and bridges, replacement of existing paved and unpaved roads and bridges, and maintenance and repair of existing paved and unpaved roads and bridges.
2. Any voter-approved levy for the purposes specified in this section approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the

time it was approved. After January 1, 2015, approval or reauthorization by electors of increased levy authority under this section may not be effective for more than ten taxable years.

SECTION 29. AMENDMENT. Section 57-47-02 of the North Dakota Century Code is amended and reenacted as follows:

57-47-02. County authorized to borrow - Term - Interest rate.

Whenever in the judgment of the board of county commissioners all taxes authorized to be levied in any one year for general or special county purposes are insufficient to carry on the primary governmental functions, or to pay the mandatory obligations imposed by law upon a county, then such a county may borrow money in such an amount as the board shall determine to be necessary to meet the deficiencies existing in its general or special funds, or to carry on primary governmental functions, and to pay mandatory obligations. For the purpose of borrowing, a county may issue evidences of indebtedness, which must consist of an agreement by the county to pay a stated sum on a specified date, or on or before a specified date, not more than ~~five~~twenty years in the future, together with interest thereon at a rate or rates resulting in an average annual net interest cost not to exceed twelve percent per annum if sold privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or any of its agencies or instrumentalities. A public sale must comply with the procedures set out in chapter 21-03. There is no requirement for an advertisement for bids if an evidence of indebtedness is sold privately or to the state of North Dakota or any of its agencies or instrumentalities."

Page 6, after line 26, insert:

"SECTION 31. REPEAL. Section 61-02-78 of the North Dakota Century Code is repealed.

SECTION 32. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE LIMITATION. Pursuant to the bonding authority under section 6-09.4-06, the public finance authority may issue up to \$500,000,000 of evidences of indebtedness, but not in an amount that would cause the repayments to exceed \$55,000,000 per biennium, for the purpose of supporting the infrastructure revolving loan fund and the resources trust fund during the biennium beginning July 1, 2019, and ending June 30, 2021. Of the total evidences of indebtedness issued by the public finance authority, an amount equal to the outstanding principal balance of loans transferred under section 17 of this Act must be used to support the resources trust fund, and the remaining amount must be used to support the infrastructure revolving loan fund. The term of any evidences of indebtedness issued under this section may not exceed thirty years. The public finance authority may issue bond anticipation notes for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance."

Page 7, line 8, replace "\$14,000,000" with "\$18,000,000"

Page 7, line 11, replace "\$4,000,000" with "\$8,000,000"

Page 7, line 13, replace "a pilot project" with "pilot projects"

Page 7, line 14, replace "project" with "projects"

Page 8, after line 16, insert:

"SECTION 38. HEDGING STRATEGIES STUDY - BANK OF NORTH DAKOTA - REPORT TO LEGISLATIVE ASSEMBLY. During the 2019-20 interim, the Bank of North Dakota shall conduct a study on the use of various hedging strategies to protect the state from volatile swings in oil prices. Before January 15, 2021, the

Bank of North Dakota shall report the results of its study to the appropriations committees of the sixty-seventh legislative assembly.

SECTION 39. LEGISLATIVE INTENT - LIGNITE RESEARCH FUND - LIGNITE LITIGATION. It is the intent of the sixty-sixth legislative assembly that at least \$500,000 of the funding in section 37 of this Act and any funding deposited in the lignite research fund related to successful litigation is available from the lignite research fund to be used to pay fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources.

SECTION 40. EFFECTIVE DATE. Section 31 of this Act becomes effective July 1, 2021.

SECTION 41. EMERGENCY. Section 5 of this Act is 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
Office of Management and Budget				
Total all funds	\$0	\$0	\$20,020,000	\$20,020,000
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$20,020,000	\$20,020,000
FTE	0.00	0.00	0.00	0.00
Industrial Commission				
Total all funds	\$40,752,193	\$45,027,118	\$415,870	\$45,442,988
Less estimated income	15,343,206	17,987,425	26,365	18,013,790
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198
FTE	110.25	112.25	0.00	112.25
Bank of North Dakota				
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799
Less estimated income	59,299,204	64,164,235	193,564	64,357,799
General fund	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50
Housing Finance Agency				
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891
Less estimated income	44,530,239	47,374,675	47,216	47,421,891
General fund	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00
Mill and Elevator				
Total all funds	\$68,213,519	\$76,839,812	\$285,083	\$77,124,895
Less estimated income	68,213,519	76,839,812	285,083	77,124,895
General fund	\$0	\$0	\$0	\$0
FTE	153.00	155.00	2.00	157.00
Bill total				
Total all funds	\$212,795,155	\$233,405,840	\$20,961,733	\$254,367,573
Less estimated income	187,386,168	206,366,147	552,228	206,918,375
General fund	\$25,408,987	\$27,039,693	\$20,409,505	\$47,449,198
FTE	488.75	492.75	2.00	494.75

House Bill No. 1014 - Office of Management and Budget - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
High-level radioactive waste fund			\$20,000	\$20,000
Housing incentive fund			20,000,000	20,000,000
Total all funds	\$0	\$0	\$20,020,000	\$20,020,000
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$20,020,000	\$20,020,000
FTE	0.00	0.00	0.00	0.00

Department 110 - Office of Management and Budget - Detail of Senate Changes

	Transfer to High-Level Radioactive Waste Fund ¹	Transfer to Housing Incentive Fund ²	Total Senate Changes
High-level radioactive waste fund	\$20,000		\$20,000
Housing incentive fund		\$20,000,000	20,000,000
Total all funds	\$20,000	\$20,000,000	\$20,020,000
Less estimated income	0	0	0
General fund	\$20,000	\$20,000,000	\$20,020,000
FTE		0.00	0.00

¹ One-time funding of \$20,000 is added from the general fund for a transfer to the high-level radioactive waste fund.

² One-time funding of \$20 million is added from the general fund for a transfer to the housing incentive fund.

House Bill No. 1014 - Industrial Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$22,014,084	\$23,296,820	\$287,630	\$23,584,450
Operating expenses	5,305,888	5,991,987	128,240	6,120,227
Capital assets		5,000,000		5,000,000
Grants - Bond payments	13,210,484	10,508,767		10,508,767
Contingencies	221,737	229,544		229,544
Total all funds	\$40,752,193	\$45,027,118	\$415,870	\$45,442,988
Less estimated income	15,343,206	17,987,425	26,365	18,013,790
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198
FTE	110.25	112.25	0.00	112.25

Department 405 - Industrial Commission - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Adjusts Funding for Operating Expenses ²	Adds Funding for Temporary Employees ³	Adds Funding for Radioactive Waste Council ⁴	Total Senate Changes
Salaries and wages	\$112,630		\$175,000		\$287,630
Operating expenses		\$108,240		\$20,000	128,240
Capital assets					
Grants - Bond payments					
Contingencies					
Total all funds	\$112,630	\$108,240	\$175,000	\$20,000	\$415,870
Less estimated income	6,365	0	0	20,000	26,365
General fund	\$106,265	\$108,240	\$175,000	\$0	\$389,505
FTE	0.00	0.00	0.00	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding is added for operating expenses associated with 2 contingent FTE positions that

were authorized in the 2017-19 biennium and will continue in the 2019-21 biennium since the contingency was met.

³ One-time funding of \$175,000 from the general fund is added to hire temporary employees to record historical information to provide guidance to current and future employees.

⁴ One-time funding of \$20,000 from the high-level radioactive waste fund is added for reimbursing travel costs of the high-level radioactive waste advisory council. The amendment also includes a transfer of \$20,000 from the general fund to the high-level radioactive waste fund. The House did not include this funding.

This amendment also includes the following items related to the Industrial Commission:

- Appropriates \$26 million from the general fund during the 2017-19 biennium and allows the funding to continue in the 2019-21 biennium to repay bonds issued by the Public Finance Authority. An emergency clause is included related to the appropriation. The House did not include this funding.
- Adjusts the transfer for administrative costs to provide a total transfer of \$1,172,603. The House provided for a transfer of \$1,150,782.
- Increases oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$8 million, from \$10 million to \$18 million for contracting with the Energy and Environmental Research Center for pilot projects relating to underground storage of produced natural gas. The House increased the allocations by \$4 million for this purpose.
- Amends provisions of law relating to the Public Finance Authority's authorization to issue bonds to support the infrastructure revolving loan fund and resources trust fund. The House did not amend these provisions of law.
- Clarifies the authority of counties to access loans from the infrastructure revolving loan fund. The House did not clarify the authority of counties to access loans from the infrastructure revolving loan fund.
- Authorizes the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund with a term of 30 years and authorizes bond anticipation notes. The House did not include authorization for bonds.
- Identifies \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council. The House did not provide funding for the council.
- Authorizes counties to use property taxes levied for capital projects for county road projects and allows counties to borrow for up to 20 years when taxes are insufficient to meet the needs of the county, an increase from the current limit of 5 years. The House did not change the levy and bonding authority for counties.
- Provides legislative intent related to funding for lignite litigation expenses from the lignite research fund. The House did not include legislative intent for lignite litigation.

House Bill No. 1014 - Bank of North Dakota - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Capital assets	\$810,000	\$1,510,000		\$1,510,000
Bank of North Dakota operations	58,489,204	62,654,235	\$193,564	62,847,799
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799
Less estimated income	59,299,204	64,164,235	193,564	64,357,799
General fund	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50

Department 471 - Bank of North Dakota - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Total Senate Changes
Capital assets		
Bank of North Dakota operations	\$193,564	\$193,564
Total all funds	\$193,564	\$193,564
Less estimated income	193,564	193,564
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also includes the following items related to the Bank of North Dakota:

- Authorizes the Bank to extend a line of credit up to \$100 million to the infrastructure revolving loan fund to support new loans from the fund prior to the issuance of bonds by the Public Finance Authority. The House did not include a line of credit for the infrastructure revolving loan fund.
- Requires the State Water Commission to transfer outstanding loans for water projects to the infrastructure revolving loan fund related to the repeal of a revolving loan fund designated for water projects. The repeal of the revolving loan fund is effective July 1, 2021. The House did not transfer outstanding loans for water projects or repeal the revolving loan fund designated for water projects.
- Amends North Dakota Century Code Section 6-09-49 relating to the infrastructure revolving loan fund to allow additional entities, including institutions of higher education, to obtain low-interest loans for infrastructure projects, and to expand the types of eligible infrastructure projects. The House did not expand the infrastructure revolving loan fund.
- Provides for the Bank to study hedging strategies related to the volatility of oil prices. The House did not include a study of hedging strategies.

House Bill No. 1014 - Housing Finance Agency - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$7,892,056	\$8,461,799	\$47,216	\$8,509,015
Operating expenses	4,743,355	5,346,276		5,346,276
Grants	31,794,828	33,466,600		33,466,600
HFA contingencies	100,000	100,000		100,000
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891
Less estimated income	44,530,239	47,374,675	47,216	47,421,891
General fund	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Total Senate Changes
Salaries and wages	\$47,216	\$47,216
Operating expenses		
Grants		
HFA contingencies		
Total all funds	\$47,216	\$47,216
Less estimated income	47,216	47,216
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also adds a section to amend Section 54-17-40 relating to the housing incentive fund to decrease the amount of funding designated for small communities and to remove the prioritization for essential service worker housing. The House did not amend the housing incentive fund.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$39,308,519	\$46,292,812	\$285,083	\$46,577,895
Operating expenses	28,195,000	29,837,000		29,837,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	\$68,213,519	\$76,839,812	\$285,083	\$77,124,895
Less estimated income	68,213,519	76,839,812	285,083	77,124,895
General fund	\$0	\$0	\$0	\$0
FTE	153.00	155.00	2.00	157.00

Department 475 - Mill and Elevator - Detail of Senate Changes

	Adds FTE Positions ¹	Total Senate Changes
Salaries and wages	\$285,083	\$285,083
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	\$285,083	\$285,083
Less estimated income	285,083	285,083
General fund	\$0	\$0
FTE	2.00	2.00

¹ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,071), to provide a total of 4 new FTE positions. The House added 2 FTE positions.

No other sections were added by the Senate related to the Mill and Elevator Association.

2019 CONFERENCE COMMITTEE

HB 1014

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
4/17/2019
Recording Job# 34822

Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A through E

Chairman Brandenburg: Opened the conference committee on HB1014.

Roll Call taken.

Senator Sorvaag: Explained the Senate changes. See amendment 19.0202.02004.

Chairman Brandenburg: This \$100 million serves in that gap to start the program.

Senator Sorvaag: That's correct. It would be paid back when the bonds were sold.

Senator Sorvaag continued with the changes.

Representative Vigesaa: In the OMB budget we did add \$500,000.00 for that Washington case.

Karlene Fine, Executive Director, ND Industrial Commission: It is the money within the lignite research fund; but because of current legislation being contemplated in Minnesota, it was important that we take some action during this session.

Chairman Brandenburg: There's \$4.5 million available that they could use that if they need to.

Karlene Fine: Yes. This provision specifically talks about up to \$500,000.00 of that funding as well as the proceeds that we're getting back on winning the previous case could be used for future litigation.

Representative Mock: With the Minnesota statute do you have the status of that? Have they passed their law that we would be litigating?

Karlene Fine: At this point it was still in committee.

Senator Sorvaag continued with his explanation.

Representative Vigesaa: In SB2275 is that the exact language that was put in HB1014?

Senator Sorvaag: It is close to the exact language; there was changing of that \$100 million and a little change on the back side. It was at the request of the Bank of North Dakota and they worked with legislative council.

Chairman Brandenburg: Continued with the Senate changes.

Chairman Brandenburg: Where is the \$500 million?

Senator Sorvaag: That's the bonding amount.

Chairman Brandenburg continued with the Senate changes.

Chairman Brandenburg: The Yellowstone River flooded about 50 homes in western North Dakota. We're talking about \$1.5 million to \$2 million for that. We're having that discussion but we're not ready to hand anything out yet.

Attachments A through E were handed out but not discussed.

Chairman Brandenburg: Closed the conference committee.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
4/22/2019
Recording Job# 34904

Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A through C

Chairman Brandenburg: Opened the conference committee on HB1014.

Roll Call taken.

Representative Vigesaa:

Eric Hardmeyer, Director, Bank of North Dakota: Explained attachment A.

Senator Sorvaag: The main reason for this is an executive order by the governor so you can activate it; you don't have to wait for a presidential. Is that the intent?

Eric Hardmeyer: That's correct.

Eric Hardmeyer: See attachment B.

Chairman Brandenburg: They still have to go through their local bank and do the partnership.

Senator Mathern: In either of these proposals, if approved, how long does it take to get through the rule making process and get these going?

Eric Hardmeyer: The Bank of North Dakota is exempt from administrative rules so we're able to do these with policy. We'd be able to almost immediately get after this; depending on whether this has an emergency appropriation or not.

Senator Mathern: The proposal for rebuilders seems to have a lot of detail in it. Does it have too much detail to give you the freedom to roll it out fast?

Eric Hardmeyer: A lot of that detail is hold over language from the 2011 rebuilders program. What we found is the ability to work through the community banks to originate the deals. We don't think we have a major problem here.

Eric Hardmeyer: Explained attachment C.

Chairman Brandenburg: Discussed the bill.

Chairman Brandenburg: Closed the conference committee.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
4/23/2019
Recording Job# 34964

Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachments A through C

Chairman Brandenburg: Opened the conference committee on HB1014.

Roll Call taken.

Senator Sorvaag: Explained the changes to the bill.

Chairman Brandenburg: As far as the 4 FTE's at the mill, we gave them two FTE's and you gave them 4 FTE's. Maybe we'll give you one FTE.

Senator Mathern: I was hoping that we could keep the 4 FTE's in. They're a different organization than our other state agencies.

Senator Sorvaag: I understand Senator Mathern's concerns; but in the manner of compromise, I would support the 3 FTE's.

Representative Vigesaa: Made a motion to keep the 3 FTE's for the mill and elevator. It would be to remove one utility.

Senator Holmberg: Seconded the motion.

Voice Vote taken.

Motion Carried.

Senator Sorvaag continued with the Senate's changes.

Chairman Brandenburg: The House had some discussions and I think there was just some misunderstanding with how that happened and the House would be ready to restore that back to \$26 million.

Senator Sorvaag: We would accept that.

Senator Sorvaag continued with the changes.

Chairman Brandenburg: See attachment A.

Senator Mathern: This changes sections 11 or 13?

Chairman Brandenburg: It would be section 11.

Senator Holmberg: In the bill it says \$3 million; should it be \$4.5 million?

Chairman Brandenburg: We were looking at \$4.5 million; but I think we're going to leave it at \$3 million.

Senator Holmberg: The last sentence would be \$1 million can be used by the bank?

Chairman Brandenburg: That's correct.

Senator Sorvaag: I have notes that emergency should be written down.

Chairman Brandenburg: Yes. That should probably be written at the end.

Senator Sorvaag continued with his explanation.

Representative Mock: See attachment B.

Senator Mathern: I think we're very fortunate that we have a big river running through western North Dakota; but we're also moving water to the east. If we can study this matter to make a better use of the water that we're already using, I think this is a very positive thing.

Representative Mock: We already use a substantial amount of water to frack existing wells.

Representative Vigesaa: Have you had the opportunity to visit with Mr. Helms?

Representative Mock: I have not had the opportunity to visit with Mr. Helms.

Lynn Helms, Director, ND Department of Mineral Resources: We've had a lengthy conversation this morning about what would be an appropriate amount and what we might be able to do. We support the concept and think it's worthwhile studying.

Representative Vigesaa: See attachment C.

Chairman Brandenburg: Closed the conference committee.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1014
4/24/2019
Recording Job# 34994

Subcommittee
 Conference Committee

Committee Clerk: Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; and to provide for a transfer.

Minutes:

Attachment A

Chairman Brandenburg: Opened the conference committee on HB1014.

Roll Call taken.

Chairman Brandenburg: See attachment A.

Senator Sorvaag: Continued with attachment A.

Representative Mock: Explained his proposed amendment.

Representative Mock: Made a motion to amend subsection 1 of chapter 60949.

Senator Holmberg: Seconded the motion.

Representative Vigesaa: That's a big amendment at this time. We have not dealt with water at all in the industrial commission budget. I'm uncomfortable putting this amendment with no time to discuss it with all the players who have worked with the water projects.

Senator Mathern: Was the content of this motion of spirited debate in other bills or did it just sort of get lost and it was really other issues that got those bills defeated?

Representative Mock: It was not the term of the loans for the water projects that was the reason that SB2275 was defeated. It may have been more of the \$500 million price tag. There was not much debate on that language.

Senator Sorvaag: In here it was limited to 3 things?

Representative Mock: That's correct.

Chairman Brandenburg: I can't support this. I feel that this should be handled in the water budget.

Representative Vigesaa: We have one large bill that hasn't even been in conference. If that could be attached in that bill, I'd be more comfortable.

Representative Mock: I'm going to support the motion. In the event that it doesn't pass, I will work with Representative Schmidt and those who have worked with the water commission budget and the Bank of North Dakota so it does have the correct language.

Voice Vote made.

Motion Failed.

Senator Sorvaag: Made a motion to move to "Recede from the Senate amendments and further amend".

Representative Vigesaa: Seconded the motion.

Representative Mock: Section 30 of the bill is a pretty important section. The Minnesota House of Representatives is currently debating legislation that would require 100% of all of their consumed energy to be carbon free by 2050. I'm not support of the efforts of Minnesota or any other state arbitrarily picking dates and setting benchmarks that are firm and doesn't allow innovation or economics or market trends to move us closer.

Roll Call Vote: 6 Yeas 0 Nays 0 Absent

Motion Carried.

Chairman Brandenburg: Closed the conference committee.

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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

That the Senate recede from its amendments as printed on pages 1763-1779 of the House Journal and pages 1454-1470 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, line 2, after the second "commission" insert "; to create and enact a new section to chapter 6-09 of the North Dakota Century Code, relating to a rebuilders home loan program"

Page 1, line 3, after "reenact" insert "section 54-17-40 and"

Page 1, line 4, after "Code" insert "and section 7 of House Bill No. 1435, as approved by the sixty-sixth legislative assembly"

Page 1, line 4, after "to" insert "the housing incentive fund,"

Page 1, line 5, after "fund" insert ", and a transfer to the statewide interoperable radio network fund"

Page 1, line 5, replace "and" with "to provide for a contingent transfer;"

Page 1, line 6, after "exemption" insert "; to provide for a report; to provide for a study; to provide a statement of legislative intent; and to declare an emergency"

Page 1, remove lines 18 through 24

Page 2, replace line 1 with:

"Salaries and wages	\$22,014,084	\$1,570,366	\$23,584,450
Operating expenses	5,305,888	794,339	6,100,227
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>7,807</u>	<u>229,544</u>
Total all funds	\$40,752,193	\$4,670,795	\$45,422,988
Less estimated income	<u>15,343,206</u>	<u>2,650,584</u>	<u>17,993,790</u>
Total general fund	\$25,408,987	\$2,020,211	\$27,429,198"

Page 2, replace lines 7 through 9 with:

"Bank of North Dakota operations	\$58,489,204	\$4,358,595	\$62,847,799
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$5,058,595	\$64,357,799"

Page 2, replace lines 15 through 19 with:

"Salaries and wages	\$7,892,056	\$616,959	\$8,509,015
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,891,652	\$47,421,891"

Page 2, replace lines 25 through 30 with:

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"Salaries and wages	\$39,308,519	\$7,139,305	\$46,447,824
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
Total special funds	\$68,213,519	\$8,781,305	\$76,994,824
Full-time equivalent positions	153.00	3.00	156.00"

Page 3, replace lines 4 through 6 with:

"Grand total general fund	\$25,408,987	\$9,540,211	\$34,949,198
Grand total special funds	<u>187,386,168</u>	<u>19,382,136</u>	<u>206,768,304</u>
Grand total all funds	\$212,795,155	\$28,922,347	\$241,717,502"

Page 3, replace lines 12 through 19 with:

"Litigation	\$1,000,000		\$0
Industrial water supply asset study	150,000		0
Soil remediation studies	5,000,000		0
Survey review	800,000		0
Temporary employees	0		175,000
Rare earth elements study	0		160,000
Fracturing sand study	0		110,000
Oil database software upgrade	<u>0</u>		<u>5,000,000</u>
Total all funds	\$6,950,000		\$5,445,000
Less estimated income	<u>6,950,000</u>		<u>5,270,000</u>
Total general fund	\$0		\$175,000"

Page 4, after line 15, insert:

"SECTION 5. APPROPRIATION - TRANSFER GENERAL FUND TO HIGH-LEVEL RADIOACTIVE WASTE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000, which the office of management and budget shall transfer to the high-level radioactive waste fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item.

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 \$7,500,000, which the office of management and budget shall transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item."

Page 4, line 16, replace "APPROPRIATION" with "FUNDING"

Page 4, line 16, remove "FUNDING"

Page 4, line 26, replace "\$1,150,782" with "\$1,172,603"

Page 5, line 16, replace "\$3,000,000" with "\$4,000,000"

Page 5, line 18, remove "biennium beginning"

Page 5, line 19, replace "July 1, 2019," with "period beginning with the effective date of this Act"

Page 5, line 19, after the period insert "The Bank may use up to \$1,000,000 of the funding provided in this section to expand the parameters for the agriculture partnership in

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assisting community expansion program to assist farmers and livestock producers that suffered extraordinary losses related to river flooding in the state due to ice jams in the winter and spring of 2019 for the period beginning with the effective date of this Act and ending June 30, 2021."

Page 6, after line 3, insert:

"SECTION 15. TRANSFER - REBUILDERS LOAN PROGRAM PAYMENTS TO REBUILDERS HOME LOAN FUND. From the principal payments received under the rebuilders loan program established in section 6-09-46, which were designated to replenish the Bank of North Dakota's current earnings and undivided profits pursuant to section 3 of chapter 83 of the 2013 Session Laws, the Bank shall transfer the sum of \$3,750,000 to the rebuilders home loan fund during the period beginning with the effective date of this Act and ending June 30, 2021. Any funds not committed to loans by September 30, 2020, must be returned to the Bank's current earnings and undivided profits.

SECTION 16. CONTINGENT TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO INFRASTRUCTURE REVOLVING LOAN FUND. The office of management and budget shall transfer up to \$40,000,000 of any oil and gas tax revenues deposited in the strategic investment and improvements fund during the period August 1, 2017, through July 31, 2019, exceeding \$755,000,000, from the strategic investment and improvements fund to the infrastructure revolving loan fund established under section 6-09-49, during the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 6, after line 12, insert:

"SECTION 19. OIL AND GAS RESEARCH FUND - RECYCLING PRODUCED WATER STUDY - REPORT TO LEGISLATIVE MANAGEMENT. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$300,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the sponsor of the proposal selected for the study. The industrial commission shall issue a request for proposals for a study regarding the recycling of water used in oil and gas operations, also known as produced water, from oil and gas-producing regions of North Dakota. The study must include the development or compilation of data regarding methods for the recycling of produced water specific to this state, and must examine the relevant, objective economic, regulatory, scientific, technological, and feasibility considerations. The contractor shall provide reports on the status of the study at the request of the legislative management during the 2019-20 interim and shall provide a final report to the legislative management by October 1, 2020.

SECTION 20. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Rebuilders home loan program - Rebuilders home loan fund - Continuing appropriation - Requirements.

1. There is created in the state treasury the rebuilders home loan fund administered by the Bank of North Dakota. The fund consists of all moneys transferred to the fund by the legislative assembly. All moneys in the fund are appropriated to the Bank on a continuing basis for the rebuilders home loan program.

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2. The Bank shall develop policies to implement this section. The Bank shall make or participate in loans to North Dakota residents affected by river flooding in the state due to ice jams in the winter and spring of 2019. Loans are available for rebuilding the resident's flood-damaged home or rebuilding nonowner-occupied property. A loan from the fund must have the interest rate fixed at one percent per year for no more than twenty years. A loan made to a homeowner or owner of nonowner-occupied property under this section may not exceed the lesser of seventy-five thousand dollars or the actual amount of documented damage not paid by flood insurance. For purposes of this section, "nonowner-occupied property" means property consisting of one or more rental dwelling units, none of which is occupied by the owner, and does not include hotel or motel accommodations or any other commercial property. For a resident rebuilding the resident's flood-damaged home, up to twenty percent of the loan proceeds disbursed under this program may be used for debt service, debt retirement, or other credit obligations. For every loan made from the fund to a homeowner to rebuild or replace that individual's flood-damaged home, principal and interest payments must be deferred for the first twenty-four months of the loan. There is no deferral of principal and interest payments for a loan for nonowner-occupied property.

3. A resident homeowner or owner of nonowner-occupied property is eligible for a loan under this section only if the home or property is located in an area affected by river flooding in the state due to ice jams in the winter and spring of 2019. To qualify for a loan under this section, the owner of nonowner-occupied property must have been the owner at the time of the flooding event, and the number of rental dwelling units in the property rebuilt under this section must remain the same as before the flooding event. A loan to the owner of nonowner-occupied property must be secured by the property for which the loan is made.

4. An application for a loan from the fund must be made to the Bank or originating financial institution, and, upon approval, a loan must be made from the fund in accordance with this section. An application for a loan to a homeowner or for a loan for nonowner-occupied property under this section may not be accepted after September 30, 2020.

5. Repayments to the rebuilders home loan fund must be transferred annually to replenish the Bank's current earnings and undivided profits which were transferred to the rebuilders home loan fund. If, subsequent to receiving a loan from the fund, the property for which the loan was made is purchased for flood mitigation purposes or otherwise sold, the balance of the loan and any interest accrued on the loan must be repaid to the fund upon the closing of the sale. If the borrower provides financial evidence satisfactory to the Bank to show that the borrower does not have the financial ability to repay the loan in full upon sale of the property, after the sale of the property the Bank may allow the borrower to continue to make payments based on the loan terms.

6. The Bank may deduct, from interest payments received on loans, a service fee for administering the fund for the Bank and originating financial institutions. The Bank shall contract with a certified public accounting firm to audit the fund as necessary. The cost of the audit, and any other actual costs incurred by the Bank on behalf of the fund, must be paid by the fund.

SECTION 21. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. 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.
 - a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least ~~twenty-five~~fifteen percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage.
 - b. ~~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.~~
 - c. ~~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.~~
 - e. 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.
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.

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- 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.
- 6. 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.
- 7. ~~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.~~
- 8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.
- 9-8. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. ~~The report must include the following:~~
 - a. ~~The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and~~
 - b. ~~A listing of projects approved and the number of units within those projects that provide housing for essential service workers."~~

Page 6, after line 26, insert:

"SECTION 23. AMENDMENT. Section 7 of House Bill No. 1435, as approved by the sixty-sixth legislative assembly, is amended and reenacted as follows:

SECTION 7. TRANSFER - BANK OF NORTH DAKOTA PROFITS - STATEWIDE INTEROPERABLE RADIO NETWORK FUND. ~~The~~After other moneys in the statewide interoperable radio network fund, the transfer of \$20,000,000 from the strategic investment and improvements fund, and the \$80,000,000 line of credit have been used, the industrial commission shall transfer the sum of \$20,000,000 from the current earnings and accumulated undivided profits of the Bank of North Dakota to the statewide interoperable radio network fund, during the period beginning with the effective date of this Act, and ending June 30, 2021."

Page 7, line 8, replace "\$14,000,000" with "\$16,000,000"

Page 7, line 11, replace "\$4,000,000" with "\$6,000,000"

Page 7, line 13, replace "a pilot project" with "pilot projects"

Page 7, line 14, replace "project" with "projects"

Page 8, after line 16, insert:

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"SECTION 29. HEDGING STRATEGIES STUDY - BANK OF NORTH DAKOTA - REPORT TO LEGISLATIVE ASSEMBLY. During the 2019-20 interim, the Bank of North Dakota shall conduct a study on the use of various hedging strategies to protect the state from volatile swings in oil prices. Before January 15, 2021, the Bank of North Dakota shall report the results of its study to the appropriations committees of the sixty-seventh legislative assembly.

SECTION 30. LEGISLATIVE INTENT - LIGNITE RESEARCH FUND - LIGNITE LITIGATION. It is the intent of the sixty-sixth legislative assembly that at least \$500,000 of the funding in section 28 of this Act and any funding deposited in the lignite research fund related to successful litigation is available from the lignite research fund to be used to pay fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources.

SECTION 31. EMERGENCY. Sections 11, 15, and 20 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
Office of Management and Budget						
Total all funds	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Industrial Commission						
Total all funds	\$40,752,193	\$45,027,118	\$395,870	\$45,422,988	\$45,442,988	(\$20,000)
Less estimated income	15,343,206	17,987,425	6,365	17,993,790	18,013,790	(20,000)
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198	\$27,429,198	\$0
FTE	110.25	112.25	0.00	112.25	112.25	0.00
Bank of North Dakota						
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799	\$64,357,799	\$0
Less estimated income	59,299,204	64,164,235	193,564	64,357,799	64,357,799	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50	181.50	0.00
Housing Finance Agency						
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891	\$47,421,891	\$0
Less estimated income	44,530,239	47,374,675	47,216	47,421,891	47,421,891	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00	44.00	0.00
Mill and Elevator						
Total all funds	\$68,213,519	\$76,839,812	\$155,012	\$76,994,824	\$77,124,895	(\$130,071)
Less estimated income	68,213,519	76,839,812	155,012	76,994,824	77,124,895	(130,071)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	153.00	155.00	1.00	156.00	157.00	(1.00)
Bill total						
Total all funds	\$212,795,155	\$233,405,840	\$8,311,662	\$241,717,502	\$254,367,573	(\$12,650,071)
Less estimated income	187,386,168	206,366,147	402,157	206,768,304	206,918,375	(150,071)
General fund	\$25,408,987	\$27,039,693	\$7,909,505	\$34,949,198	\$47,449,198	(\$12,500,000)

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FTE 488.75 492.75 1.00 493.75 494.75 (1.00)

House Bill No. 1014 - Office of Management and Budget - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
High-level radioactive waste fund			\$20,000	\$20,000	\$20,000	
Housing incentive fund			7,500,000	7,500,000	20,000,000	(\$12,500,000)
Total all funds	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department 110 - Office of Management and Budget - Detail of Conference Committee Changes

	Transfer to High-Level Radioactive Waste Fund ¹	Transfer to Housing Incentive Fund ²	Total Conference Committee Changes
High-level radioactive waste fund	\$20,000		\$20,000
Housing incentive fund		\$7,500,000	7,500,000
Total all funds	\$20,000	\$7,500,000	\$7,520,000
Less estimated income	0	0	0
General fund	\$20,000	\$7,500,000	\$7,520,000
FTE	0.00	0.00	0.00

¹ One-time funding of \$20,000 is added from the general fund for a transfer to the high-level radioactive waste fund, the same as the Senate version. The House did not include this transfer.

² One-time funding of \$7.5 million is added from the general fund for a transfer to the housing incentive fund, a decrease of \$12.5 million from the Senate version. The House did not transfer funding for the housing incentive fund.

A section is added providing for a contingent transfer of up to \$40 million of oil and gas tax revenue deposited in the strategic investment and improvements fund in excess of approximately \$10 million more than the legislative estimate for the 2017-19 biennium to the infrastructure revolving loan fund.

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	\$22,014,084	\$23,296,820	\$287,630	\$23,584,450	\$23,584,450	
Operating expenses	5,305,888	5,991,987	108,240	6,100,227	6,120,227	(\$20,000)
Capital assets		5,000,000		5,000,000	5,000,000	
Grants - Bond payments	13,210,484	10,508,767		10,508,767	10,508,767	
Contingencies	221,737	229,544		229,544	229,544	
Total all funds	\$40,752,193	\$45,027,118	\$395,870	\$45,422,988	\$45,442,988	(\$20,000)
Less estimated income	15,343,206	17,987,425	6,365	17,993,790	18,013,790	(20,000)
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198	\$27,429,198	\$0
FTE	110.25	112.25	0.00	112.25	112.25	0.00

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Department 405 - Industrial Commission - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases ¹	Adjusts Funding for Operating Expenses ²	Adds Funding for Temporary Employees ³	Total Conference Committee Changes
Salaries and wages	\$112,630		\$175,000	\$287,630
Operating expenses		\$108,240		108,240
Capital assets				
Grants - Bond payments				
Contingencies				
Total all funds	\$112,630	\$108,240	\$175,000	\$395,870
Less estimated income	6,365	0	0	6,365
General fund	\$106,265	\$108,240	\$175,000	\$389,505
FTE	0.00	0.00	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding is added for operating expenses associated with 2 contingent FTE positions that were authorized in the 2017-19 biennium and will continue in the 2019-21 biennium since the contingency was met, the same as the Senate version.

³ One-time funding of \$175,000 from the general fund is added to hire temporary employees to record historical information to provide guidance to current and future employees, the same as the Senate version. The House did not include this funding.

This amendment also reflects the following items related to the Industrial Commission:

- Does not include one-time funding of \$20,000 from the high-level radioactive waste fund added by the Senate. The funding is available pursuant to continuing appropriation authority.
- Does not include an appropriation of \$26 million from the general fund during the 2017-19 biennium and an exemption allowing the funding to continue in the 2019-21 biennium to repay bonds issued by the Public Finance Authority, which were added by the Senate.
- Adjusts the transfer for administrative costs to provide a total transfer of \$1,172,603, the same as the Senate version. The House provided for a transfer of \$1,150,782.
- Identifies \$300,000 from the oil and gas research fund for a study regarding the recycling of produced water and requires a report to the legislative management.
- Increases oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$6 million, from \$10 million to \$16 million for contracting with the Energy and Environmental Research Center for pilot projects relating to underground storage of produced natural gas. The House increased the allocations by \$4 million, and the Senate increased the allocations by \$8 million for this purpose.
- Does not include provisions added by the Senate relating to the Public Finance Authority's authorization to issue bonds to support the infrastructure revolving loan fund and resources trust fund.
- Does not include provisions added by the Senate to clarify the authority of counties to access loans from the infrastructure revolving loan fund.
- Does not include authorization for the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund with a term of 30 years and authorizes bond anticipation notes. The Senate added the authorization for bonds.
- Does not include a section added by the Senate identifying \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council.
- Does not include sections added by the Senate authorizing counties to use property taxes levied for capital projects for county road projects and allowing counties to borrow for up to 20 years when taxes are insufficient to meet the needs of the county, an increase from the current limit of 5 years.
- Provides legislative intent related to funding for lignite litigation expenses from the lignite research fund. The Senate version included the legislative intent for lignite litigation, but the House did not.

DR 1/21/19
10 of 12

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	\$810,000	\$1,510,000		\$1,510,000	\$1,510,000	
Bank of North Dakota operations	58,489,204	62,654,235	\$193,564	62,847,799	62,847,799	
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799	\$64,357,799	\$0
Less estimated income	59,299,204	64,164,235	193,564	64,357,799	64,357,799	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50	181.50	0.00

Department 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases ¹	Total Conference Committee Changes
Capital assets		
Bank of North Dakota operations	\$193,564	\$193,564
Total all funds	\$193,564	\$193,564
Less estimated income	193,564	193,564
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also reflects the following items related to the Bank of North Dakota:

- Does not include authorization added by the Senate for the Bank to extend a line of credit up to \$100 million to the infrastructure revolving loan fund to support new loans from the fund prior to the issuance of bonds by the Public Finance Authority.
- Increases the transfer of Bank profits to the agriculture partnership in assisting community expansion by \$1 million, from \$3 million to \$4 million, and authorizes the Bank to use \$1 million to assist farmers impacted by a flooding event. An emergency clause is included related to the transfer. Both the House and the Senate provided \$3 million.
- Transfers \$3.75 million from the principal payments under the rebuilders loan program, which are designated to replenish the Bank's profits, to a newly created rebuilders home loan program. Under the rebuilders home loan program, individuals affected by a flooding event are eligible to receive a loan of up to \$75,000 with a 1 percent interest rate and a 20-year term for eligible costs associated with home repairs. An emergency clause is included related to the transfer and creation of the program. The House and Senate did not include the transfer or the new program.
- Does not include a section requiring the State Water Commission to transfer outstanding loans for water projects to the infrastructure revolving loan fund related to the repeal, effective July 1, 2021, of a revolving loan fund designated for water projects. The Senate added the transfer and repeal related to the revolving loan fund designated for water projects.
- Does not include provisions added by the Senate relating to the infrastructure revolving loan fund to allow additional entities, including institutions of higher education, to obtain low-interest loans for infrastructure projects, and to expand the types of eligible infrastructure projects.
- Adds a section to amend House Bill No. 1435 to clarify the transfer of Bank profits to the statewide interoperable radio network fund is after other funding sources have been used. The House and Senate did not include this section.
- Includes a section added by the Senate requiring the Bank to study hedging strategies related to the volatility of oil prices.

DO 4/22/11
11 05/12

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	\$7,892,056	\$8,461,799	\$47,216	\$8,509,015	\$8,509,015	
Operating expenses	4,743,355	5,346,276		5,346,276	5,346,276	
Grants	31,794,828	33,466,600		33,466,600	33,466,600	
HFA contingencies	100,000	100,000		100,000	100,000	
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891	\$47,421,891	\$0
Less estimated income	44,530,239	47,374,675	47,216	47,421,891	47,421,891	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00	44.00	0.00

Department 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases ¹	Total Conference Committee Changes
Salaries and wages	\$47,216	\$47,216
Operating expenses		
Grants		
HFA contingencies		
Total all funds	\$47,216	\$47,216
Less estimated income	47,216	47,216
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also includes a section added by the Senate to amend Section 54-17-40 relating to the housing incentive fund. The Senate amended the housing incentive fund to decrease the amount of funding designated for small communities and to remove the prioritization for essential service worker housing. The House did not amend the housing incentive fund.

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	\$39,308,519	\$46,292,812	\$155,012	\$46,447,824	\$46,577,895	(\$130,071)
Operating expenses	28,195,000	29,837,000		29,837,000	29,837,000	
Contingencies	500,000	500,000		500,000	500,000	
Agriculture promotion	210,000	210,000		210,000	210,000	
Total all funds	\$68,213,519	\$76,839,812	\$155,012	\$76,994,824	\$77,124,895	(\$130,071)
Less estimated income	68,213,519	76,839,812	155,012	76,994,824	77,124,895	(130,071)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	153.00	155.00	1.00	156.00	157.00	(1.00)

DA 9/21/14
12/8/12

Department 475 - Mill and Elevator - Detail of Conference Committee Changes

	Adds FTE Positions¹	Total Conference Committee Changes
Salaries and wages	\$155,012	\$155,012
Operating expenses		
Contingencies		
Agriculture promotion		
<hr/>		
Total all funds	\$155,012	\$155,012
Less estimated income	155,012	155,012
General fund	\$0	\$0
<hr/>		
FTE	1.00	1.00

¹ Funding is added for 1 FTE food safety position (\$155,012) to provide a total of 3 new FTE positions. The Senate added 4 FTE positions, and the House added 2 FTE positions.

No other sections were added by the Conference Committee related to the Mill and Elevator Association.

**2019 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. HB1014 as (re) engrossed

House Appropriations – 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
 - Other
- Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Representative Vigesaa Seconded by: Senator Holmberg

Representatives				Yes	No	Senators				Yes	No
	4/17	4/22	4/23				4/17	4/22	4/23		
Chairman Brandenburg	X	X	X			Senator Sorvaag	X	X	X		
Representative Vigesaa	X	X	X			Senator Holmberg	X	X	X		
Representative Mock	X	X	X			Senator Mathern	X	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
A motion to keep the 3 additional FTE's for the mill

Voice Vote
Motion Carried.

**2019 HOUSE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL/RESOLUTION NO. HB1014 as (re) engrossed

House Appropriations – 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
 - Other
 - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Representative Mock Seconded by: Senator Holmberg

Representatives		4/24		Yes	No	Senators		4/24		Yes	No
Chairman Brandenburg		X				Senator Sorvaag		X			
Representative Vigesaa		X				Senator Holmberg		X			
Representative Mock		X				Senator Mathern		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
 Made a motion to amend subsection 1 of chapter 60949

Voice Vote
 Motion Failed

**2019 HOUSE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL/RESOLUTION NO. HB1014 as (re) engrossed

House Appropriations – 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 Sorvaag Seconded by: Representative Vigesaa

Representatives				Senators					
	4/24	Yes	No		4/24	Yes	No		
Chairman Brandenburg	X	X		Senator Sorvaag	X	X			
Representative Vigesaa	X	X		Senator Holmberg	X	X			
Representative Mock	X	X		Senator Mathern	X	X			
Total Rep. Vote				3	Total Senate Vote				3

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Representative Brandenburg Senate Carrier Senator Sorvaag

LC Number _____ of amendment

LC Number _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment
 A motion to accept the changes to the bill.
 Motion Carried.

Insert LC: 19.0202.02010
House Carrier: Brandenburg
Senate Carrier: Sorvaag

REPORT OF CONFERENCE COMMITTEE

HB 1014, as engrossed: Your conference committee (Sens. Sorvaag, Holmberg, Mathern and Reps. Brandenburg, Vigesaa, Mock) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1763-1779, adopt amendments as follows, and place HB 1014 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1763-1779 of the House Journal and pages 1454-1470 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, line 2, after the second "commission" insert "; to create and enact a new section to chapter 6-09 of the North Dakota Century Code, relating to a rebuilders home loan program"

Page 1, line 3, after "reenact" insert "section 54-17-40 and"

Page 1, line 4, after "Code" insert "and section 7 of House Bill No. 1435, as approved by the sixty-sixth legislative assembly"

Page 1, line 4, after "to" insert "the housing incentive fund,"

Page 1, line 5, after "fund" insert ", and a transfer to the statewide interoperable radio network fund"

Page 1, line 5, replace "and" with "to provide for a contingent transfer;"

Page 1, line 6, after "exemption" insert "; to provide for a report; to provide for a study; to provide a statement of legislative intent; and to declare an emergency"

Page 1, remove lines 18 through 24

Page 2, replace line 1 with:

"Salaries and wages	\$22,014,084	\$1,570,366	\$23,584,450
Operating expenses	5,305,888	794,339	6,100,227
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>7,807</u>	<u>229,544</u>
Total all funds	\$40,752,193	\$4,670,795	\$45,422,988
Less estimated income	<u>15,343,206</u>	<u>2,650,584</u>	<u>17,993,790</u>
Total general fund	\$25,408,987	\$2,020,211	\$27,429,198"

Page 2, replace lines 7 through 9 with:

"Bank of North Dakota operations	\$58,489,204	\$4,358,595	\$62,847,799
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$5,058,595	\$64,357,799"

Page 2, replace lines 15 through 19 with:

"Salaries and wages	\$7,892,056	\$616,959	\$8,509,015
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,891,652	\$47,421,891"

Page 2, replace lines 25 through 30 with:

Insert LC: 19.0202.02010
 House Carrier: Brandenburg
 Senate Carrier: Sorvaag

"Salaries and wages	\$39,308,519	\$7,139,305	\$46,447,824
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
Total special funds	\$68,213,519	\$8,781,305	\$76,994,824
Full-time equivalent positions	153.00	3.00	156.00"

Page 3, replace lines 4 through 6 with:

"Grand total general fund	\$25,408,987	\$9,540,211	\$34,949,198
Grand total special funds	<u>187,386,168</u>	<u>19,382,136</u>	<u>206,768,304</u>
Grand total all funds	\$212,795,155	\$28,922,347	\$241,717,502"

Page 3, replace lines 12 through 19 with:

"Litigation	\$1,000,000	\$0
Industrial water supply asset study	150,000	0
Soil remediation studies	5,000,000	0
Survey review	800,000	0
Temporary employees	0	175,000
Rare earth elements study	0	160,000
Fracturing sand study	0	110,000
Oil database software upgrade	<u>0</u>	<u>5,000,000</u>
Total all funds	\$6,950,000	\$5,445,000
Less estimated income	<u>6,950,000</u>	<u>5,270,000</u>
Total general fund	\$0	\$175,000"

Page 4, after line 15, insert:

"SECTION 5. APPROPRIATION - TRANSFER GENERAL FUND TO HIGH-LEVEL RADIOACTIVE WASTE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000, which the office of management and budget shall transfer to the high-level radioactive waste fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item.

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 \$7,500,000, which the office of management and budget shall transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item."

Page 4, line 16, replace "APPROPRIATION" with "FUNDING"

Page 4, line 16, remove "FUNDING"

Page 4, line 26, replace "\$1,150,782" with "\$1,172,603"

Page 5, line 16, replace "\$3,000,000" with "\$4,000,000"

Page 5, line 18, remove "biennium beginning"

Page 5, line 19, replace "July 1, 2019," with "period beginning with the effective date of this Act"

Insert LC: 19.0202.02010
House Carrier: Brandenburg
Senate Carrier: Sorvaag

Page 5, line 19, after the period insert "The Bank may use up to \$1,000,000 of the funding provided in this section to expand the parameters for the agriculture partnership in assisting community expansion program to assist farmers and livestock producers that suffered extraordinary losses related to river flooding in the state due to ice jams in the winter and spring of 2019 for the period beginning with the effective date of this Act and ending June 30, 2021."

Page 6, after line 3, insert:

"SECTION 15. TRANSFER - REBUILDERS LOAN PROGRAM PAYMENTS TO REBUILDERS HOME LOAN FUND. From the principal payments received under the rebuilders loan program established in section 6-09-46, which were designated to replenish the Bank of North Dakota's current earnings and undivided profits pursuant to section 3 of chapter 83 of the 2013 Session Laws, the Bank shall transfer the sum of \$3,750,000 to the rebuilders home loan fund during the period beginning with the effective date of this Act and ending June 30, 2021. Any funds not committed to loans by September 30, 2020, must be returned to the Bank's current earnings and undivided profits.

SECTION 16. CONTINGENT TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO INFRASTRUCTURE REVOLVING LOAN FUND. The office of management and budget shall transfer up to \$40,000,000 of any oil and gas tax revenues deposited in the strategic investment and improvements fund during the period August 1, 2017, through July 31, 2019, exceeding \$755,000,000, from the strategic investment and improvements fund to the infrastructure revolving loan fund established under section 6-09-49, during the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 6, after line 12, insert:

"SECTION 19. OIL AND GAS RESEARCH FUND - RECYCLING PRODUCED WATER STUDY - REPORT TO LEGISLATIVE MANAGEMENT. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$300,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the sponsor of the proposal selected for the study. The industrial commission shall issue a request for proposals for a study regarding the recycling of water used in oil and gas operations, also known as produced water, from oil and gas-producing regions of North Dakota. The study must include the development or compilation of data regarding methods for the recycling of produced water specific to this state, and must examine the relevant, objective economic, regulatory, scientific, technological, and feasibility considerations. The contractor shall provide reports on the status of the study at the request of the legislative management during the 2019-20 interim and shall provide a final report to the legislative management by October 1, 2020.

SECTION 20. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Rebuilders home loan program - Rebuilders home loan fund - Continuing appropriation - Requirements.

1. There is created in the state treasury the rebuilders home loan fund administered by the Bank of North Dakota. The fund consists of all moneys transferred to the fund by the legislative assembly. All moneys in the fund are appropriated to the Bank on a continuing basis for the rebuilders home loan program.
2. The Bank shall develop policies to implement this section. The Bank shall make or participate in loans to North Dakota residents affected by river

Insert LC: 19.0202.02010
House Carrier: Brandenburg
Senate Carrier: Sorvaag

flooding in the state due to ice jams in the winter and spring of 2019. Loans are available for rebuilding the resident's flood-damaged home or rebuilding nonowner-occupied property. A loan from the fund must have the interest rate fixed at one percent per year for no more than twenty years. A loan made to a homeowner or owner of nonowner-occupied property under this section may not exceed the lesser of seventy-five thousand dollars or the actual amount of documented damage not paid by flood insurance. For purposes of this section, "nonowner-occupied property" means property consisting of one or more rental dwelling units, none of which is occupied by the owner, and does not include hotel or motel accommodations or any other commercial property. For a resident rebuilding the resident's flood-damaged home, up to twenty percent of the loan proceeds disbursed under this program may be used for debt service, debt retirement, or other credit obligations. For every loan made from the fund to a homeowner to rebuild or replace that individual's flood-damaged home, principal and interest payments must be deferred for the first twenty-four months of the loan. There is no deferral of principal and interest payments for a loan for nonowner-occupied property.

3. A resident homeowner or owner of nonowner-occupied property is eligible for a loan under this section only if the home or property is located in an area affected by river flooding in the state due to ice jams in the winter and spring of 2019. To qualify for a loan under this section, the owner of nonowner-occupied property must have been the owner at the time of the flooding event, and the number of rental dwelling units in the property rebuilt under this section must remain the same as before the flooding event. A loan to the owner of nonowner-occupied property must be secured by the property for which the loan is made.
4. An application for a loan from the fund must be made to the Bank or originating financial institution, and, upon approval, a loan must be made from the fund in accordance with this section. An application for a loan to a homeowner or for a loan for nonowner-occupied property under this section may not be accepted after September 30, 2020.
5. Repayments to the rebuilders home loan fund must be transferred annually to replenish the Bank's current earnings and undivided profits which were transferred to the rebuilders home loan fund. If, subsequent to receiving a loan from the fund, the property for which the loan was made is purchased for flood mitigation purposes or otherwise sold, the balance of the loan and any interest accrued on the loan must be repaid to the fund upon the closing of the sale. If the borrower provides financial evidence satisfactory to the Bank to show that the borrower does not have the financial ability to repay the loan in full upon sale of the property, after the sale of the property the Bank may allow the borrower to continue to make payments based on the loan terms.
6. The Bank may deduct, from interest payments received on loans, a service fee for administering the fund for the Bank and originating financial institutions. The Bank shall contract with a certified public accounting firm to audit the fund as necessary. The cost of the audit, and any other actual costs incurred by the Bank on behalf of the fund, must be paid by the fund.

SECTION 21. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. 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.
 - a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least ~~twenty-five~~fifteen percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage.
 - b. 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.~~
 - c. ~~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.~~
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.

6. 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.
7. ~~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.~~
8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.
- 9-8. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. ~~The report must include the following:~~
 - a. ~~The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and~~
 - b. ~~A listing of projects approved and the number of units within those projects that provide housing for essential service workers."~~

Page 6, after line 26, insert:

"SECTION 23. AMENDMENT. Section 7 of House Bill No. 1435, as approved by the sixty-sixth legislative assembly, is amended and reenacted as follows:

SECTION 7. TRANSFER - BANK OF NORTH DAKOTA PROFITS - STATEWIDE INTEROPERABLE RADIO NETWORK FUND. ~~The~~After other moneys in the statewide interoperable radio network fund, the transfer of \$20,000,000 from the strategic investment and improvements fund, and the \$80,000,000 line of credit have been used, the industrial commission shall transfer the sum of \$20,000,000 from the current earnings and accumulated undivided profits of the Bank of North Dakota to the statewide interoperable radio network fund, during the period beginning with the effective date of this Act, and ending June 30, 2021."

Page 7, line 8, replace "\$14,000,000" with "\$16,000,000"

Page 7, line 11, replace "\$4,000,000" with "\$6,000,000"

Page 7, line 13, replace "a pilot project" with "pilot projects"

Page 7, line 14, replace "project" with "projects"

Page 8, after line 16, insert:

"SECTION 29. HEDGING STRATEGIES STUDY - BANK OF NORTH DAKOTA - REPORT TO LEGISLATIVE ASSEMBLY. During the 2019-20 interim, the Bank of North Dakota shall conduct a study on the use of various hedging strategies to protect the state from volatile swings in oil prices. Before January 15, 2021, the

Insert LC: 19.0202.02010
 House Carrier: Brandenburg
 Senate Carrier: Sorvaag

Bank of North Dakota shall report the results of its study to the appropriations committees of the sixty-seventh legislative assembly.

SECTION 30. LEGISLATIVE INTENT - LIGNITE RESEARCH FUND - LIGNITE LITIGATION. It is the intent of the sixty-sixth legislative assembly that at least \$500,000 of the funding in section 28 of this Act and any funding deposited in the lignite research fund related to successful litigation is available from the lignite research fund to be used to pay fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources.

SECTION 31. EMERGENCY. Sections 11, 15, and 20 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
Office of Management and Budget						
Total all funds	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Industrial Commission						
Total all funds	\$40,752,193	\$45,027,118	\$395,870	\$45,422,988	\$45,442,988	(\$20,000)
Less estimated income	15,343,206	17,987,425	6,365	17,993,790	18,013,790	(20,000)
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198	\$27,429,198	\$0
FTE	110.25	112.25	0.00	112.25	112.25	0.00
Bank of North Dakota						
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799	\$64,357,799	\$0
Less estimated income	59,299,204	64,164,235	193,564	64,357,799	64,357,799	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50	181.50	0.00
Housing Finance Agency						
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891	\$47,421,891	\$0
Less estimated income	44,530,239	47,374,675	47,216	47,421,891	47,421,891	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00	44.00	0.00
Mill and Elevator						
Total all funds	\$68,213,519	\$76,839,812	\$155,012	\$76,994,824	\$77,124,895	(\$130,071)
Less estimated income	68,213,519	76,839,812	155,012	76,994,824	77,124,895	(130,071)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	153.00	155.00	1.00	156.00	157.00	(1.00)
Bill total						
Total all funds	\$212,795,155	\$233,405,840	\$8,311,662	\$241,717,502	\$254,367,573	(\$12,650,071)
Less estimated income	187,386,168	206,366,147	402,157	206,768,304	206,918,375	(150,071)
General fund	\$25,408,987	\$27,039,693	\$7,909,505	\$34,949,198	\$47,449,198	(\$12,500,000)
FTE	488.75	492.75	1.00	493.75	494.75	(1.00)

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House Bill No. 1014 - Office of Management and Budget - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
High-level radioactive waste fund			\$20,000	\$20,000	\$20,000	
Housing incentive fund			7,500,000	7,500,000	20,000,000	(\$12,500,000)
Total all funds	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department 110 - Office of Management and Budget - Detail of Conference Committee Changes

	Transfer to High-Level Radioactive Waste Fund ¹	Transfer to Housing Incentive Fund ²	Total Conference Committee Changes
High-level radioactive waste fund	\$20,000		\$20,000
Housing incentive fund		\$7,500,000	7,500,000
Total all funds	\$20,000	\$7,500,000	\$7,520,000
Less estimated income	0	0	0
General fund	\$20,000	\$7,500,000	\$7,520,000
FTE	0.00	0.00	0.00

¹ One-time funding of \$20,000 is added from the general fund for a transfer to the high-level radioactive waste fund, the same as the Senate version. The House did not include this transfer.

² One-time funding of \$7.5 million is added from the general fund for a transfer to the housing incentive fund, a decrease of \$12.5 million from the Senate version. The House did not transfer funding for the housing incentive fund.

A section is added providing for a contingent transfer of up to \$40 million of oil and gas tax revenue deposited in the strategic investment and improvements fund in excess of approximately \$10 million more than the legislative estimate for the 2017-19 biennium to the infrastructure revolving loan fund.

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	\$22,014,084	\$23,296,820	\$287,630	\$23,584,450	\$23,584,450	
Operating expenses	5,305,888	5,991,987	108,240	6,100,227	6,120,227	(\$20,000)
Capital assets		5,000,000		5,000,000	5,000,000	
Grants - Bond payments	13,210,484	10,508,767		10,508,767	10,508,767	
Contingencies	221,737	229,544		229,544	229,544	
Total all funds	\$40,752,193	\$45,027,118	\$395,870	\$45,422,988	\$45,442,988	(\$20,000)
Less estimated income	15,343,206	17,987,425	6,365	17,993,790	18,013,790	(20,000)
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198	\$27,429,198	\$0
FTE	110.25	112.25	0.00	112.25	112.25	0.00

Department 405 - Industrial Commission - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases ¹	Adjusts Funding for Operating Expenses ²	Adds Funding for Temporary Employees ³	Total Conference Committee Changes
Salaries and wages	\$112,630		\$175,000	\$287,630
Operating expenses		\$108,240		108,240
Capital assets				
Grants - Bond payments				
Contingencies				
Total all funds	\$112,630	\$108,240	\$175,000	\$395,870
Less estimated income	6,365	0	0	6,365
General fund	\$106,265	\$108,240	\$175,000	\$389,505
FTE	0.00	0.00	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding is added for operating expenses associated with 2 contingent FTE positions that were authorized in the 2017-19 biennium and will continue in the 2019-21 biennium since the contingency was met, the same as the Senate version.

³ One-time funding of \$175,000 from the general fund is added to hire temporary employees to record historical information to provide guidance to current and future employees, the same as the Senate version. The House did not include this funding.

This amendment also reflects the following items related to the Industrial Commission:

- Does not include one-time funding of \$20,000 from the high-level radioactive waste fund added by the Senate. The funding is available pursuant to continuing appropriation authority.
- Does not include an appropriation of \$26 million from the general fund during the 2017-19 biennium and an exemption allowing the funding to continue in the 2019-21 biennium to repay bonds issued by the Public Finance Authority, which were added by the Senate.
- Adjusts the transfer for administrative costs to provide a total transfer of \$1,172,603, the same as the Senate version. The House provided for a transfer of \$1,150,782.
- Identifies \$300,000 from the oil and gas research fund for a study regarding the recycling of produced water and requires a report to the legislative management.
- Increases oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$6 million, from \$10 million to \$16 million for contracting with the Energy and Environmental Research Center for pilot projects relating to underground storage of produced natural gas. The House increased the allocations by \$4 million, and the Senate increased the allocations by \$8 million for this purpose.
- Does not include provisions added by the Senate relating to the Public Finance Authority's authorization to issue bonds to support the infrastructure revolving loan fund and resources trust fund.
- Does not include provisions added by the Senate to clarify the authority of counties to access loans from the infrastructure revolving loan fund.
- Does not include authorization for the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund with a term of 30 years and authorizes bond anticipation notes. The Senate added the authorization for bonds.
- Does not include a section added by the Senate identifying \$20,000 from the high-

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level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council.

- Does not include sections added by the Senate authorizing counties to use property taxes levied for capital projects for county road projects and allowing counties to borrow for up to 20 years when taxes are insufficient to meet the needs of the county, an increase from the current limit of 5 years.
- Provides legislative intent related to funding for lignite litigation expenses from the lignite research fund. The Senate version included the legislative intent for lignite litigation, but the House 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	\$810,000	\$1,510,000		\$1,510,000	\$1,510,000	
Bank of North Dakota operations	58,489,204	62,654,235	\$193,564	62,847,799	62,847,799	
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799	\$64,357,799	\$0
Less estimated income	59,299,204	64,164,235	193,564	64,357,799	64,357,799	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50	181.50	0.00

Department 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases ¹	Total Conference Committee Changes
Capital assets		
Bank of North Dakota operations	\$193,564	\$193,564
Total all funds	\$193,564	\$193,564
Less estimated income	193,564	193,564
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also reflects the following items related to the Bank of North Dakota:

- Does not include authorization added by the Senate for the Bank to extend a line of credit up to \$100 million to the infrastructure revolving loan fund to support new loans from the fund prior to the issuance of bonds by the Public Finance Authority.
- Increases the transfer of Bank profits to the agriculture partnership in assisting community expansion by \$1 million, from \$3 million to \$4 million, and authorizes the Bank to use \$1 million to assist farmers impacted by a flooding event. An emergency clause is included related to the transfer. Both the House and the Senate provided \$3 million.
- Transfers \$3.75 million from the principal payments under the rebuilders loan program, which are designated to replenish the Bank's profits, to a newly created rebuilders home loan program. Under the rebuilders home loan program, individuals affected by a flooding event are eligible to receive a loan of up to \$75,000 with a 1 percent interest rate and a 20-year term for eligible costs associated with home repairs. An emergency clause is included related to the transfer and creation of the program. The House and Senate did not include the transfer or the new program.
- Does not include a section requiring the State Water Commission to transfer

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outstanding loans for water projects to the infrastructure revolving loan fund related to the repeal, effective July 1, 2021, of a revolving loan fund designated for water projects. The Senate added the transfer and repeal related to the revolving loan fund designated for water projects.

- Does not include provisions added by the Senate relating to the infrastructure revolving loan fund to allow additional entities, including institutions of higher education, to obtain low-interest loans for infrastructure projects, and to expand the types of eligible infrastructure projects.
- Adds a section to amend House Bill No. 1435 to clarify the transfer of Bank profits to the statewide interoperable radio network fund is after other funding sources have been used. The House and Senate did not include this section.
- Includes a section added by the Senate requiring the Bank to study hedging strategies related to the volatility of oil prices.

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	\$7,892,056	\$8,461,799	\$47,216	\$8,509,015	\$8,509,015	
Operating expenses	4,743,355	5,346,276		5,346,276	5,346,276	
Grants	31,794,828	33,466,600		33,466,600	33,466,600	
HFA contingencies	100,000	100,000		100,000	100,000	
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891	\$47,421,891	\$0
Less estimated income	44,530,239	47,374,675	47,216	47,421,891	47,421,891	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00	44.00	0.00

Department 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases ¹	Total Conference Committee Changes
Salaries and wages	\$47,216	\$47,216
Operating expenses		
Grants		
HFA contingencies		
Total all funds	\$47,216	\$47,216
Less estimated income	47,216	47,216
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also includes a section added by the Senate to amend Section 54-17-40 relating to the housing incentive fund. The Senate amended the housing incentive fund to decrease the amount of funding designated for small communities and to remove the prioritization for essential service worker housing. The House did not amend the housing incentive fund.

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 Senate Carrier: Sorvaag

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	\$39,308,519	\$46,292,812	\$155,012	\$46,447,824	\$46,577,895	(\$130,071)
Operating expenses	28,195,000	29,837,000		29,837,000	29,837,000	
Contingencies	500,000	500,000		500,000	500,000	
Agriculture promotion	210,000	210,000		210,000	210,000	
Total all funds	\$68,213,519	\$76,839,812	\$155,012	\$76,994,824	\$77,124,895	(\$130,071)
Less estimated income	68,213,519	76,839,812	155,012	76,994,824	77,124,895	(130,071)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	153.00	155.00	1.00	156.00	157.00	(1.00)

Department 475 - Mill and Elevator - Detail of Conference Committee Changes

	Adds FTE Positions ¹	Total Conference Committee Changes
Salaries and wages	\$155,012	\$155,012
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	\$155,012	\$155,012
Less estimated income	155,012	155,012
General fund	\$0	\$0
FTE	1.00	1.00

¹ Funding is added for 1 FTE food safety position (\$155,012) to provide a total of 3 new FTE positions. The Senate added 4 FTE positions, and the House added 2 FTE positions.

No other sections were added by the Conference Committee related to the Mill and Elevator Association.

Engrossed HB 1014 was placed on the Seventh order of business on the calendar.

2019 TESTIMONY

HB 1014

**Department 405 - Industrial Commission
House Bill No. 1014**

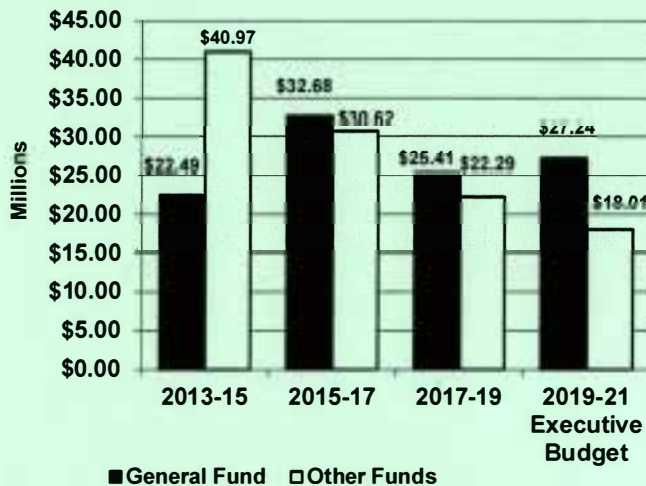
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	110.25	\$27,240,220	\$18,014,947	\$45,255,167
2017-19 Legislative Appropriations	110.25	25,408,987	22,293,206	47,702,193
Increase (Decrease)	0.00	\$1,831,233	(\$4,278,259)	(\$2,447,026)

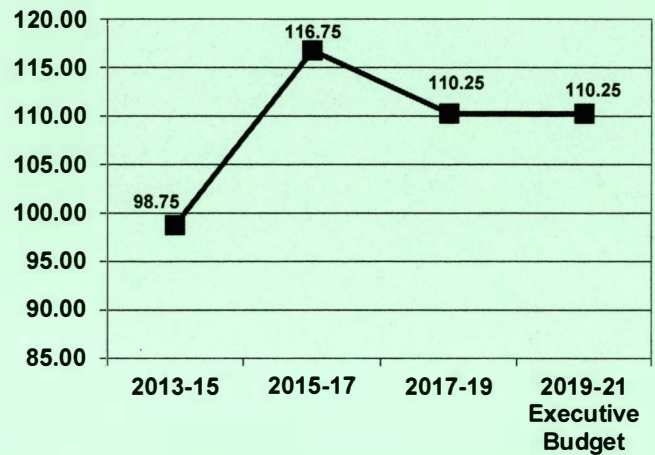
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 Executive Budget	\$27,240,220	\$0	\$27,240,220
2017-19 Legislative Appropriations	25,408,987	0	25,408,987
Increase (Decrease)	\$1,831,233	\$0	\$1,831,233

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$27,240,220	\$18,014,947	\$45,255,167
2019-21 Base Level	25,408,987	15,343,206	40,752,193
Increase (Decrease)	\$1,831,233	\$2,671,741	\$4,502,974

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 \$1,014,946 is for salary increases, \$453,495 is for health insurance increases, and \$132,997 is for retirement increases	\$1,506,205	\$95,233	\$1,601,438
2. Transfers \$221,737 from the contingencies line item to the salaries and wages line item	\$0	\$0	\$0
3. Increases funding for 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium	\$40,464	\$0	\$40,464
4. Adjusts funding for operating expenses primarily related to travel and building leases	\$300,827	(\$36,324)	\$264,503
5. Adds funding for computer replacements	\$70,400	\$0	\$70,400
6. Adds funding for Microsoft Office 365 licensing	\$76,787	\$4,409	\$81,196
7. Reduces funding for bond payments	\$0	(\$2,701,717)	(\$2,701,717)

8. Adds one-time funding from the strategic investment and improvements fund for a rare earth element study	\$0	\$160,000	\$160,000
9. Adds one-time funding from the strategic investment and improvements fund for a fracturing sand study	\$0	\$110,000	\$110,000
10. Adds one-time funding from the strategic investment and improvements fund for an oil database software upgrade	\$0	\$5,000,000	\$5,000,000

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Bond payments - Section 3 would provide legislative intent for bond payments, and Section 5 would provide appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2019-21 biennium.

Administrative cost transfers - Section 9 would allow the Industrial Commission to transfer up to \$1,184,893 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 21 would provide an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.

Strategic investment and improvements fund - Sections 15, 16, and 17 would identify \$5,270,000 from the strategic investment and improvements fund for an information technology project (\$5,000,000), a rare earth element study (\$160,000), and a fracturing sand study (\$110,000).

Lignite research - Section 20 would designate \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Survey review exemption - Section 22 would provide an exemption allowing the Industrial Commission to continue any unspent 2017-19 biennium appropriation authority for a survey review during the 2019-21 biennium.

Deficiency Appropriation

Senate Bill No. 2024 provides a deficiency appropriation of \$500,000 from the general fund to the Industrial Commission for litigation expenses.

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 2017-18 interim identified an audit finding related to the untimely approval of meeting minutes, the same as the prior audit.

Major Related Legislation

Senate Bill No. 2037 - Establishes a radioactive waste disposal site regulatory program administered by the Industrial Commission.

Senate Bill No. 2123 - Clarifies the requirements for plugging and reclaiming well sites to include pipeline facilities and saltwater handling facilities.

Industrial Commission - Budget No. 405
House Bill No. 1014
Base Level Funding Changes

	<u>Executive Budget Recommendation</u>			
	<u>FTE Position</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
2019-21 Biennium Base Level	110.25	\$25,408,987	\$15,343,206	\$40,752,193
2019-21 Ongoing Funding Changes				
Base payroll changes		(\$163,450)	\$40,140	(\$123,310)
Salary increase		954,104	60,842	1,014,946
Health insurance increase		427,039	26,456	453,495
Retirement contribution increase		125,062	7,935	132,997
Transfers \$221,737 to salaries and wages line item				0
Increases funding for 2 FTE positions (partial funding in 2017-19)		40,464		40,464
Adjusts funding for operating expenses		300,827	(36,324)	264,503
Adds funding for computer replacements		70,400		70,400
Adds funding for Microsoft Office 365 licensing		76,787	4,409	81,196
Reduces funding for bond payments			(2,701,717)	(2,701,717)
Total ongoing funding changes	0.00	\$1,831,233	(\$2,598,259)	(\$767,026)
One-time funding items				
Adds funding for rare earth element study			\$160,000	\$160,000
Adds funding for fracturing sand study			110,000	110,000
Adds funding for oil database software upgrade			5,000,000	5,000,000
Total one-time funding changes	0.00	\$0	\$5,270,000	\$5,270,000
Total Changes to Base Level Funding	0.00	\$1,831,233	\$2,671,741	\$4,502,974
2019-21 Total Funding	110.25	\$27,240,220	\$18,014,947	\$45,255,167

Other Sections for Industrial Commission - Budget No. 405

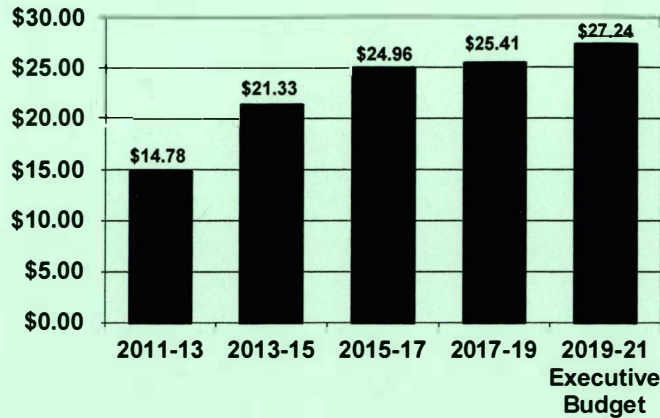
	<u>Executive Budget Recommendation</u>
Bond payments	Section 3 would provide legislative intent for bond payments, and Section 5 would provide appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2019-21 biennium.
Administrative cost transfers	Section 9 would allow the Industrial Commission to transfer up to \$1,184,893 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 21 would provide an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.
Strategic investment and improvements fund	Sections 15, 16, and 17 would identify \$5,270,000 from the strategic investment and improvements fund for an information technology project (\$5,000,000), a rare earth element study (\$160,000), and a fracturing sand study (\$110,000).
Lignite research	Section 20 would designate \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.
Survey review exemption	Section 22 would provide an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review during the 2019-21 biennium.

Department 405 - Industrial Commission

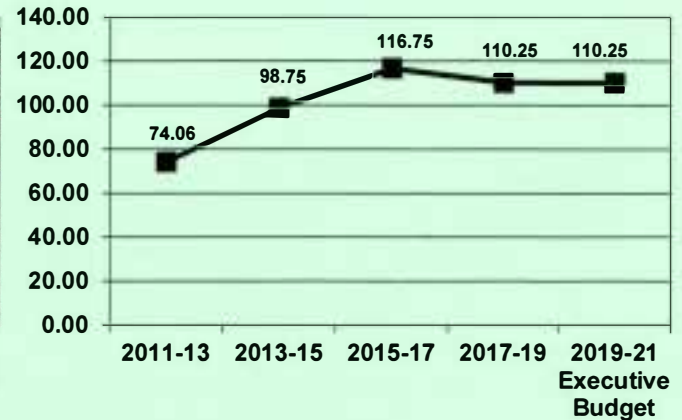
Historical Appropriations Information

Ongoing General Fund Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing General Fund Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing general fund appropriations	\$14,776,213	\$21,333,325	\$24,957,746	\$25,408,987	\$27,240,220
Increase (decrease) from previous biennium	N/A	\$6,557,112	\$3,624,421	\$451,241	\$1,831,233
Percentage increase (decrease) from previous biennium	N/A	44.4%	17.0%	1.8%	7.2%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	44.4%	68.9%	72.0%	84.4%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2013-15 Biennium

- Added funding for 2 FTE engineering technician positions authorized by the Emergency Commission in the 2011-13 biennium \$390,820
- Added funding for 4 FTE engineering technician positions, 1 FTE geology analyst position, and 1 FTE accounting specialist position \$930,223
- Added funding for 1 FTE geologist position \$215,251
- Added funding for 3 FTE petroleum engineering field inspector positions, 3 FTE engineering technician field inspector positions, and 1 FTE engineering technician core library specialist position \$1,356,581
- Added funding for 1 FTE petroleum engineering production supervisor position, 1 FTE engineering technician measurement analyst position, and 2 FTE administrative assistant positions \$534,900
- Added funding for 3 FTE contingent engineering technician positions \$586,230
- Removed funding for the carbon dioxide storage facility administration fund, including 1 FTE position, which had been added in the 2011-13 biennium (\$532,000)
- Added funding to allow the department to hire 5 FTE positions prior to the start of the biennium \$61,751
- Added funding for lease payments in a new space for the additional staff \$224,868
- Added funding for travel expenses related to State Fleet Services rate increases \$244,872

2015-17 Biennium

- Added funding for 7 FTE engineering technician positions \$1,513,195
- Added funding for 1 FTE petroleum engineering position \$162,018
- Added funding for 1 FTE safety officer position \$187,717
- Added funding for 1 FTE human resources specialist position \$139,380
- Added funding for 1 FTE budget specialist position \$174,519

6. Added funding for 1 FTE reclamation specialist position	\$230,911
7. Added funding for 1 FTE surface geologist position	\$244,192
8. Added funding for 2 FTE survey engineering technician positions	\$323,769
9. Added funding for 1 FTE pipeline regulatory supervisor position	\$240,339
10. Added funding for 1 FTE pipeline regulatory administrative assistant position	\$139,639
11. Added funding for operating expenses, including travel and ongoing costs related to the core library	\$233,125

2017-19 Biennium

1. Removed 8.5 FTE positions, including 6.5 FTE engineering technician positions and 2 FTE administrative assistant positions	(\$577,999)
2. Added funding for contingent FTE engineering technician positions	\$221,737
3. Added funding for operating expenses primarily related to travel, information technology software and services, and professional services	\$448,753

2019-21 Biennium (Executive Budget Recommendation)

1. Provides funding for state employee salary and benefit increases of which \$1,014,946 is for salary increases, \$453,495 is for health insurance increases, and \$132,997 is for retirement increases	\$1,506,205
2. Increases funding for 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium	\$40,464
3. Adjusts funding for operating expenses primarily related to travel and building leases	\$300,827
4. Adds funding for computer replacements	\$70,400
5. Adds funding for Microsoft Office 365 licensing	\$76,787

Department 471 - Bank of North Dakota
House Bill No. 1014

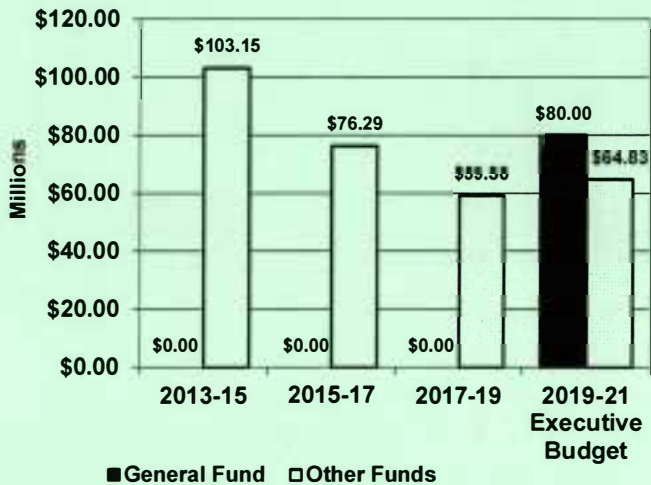
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	181.50	\$80,000,000	\$64,825,329	\$144,825,329
2017-19 Legislative Appropriations	181.50	0	59,299,204	59,299,204
Increase (Decrease)	0.00	\$80,000,000	\$5,526,125	\$85,526,125

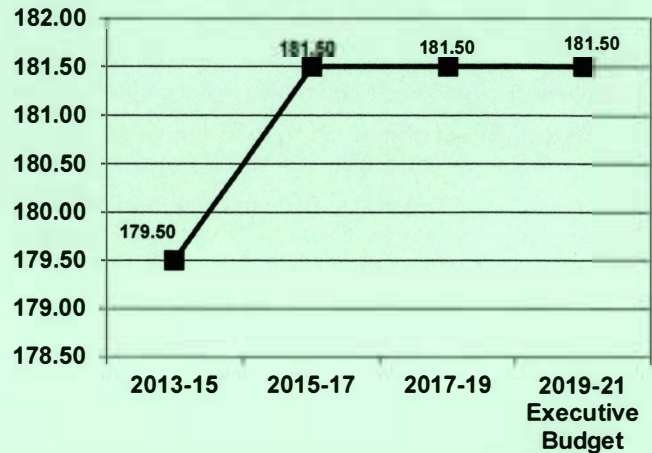
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 Executive Budget	\$0	\$80,000,000	\$80,000,000
2017-19 Legislative Appropriations	0	0	0
Increase (Decrease)	\$0	\$80,000,000	\$80,000,000

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$80,000,000	\$64,825,329	\$144,825,329
2019-21 Base Level	0	59,299,204	59,299,204
Increase (Decrease)	\$80,000,000	\$5,526,125	\$85,526,125

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 \$1,493,034 is for salary increases, \$687,776 is for health insurance increases, and \$187,205 is for retirement increases	\$0	\$2,368,015	\$2,368,015
2. Adjusts funding for postage and temporary salaries	\$0	(\$75,550)	(\$75,550)
3. Increases funding for information technology costs	\$0	\$1,071,800	\$1,071,800
4. Adds funding for Microsoft Office 365 licensing	\$0	\$37,352	\$37,352
5. Increases funding for professional development and other professional services	\$0	\$139,508	\$139,508
6. Increases funding for utilities, insurance, and other operating expenses	\$0	\$55,000	\$55,000
7. Increases funding for contingency expenses	\$0	\$1,000,000	\$1,000,000
8. Adds funding for information technology equipment	\$0	\$700,000	\$700,000

9. Adds one-time funding from the general fund (legacy fund earnings) for a transfer to the infrastructure revolving loan fund	\$55,000,000	\$0	\$55,000,000
10. Adds one-time funding from the general fund (legacy fund earnings) for a transfer to a school construction loan fund	\$25,000,000	\$0	\$25,000,000

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Transfer to general fund - Section 6 would provide for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium.

Transfer to infrastructure revolving loan fund - Section 7 would provide for a transfer of \$55 million from the general fund to the infrastructure revolving loan fund.

Transfer to school construction loan fund - Section 8 would provide for a transfer of \$25 million from the general fund to a school construction loan fund.

Transfer to partnership in assisting community expansion (PACE) fund - Section 10 would provide for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.

Transfer to Ag PACE fund - Section 11 would provide for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.

Transfer to biofuels PACE fund - Section 12 would provide for a transfer of \$1 million from the Bank's current earnings undivided profits to the biofuels PACE fund for the 2019-21 biennium.

Transfer to beginning farmer revolving loan fund - Section 13 would provide for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.

Transfer to school construction loan fund - Section 14 would provide for a transfer of \$5 million from the Bank's current earnings and undivided profits to a school construction loan fund for the 2019-21 biennium.

Transfer to North Dakota development fund - Section 19 would provide for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Continuing Appropriations

PACE - North Dakota Century Code Section 6-09.14-02 - Buy down interest rates on loans for new or expanding businesses.

Agriculture PACE - Section 6-09.13-04 - Buy down interest rates on agriculture-related loans.

Beginning farmer revolving loan fund - Section 6-09-15.5 - Direct loans or to buy down 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.

North Dakota achieving a better life experience plan - Section 6-09-38.1 - Savings plans for individuals with disabilities.

Rebuilders loan program - Section 6-09-46 - Loan program for residents to rebuild flood-damaged homes related to a flood event during 2011.

Medical facility infrastructure loan fund - Section 6-09-47 - Loans for medical facility construction.

Federal student loan proceeds - Section 6-09-48 - Funds received in relation to federal student loans used to support the functions of the Bank of North Dakota related to higher education programs.

Infrastructure revolving loan fund - Section 6-09-49 - Loans for political subdivision infrastructure projects.

Significant Audit Findings

The financial statement audit for the Bank of North Dakota conducted by Eide Bailly LLP, during the 2017-18 interim identified no significant findings.

Major Related Legislation

House Bill No. 1028 - Requires the Bank of North Dakota to provide a \$50 million line of credit to the Public Employees Retirement System for the administration of a self-insurance health plan.

House Bill No. 1092 - Clarifies the Bank's authorization to use funds to support the Bank's education programs, including the higher education savings plan.

House Bill No. 1106 - Requires the Bank to provide a \$25 million line of credit to the reinsurance association of North Dakota to provide reimbursements to insurers participating in an invisible reinsurance pool for the individual health insurance market.

House Bill No. 1141 - Exempts officers and employees of the Bank from the employee classification system.

Senate Bill No. 2008 - Section 3 provides for a transfer of up to \$900,000 from the beginning farmer revolving loan fund to the Public Service Commission for costs associated with a rail rate complaint case.

Senate Bill No. 2039 - Establishes a skilled workforce scholarship program administered by the Bank and transfers \$10 million from the Bank's current earnings and undivided profits for the program.

Senate Bill No. 2098 - Removes requirements specifying the terms, rates, and maximum amounts for residential loans issued by the Bank.

Senate Bill No. 2099 - Removes a requirement for the Governor to establish a task force to review loan applications under the Bank's medical facility infrastructure loan fund.

Senate Bill No. 2116 - Adds higher education institutions as eligible entities for loans from the infrastructure revolving loan fund.

Senate Bill No. 2141 - Requires the Bank to administer \$5,000 for each individual born in the state, allows the individual to use the funds for higher education, loan forgiveness, or nursing home costs, and requires the Bank to deposit unspent funds in the legacy fund.

Bank of North Dakota - Budget No. 471
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	181.50	\$0	\$59,299,204	\$59,299,204
2019-21 Ongoing Funding Changes				
Base payroll changes			\$230,000	\$230,000
Salary increase			1,493,034	1,493,034
Health insurance increase			687,776	687,776
Retirement contribution increase			187,205	187,205
Adjusts funding for postage and temporary salaries			(75,550)	(75,550)
Increases funding for information technology costs			1,071,800	1,071,800
Adds funding for Microsoft Office 365 licensing			37,352	37,352
Increases funding for professional development and services			139,508	139,508
Increases funding for utilities, insurance, and other operating costs			55,000	55,000
Increases funding for contingency expenses			1,000,000	1,000,000
Adds funding for information technology equipment			700,000	700,000
Total ongoing funding changes	0.00	\$0	\$5,526,125	\$5,526,125
One-time funding items				
Transfer to infrastructure revolving loan fund		\$55,000,000		\$55,000,000
Transfer to school construction loan fund		25,000,000		25,000,000
Total one-time funding changes	0.00	\$80,000,000	\$0	\$80,000,000
Total Changes to Base Level Funding	0.00	\$80,000,000	\$5,526,125	\$85,526,125
2019-21 Total Funding	181.50	\$80,000,000	\$64,825,329	\$144,825,329

Other Sections for Bank of North Dakota - Budget No. 471

	Executive Budget Recommendation
Transfer to general fund	Section 6 would provide for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium.
Transfer to infrastructure revolving loan fund	Section 7 would provide for a transfer of \$55 million from the general fund to the infrastructure revolving loan fund.
Transfer to school construction loan fund	Section 8 would provide for a transfer of \$25 million from the general fund to a school construction loan fund.
Transfer to partnership in assisting community expansion (PACE) fund	Section 10 would provide for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.
Transfer to Ag PACE fund	Section 11 would provide for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.
Transfer to biofuels PACE fund	Section 12 would provide for a transfer of \$1 million from the Bank's current earnings undivided profits to the biofuels PACE fund for the 2019-21 biennium.
Transfer to beginning farmer revolving loan fund	Section 13 would provide for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.
Transfer to school construction loan fund	Section 14 would provide for a transfer of \$5 million from the Bank's current earnings and undivided profits to a school construction loan fund for the 2019-21 biennium.

Other Sections for Bank of North Dakota - Budget No. 471

Transfer to North Dakota development fund

Executive Budget Recommendation

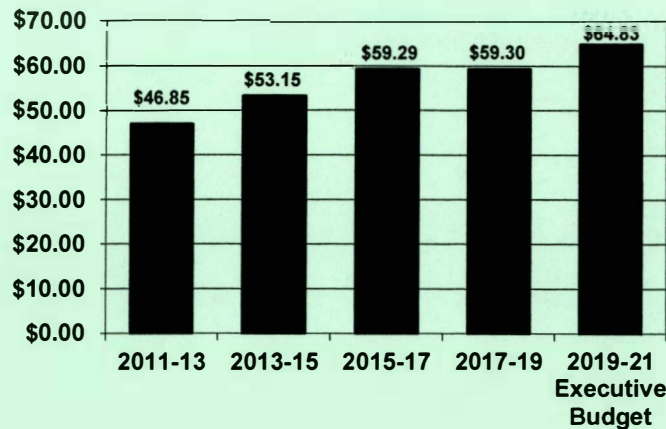
Section 19 would provide for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.

Department 471 - Bank of North Dakota

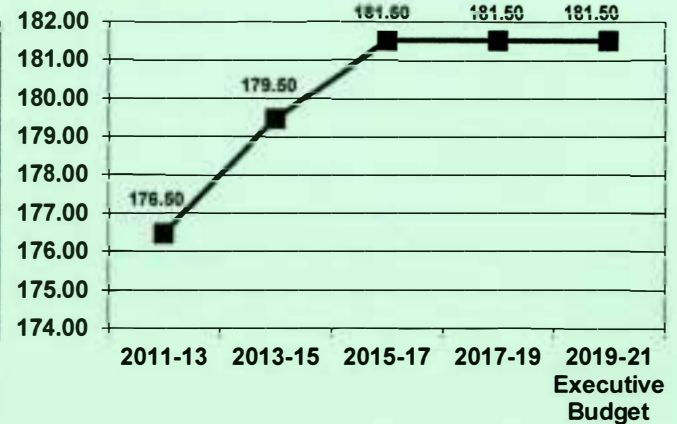
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$46,853,155	\$53,150,147	\$59,287,301	\$59,299,204	\$64,825,329
Increase (decrease) from previous biennium	N/A	\$6,296,992	\$6,137,154	\$11,903	5,526,125
Percentage increase (decrease) from previous biennium	N/A	13.4%	11.5%	0.0%	9.3%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	13.4%	26.5%	26.6%	38.4%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

- Added funding for 3 FTE positions, including a loan officer position, a compliance officer position, and a collection officer position \$503,698
- Added funding operating expenses \$1,931,000
- Added funding for information technology equipment \$745,000

2015-17 Biennium

- Added funding for 2 FTE positions, including a credit analyst position and an information technology security position \$387,645
- Added funding for operating expenses, including \$2.5 million for information technology costs and \$800,000 for audit fees \$3,968,123

2017-19 Biennium

- Provided funding for additional salary increases related to higher starting salaries for new employees and higher than anticipated salary adjustments for market rate adjustments \$1,459,131
- Reduced funding for operating expenses primarily related to marketing activities that were funded with a federal grant that expired in calendar year 2016 as well as cost-savings from efficiencies (\$2,385,776)
- Added funding for information technology equipment \$65,000

2019-21 Biennium (Executive Budget Recommendation)

- Provides funding for state employee salary and benefit increases of which \$1,493,034 is for salary increases, \$687,776 is for health insurance increases, and \$187,205 is for retirement increases \$2,368,015
- Adjusts funding for postage and temporary salaries (\$75,550)
- Increases funding for information technology costs \$1,071,800
- Adds funding for Microsoft Office 365 licensing \$37,352

5. Increases funding for professional development and other professional services	\$139,508
6. Increases funding for utilities, insurance, and other operating expenses	\$55,000
7. Increases funding for contingency expenses	\$1,000,000
8. Adds funding for information technology equipment	\$700,000

Department 473 - Housing Finance Agency
House Bill No. 1014

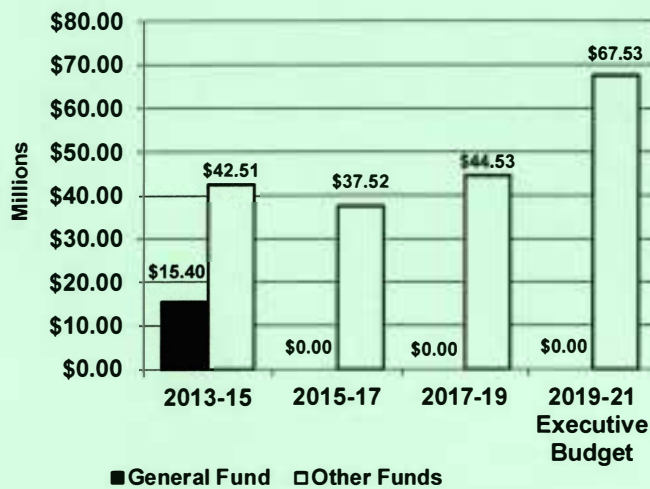
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	44.00	\$0	\$67,528,525	\$67,528,525
2017-19 Legislative Appropriations	44.00	0	44,530,239	44,530,239
Increase (Decrease)	0.00	\$0	\$22,998,286	\$22,998,286

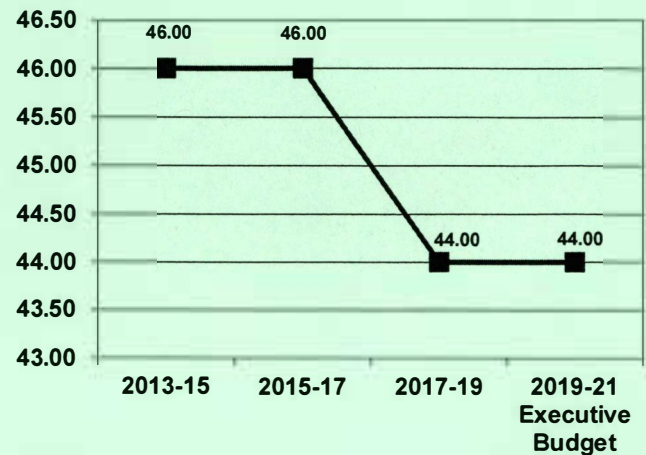
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$47,528,525	\$20,000,000	\$67,528,525
2017-19 Legislative Appropriations	44,530,239	0	44,530,239
Increase (Decrease)	\$2,998,286	\$20,000,000	\$22,998,286

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$47,528,525	\$47,528,525
2019-21 Base Level	0	44,530,239	44,530,239
Increase (Decrease)	\$0	\$2,998,286	\$2,998,286

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 \$348,730 is for salary increases, \$166,276 is for health insurance increases, and \$44,141 is for retirement increases	\$0	\$559,147	\$559,147
2. Reduces funding for temporary employees	\$0	(\$57,219)	(\$57,219)
3. Increases funding for mortgage servicing premium expenses	\$0	\$602,921	\$602,921
4. Increases funding for program grants	\$0	\$20,000	\$20,000
5. Adds funding for federal housing grants	\$0	\$1,651,772	\$1,651,772
6. Adds one-time funding from the strategic investment and improvements fund for a transfer to the housing incentive fund	\$0	\$20,000,000	\$20,000,000

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Transfer to housing incentive fund - Section 18 would provide a transfer of \$20 million from the strategic investment and improvements fund to the housing incentive fund.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Continuing Appropriations

Housing incentive fund - North Dakota Century Code Section 54-17-40 - Provides grants for housing projects.

Significant Audit Findings

The financial statement audit for the Housing Finance Agency conducted by Brady, Martz & Associates, PC, during the 2017-18 interim identified no significant findings.

Major Related Legislation

At this time, no major related legislation has been introduced affecting this agency.

Housing Finance Agency - Budget No. 473
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	44.00	\$0	\$44,530,239	\$44,530,239
2019-21 Ongoing Funding Changes				
Base payroll changes			\$221,665	\$221,665
Salary increase			348,730	348,730
Health insurance increase			166,276	166,276
Retirement contribution increase			44,141	44,141
Reduces funding for temporary employees			(57,219)	(57,219)
Increases funding for mortgage servicing premium expenses			602,921	602,921
Increases funding for program grants			20,000	20,000
Adds funding for federal housing grants			1,651,772	1,651,772
Total ongoing funding changes	0.00	\$0	\$2,998,286	\$2,998,286
One-time funding items				
Transfer housing incentive fund			\$20,000,000	\$20,000,000
Total one-time funding changes	0.00	\$0	\$20,000,000	\$20,000,000
Total Changes to Base Level Funding	0.00	\$0	\$22,998,286	\$22,998,286
2019-21 Total Funding	44.00	\$0	\$67,528,525	\$67,528,525

Other Sections for Housing Finance Agency - Budget No. 473

Transfer to housing incentive fund

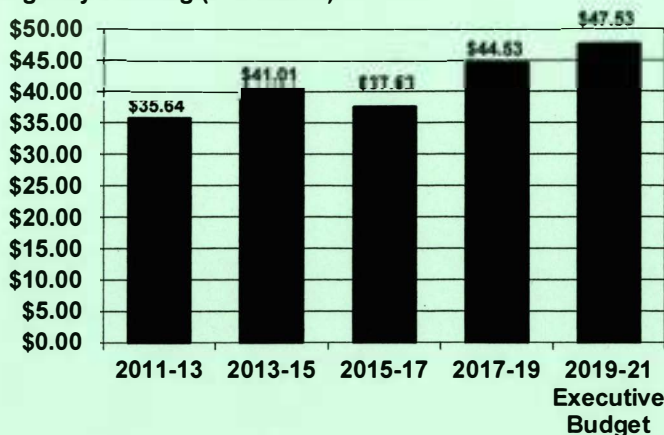
Executive Budget Recommendation
 Section 18 would provide a transfer of \$20 million from the strategic investment and improvements fund to the housing incentive fund.

Department 473 - Housing Finance Agency

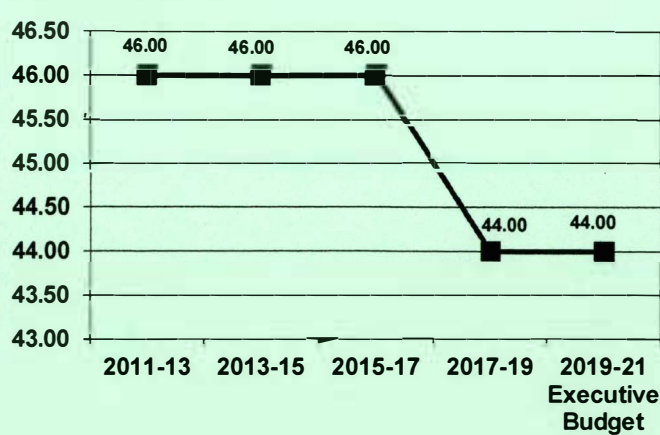
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$35,640,046	\$41,007,497	\$37,520,089	\$44,530,239	\$47,528,525
Increase (decrease) from previous biennium	N/A	\$5,367,451	(\$3,487,408)	\$7,010,150	\$2,998,286
Percentage increase (decrease) from previous biennium	N/A	15.1%	(8.5%)	18.7%	6.7%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	15.1%	5.3%	24.9%	33.4%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

- Added funding for grants under the federal Neighborhood Stabilization Program \$4,000,000
- Increased funding for program outreach \$131,000

2015-17 Biennium

- Reduced funding for federal Housing and Urban Development grants (\$2,214,445)
- Reduced funding for housing development grant programs (\$1,287,825)

2017-19 Biennium

- Removed funding for 2 FTE positions and reduced funding for salaries and wages related to a vacant FTE position (\$322,044)
- Increased funding for operating expenses to continue additional expenses relating to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of House Bill No. 1014 (2015) \$970,000
- Added funding for federal Housing and Urban Development grants related to distributions from the federal housing trust fund \$6,017,048
- Increased funding for operating expenses \$29,080
- Reduced grant funding for the helping hand program, technical assistance, and program outreach (\$153,000)

2019-21 Biennium (Executive Budget Recommendation)

- Provides funding for state employee salary and benefit increases of which \$348,730 is for salary increases, \$166,276 is for health insurance increases, and \$44,141 is for retirement increases \$559,147
- Reduces funding for temporary employees (\$57,219)
- Increases funding for mortgage servicing premium expenses \$602,921
- Increases funding for program grants \$20,000
- Adds funding for federal housing grants \$1,651,772

**Department 475 - Mill and Elevator Association
House Bill No. 1014**

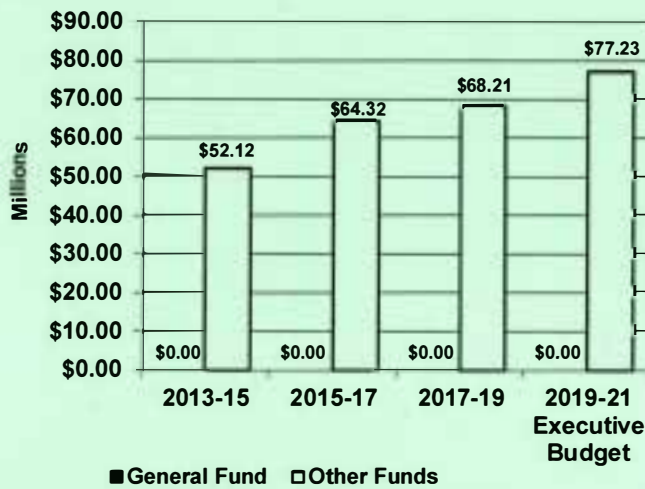
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	157.00	\$0	\$77,226,931	\$77,226,931
2017-19 Legislative Appropriations	153.00	0	68,213,519	68,213,519
Increase (Decrease)	4.00	\$0	\$9,013,412	\$9,013,412

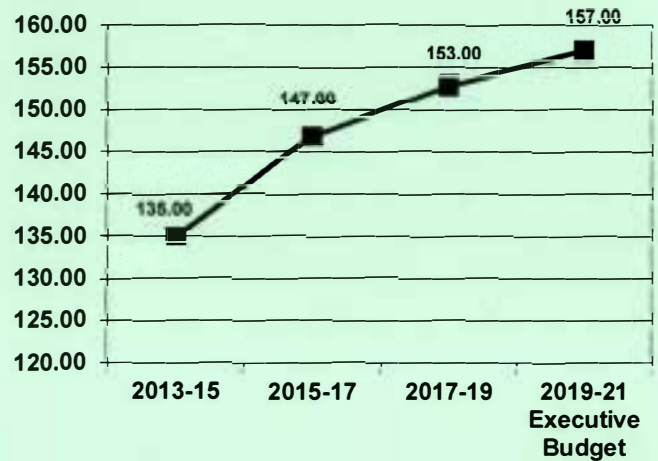
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$77,226,931	\$0	\$77,226,931
2017-19 Legislative Appropriations	68,213,519	0	68,213,519
Increase (Decrease)	\$9,013,412	\$0	\$9,013,412

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$77,226,931	\$77,226,931
2019-21 Base Level	0	68,213,519	68,213,519
Increase (Decrease)	\$0	\$9,013,412	\$9,013,412

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 base payroll changes, including salary increases	\$0	\$3,477,828	\$3,477,828
2. Provides funding for state employee benefit increases, of which \$578,184 is for health insurance increases and \$206,550 is for retirement increases	\$0	\$784,734	\$784,734
3. Increases funding for overtime	\$0	\$2,227,085	\$2,227,085
4. Increases funding for temporary employees	\$0	\$311,600	\$311,600
5. Adds funding for 4 FTE positions, including 2 food safety workers and 2 utility workers	\$0	\$570,165	\$570,165
6. Adds funding for increased costs related to utilities, insurance, and repairs	\$0	\$1,642,000	\$1,642,000

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

The executive budget did not include any other sections related to the Mill and Elevator Association.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Significant Audit Findings

The financial statement audit for the Mill and Elevator Association conducted by the State Auditor's office during the 2017-18 interim identified no significant findings.

Major Related Legislation

At this time, no major related 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 Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	153.00	\$0	\$68,213,519	\$68,213,519
2019-21 Ongoing Funding Changes				
Base payroll changes			\$3,477,828	\$3,477,828
Health insurance increase			578,184	578,184
Retirement contribution increase			206,550	206,550
Increases funding for overtime			2,227,085	2,227,085
Increases funding for temporary employees			311,600	311,600
Adds funding for 4 FTE positions	4.00		570,165	570,165
Adds funding for increases in operating costs			1,642,000	1,642,000
Total ongoing funding changes	4.00	\$0	\$9,013,412	\$9,013,412
One-time funding items				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	4.00	\$0	\$9,013,412	\$9,013,412
2019-21 Total Funding	157.00	\$0	\$77,226,931	\$77,226,931

Other Sections for Mill and Elevator Association - Budget No. 475

Executive Budget Recommendation

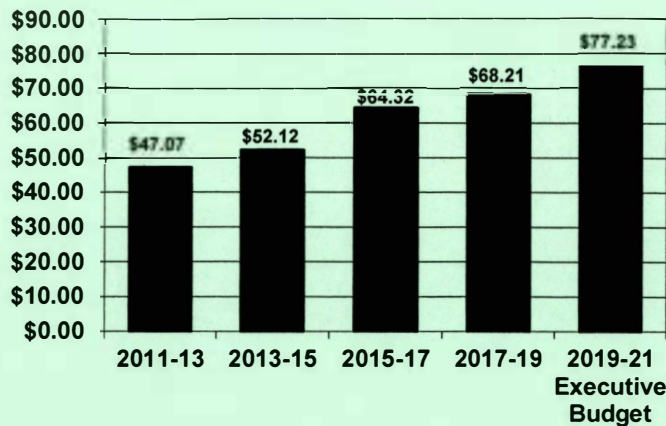
The executive budget did not include any other sections related to the Mill and Elevator Association.

Department 475 - Mill and Elevator Association

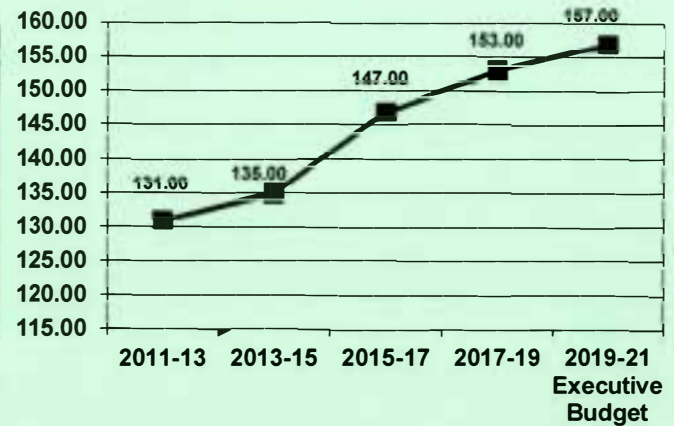
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$47,071,877	\$52,123,557	\$64,315,898	\$68,213,519	\$77,226,931
Increase (decrease) from previous biennium	N/A	\$5,051,680	\$12,192,341	\$3,897,621	\$9,013,412
Percentage increase (decrease) from previous biennium	N/A	10.7%	23.4%	6.1%	13.2%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	10.7%	36.6%	44.9%	64.1%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

- Added funding for 4 FTE positions, including a supervisor position, an information system analyst position, a rail car checker position, and a sales representative position \$622,678
- Added funding for operating expenses related to production increases \$1,352,131

2015-17 Biennium

- Added funding for 12 FTE positions, including 3 mill operator positions, 3 rail car loader positions, 2 flour packer positions, 2 utility worker positions, 1 electrician position, and 1 maintenance worker position \$1,643,906
- Added funding for operating expenses related to a new milling unit \$5,531,000
- Increased funding for contingencies to provide total funding of \$500,000 \$100,000

2017-19 Biennium

- Provided funding for base payroll changes, including salary increases \$2,539,491
- Reduced funding for salaries and wages, primarily related to overtime (\$684,923)
- Added funding for 6 FTE positions, including 2 grain handling positions, 2 food safety positions, 1 flour packer position, and 1 utility worker position \$768,893
- Adds funding for operating expenses related to utilities, supplies, and repairs \$868,000

2019-21 Biennium (Executive Budget Recommendation)

- Provides funding for base payroll changes, including salary increases \$3,477,828
- Provides funding for state employee benefit increases, of which \$578,184 is for health insurance increases and \$206,550 is for retirement increases \$784,734
- Increases funding for overtime \$2,227,085
- Increases funding for temporary employees \$311,600

5. Adds funding for 4 FTE positions, including 2 food safety workers and 2 utility workers	\$570,165
6. Adds funding for increased costs related to utilities, insurance, and repairs	\$1,642,000

**GOVERNOR'S RECOMMENDATION FOR THE
INDUSTRIAL COMMISSION AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

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, 2019, and ending June 30, 2020, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	<u>Base level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$22,014,084	\$1,740,329	\$23,754,413
Operating Expenses	5,305,888	686,099	5,991,987
Capital Assets	-	5,000,000	5,000,000
Grants - Bond Payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>(221,737)</u>	<u>0</u>
Total all funds	\$40,752,193	\$4,502,974	\$45,255,167
Less estimated income	<u>15,343,206</u>	<u>2,671,741</u>	<u>18,014,947</u>
Total general fund	\$25,408,987	\$1,831,233	\$27,240,220
Full-time equivalent positions	110.25	0.00	110.25

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Bank of North Dakota operations	\$58,489,204	\$84,826,125	\$143,315,329
Capital assets	810,000	700,000	1,510,000
Total all funds	\$59,299,204	\$85,526,125	\$144,825,329
Less estimated income	<u>59,299,204</u>	<u>5,526,125</u>	<u>64,825,329</u>
Total general fund	\$0	\$80,000,000	\$80,000,000
Full-time equivalent positions	181.50	0.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$39,308,519	\$7,371,412	\$46,679,931
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
Total from mill and elevator fund	\$68,213,519	\$9,013,412	\$77,226,931
Full-time equivalent positions	153.00	4.00	157.00

Subdivision 4.

HOUSING FINANCE AGENCY

Adjustments or

	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,892,056	\$723,593	\$8,615,649
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	21,671,772	53,466,600
Housing finance agency contingencies	100,000	0	100,000
Total special funds	<u>\$44,530,239</u>	<u>\$22,998,286</u>	<u>\$67,528,525</u>
Full-time equivalent positions	44.00	0.00	44.00

Subdivision 5.

BILL TOTAL

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Grand total general fund	\$25,408,987	\$81,831,233	\$107,240,220
Grand total special funds	187,386,168	40,209,564	227,595,732
Grand total all funds	<u>\$212,795,155</u>	<u>\$122,040,797</u>	<u>\$334,835,952</u>

SECTION 2. ONE-TIME FUNDING – EFFECT ON BASE BUDGET – REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the grand total appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
Litigation	\$1,000,000	\$0
Industrial water supply asset study	150,000	0
Soil remediation study	5,000,000	0
Ordinary high-water mark survey review	800,000	0
Housing incentive fund	0	20,000,000
Infrastructure loan fund	0	55,000,000
School construction loan fund	0	25,000,000
Equipment - BND	0	700,000
RBDMS upgrade	0	5,000,000
Rare earth study	0	160,000
Proppant sand study	0	110,000
Total all funds	\$6,950,000	\$105,970,000
Total special fund	<u>6,950,000</u>	<u>25,970,000</u>
Total general fund	\$0	\$80,000,000

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The industrial commission shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of \$10,508,767 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, 2019, and ending June 30, 2021:

North Dakota university system	\$4,959,448
North Dakota university system - energy conservation projects	415,664
Department of corrections and rehabilitation	689,299
Department of corrections and rehabilitation – energy conservation projects	16,180
State department of health	644,884
Job service North Dakota	434,847
Office of management and budget	567,125
Office of attorney general	647,500

State historical society	1,177,875
Parks and recreation department	66,875
Research and extension service	483,337
Veterans' home	<u>405,733</u>
Total	\$10,508,767

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, 2019, and ending June 30, 2021.

SECTION 5. APPROPRIATION - ADDITIONAL FUNDS FROM BONDS - 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, 2019, and ending June 30, 2021.

SECTION 6. TRANSFER – BANK OF NORTH DAKOTA PROFITS TO THE GENERAL FUND. During the biennium beginning July 1, 2019, and ending June 30, 2021, the industrial commission shall transfer to the state general fund \$140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota. The moneys must be transferred in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 7. TRANSFER – INFRASTRUCTURE REVOLVING LOAN FUND. The Bank of North Dakota and total general fund line items in subdivision 2 of section 1 of this Act includes the sum of \$55,000,000 which the office of management and budget shall transfer to the infrastructure revolving loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 8. TRANSFER – SCHOOL CONSTRUCTION LOAN FUND. The Bank of North Dakota and total general fund line items in subdivision 2 of section 1 of this Act includes the sum of \$25,000,000 which the office of management and budget shall transfer to the school construction loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 9. TRANSFER – ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND. The sum of \$1,184,893, 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, 2019, and ending June 30, 2021, 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 10. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, 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, 2019, and ending June 30, 2021.

SECTION 11. 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, 2019, and ending June 30, 2021.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of

\$1,000,000, 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, 2019, and ending June 30, 2021.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, 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, 2019, and ending June 30, 2021.

SECTION 14. TRANSFER - BANK OF NORTH DAKOTA – SCHOOL CONSTRUCTION LOAN FUND. The Bank of North Dakota shall transfer the sum of \$5,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the school construction loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 15. ESTIMATED INCOME – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The less estimated income line item in subdivision 1 of section 1 of this Act includes \$5,000,000 from the strategic investment and improvements fund for a risk based data management system upgrade.

SECTION 16. ESTIMATED INCOME – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The less estimated income line item in subdivision 1 of section 1 of this Act includes \$160,000 from the strategic investment and improvements fund for a rare earth research project.

SECTION 17. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The less estimated income line item in subdivision 1 of section 1 of this Act includes \$110,000 from the strategic investment and improvements fund for a proppant sand research project.

SECTION 18. SPECIAL FUNDS TRANSFER – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO HOUSING INCENTIVE FUND. The less estimated income line item in subdivision 4 of section 1 of this Act includes the sum of \$20,000,000, or so much of the sum as may be necessary, from the strategic investment and improvements fund which may be transferred at the direction of the housing finance agency for the purpose of a transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 19. TRANSFER – BANK OF NORTH DAKOTA – TRANSFER TO THE NORTH DAKOTA DEVELOPMENT FUND INC. The Bank of North Dakota shall transfer the sum of \$15,000,000, from the Bank's current earnings and undivided profits to the North Dakota Development Fund Inc. during the biennium beginning July 1, 2019 and ending June 30, 2021. The funding must be used in accordance with N.D.C.C. 10-30.5 and to purchase existing New Venture Capital assets held by the Bank of North Dakota.

SECTION 20. 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 pursuant to this section may also 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 21. EXEMPTION – INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 39 of the 2017 Session Laws and transferred pursuant to section 8 of chapter 39 of the 2017 Session Laws is not subject

to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 22. EXEMPTION – ORDINARY HIGH-WATER MARK SURVEY REVIEW. The amount appropriated to the industrial commission in section 1 of chapter 39 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for expert legal testimony relating to the review during the biennium beginning July 1, 2019, and June 30, 2021.

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AH: A



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Schedule

House Bill No. 1014

House Appropriations Committee - Government Operations Division Medora Room

Thursday, January 10, 2019

8:30 a.m. Administration Office – Karlene Fine, Executive Director and Secretary
HB 1014 - Section 1, Subdivision 1, Sections 3, and 5.

(all subsequent times are approximate)

8:35 a.m. Bank of North Dakota – Eric Hardmeyer, President
HB 1014 - Section 1, Subdivision 2 and Section 6

9:20 a.m. Public Finance Authority – DeAnn Arment, Executive Director
HB 1014 - Section 1, Subdivision 1

9:35 a.m. Housing Finance Agency – Jolene Kline, Executive Director
HB 1014 - Section 1, Subdivision 3

10:15 a.m. North Dakota Mill – Vance Taylor, President and CEO
HB 1014 - Section 1, Subdivision 4

10:50 a.m. Department of Mineral Resources – Lynn Helms, Director
HB 1014 - Section 1, Subdivision 1, Sections 2 and 4

11:40 a.m. Lignite Research, Development & Marketing Program – Jason Bohrer, Chairman,
Lignite Research Council & Mike Holmes, Director of the Lignite Research,
Development and Marketing Program
HB 1014 - Section 7

11:45 a.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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INDUSTRIAL COMMISSION OF NORTH DAKOTA

Administration – Karlene Fine

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-328-3722 Email: kfine@nd.gov www.nd.gov/ndic

Bank of North Dakota – Eric Hardmeyer

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Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-5881 Email: ehardmeyer@nd.gov www.banknd.nd.gov/

Department of Mineral Resources – Lynn Helms

Inside Mailing Address: State Capitol, 600 E Boulevard Avenue Department, Bismarck, ND 58505
Physical Address: 1016 E Calgary, Bismarck, ND 58501

Geological Survey

Phone: 701-328-8000 Email: lhelms@nd.gov www.dmr.nd.gov/ndgs/

Oil and Gas Division

Phone: 701-328-8020 Email: lhelms@nd.gov www.dmr.nd.gov/oilgas/

Housing Finance Agency – Jolene Kline

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Physical Address: 2624 Vermont Avenue, Bismarck, ND 58501
Phone: 701-328-8080 Email: jkline@nd.gov www.ndhfa.org

Lignite Research, Development and Marketing Program – Jason Bohrer/Mike Holmes

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Email: jasonbohrer@lignite.com www.nd.gov/ndic/lrc-infopage.htm

Mill & Elevator – Vance Taylor

PO Box 13078, Grand Forks, ND 58208-3078
Phone: 701-795-7000 Email: vtaylor@ndmill.com www.ndmill.com/

Oil and Gas Research Program – Brent Brannan

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-425-1237 Email: brentbrannan@gmail.com www.dmr.nd.gov/ogr/

Outdoor Heritage Fund-Andrea Pfennig and Jim Melchior

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-328-3786 Email: apfennig@nd.gov www.nd.gov/ndic/outdoor-infopage.htm

Pipeline Authority – Justin Kringstad

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Public Finance Authority – DeAnn Ament

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Renewable Energy Program – Andrea Pfennig

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Phone: 701-328-3786 Email: apfennig@nd.gov www.nd.gov/ndic/renew-infopage.htm

Transmission Authority – John Weeda

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Att. A.1



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

**Testimony for House Bill No. 1014
House Appropriations Government Operations Division
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
January 10, 2019**

Mr. Chairman and members of the House Appropriations Government Operations Division, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. House Bill No. 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 CO₂ 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. The Industrial Commission also has 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.

Administration. The Administration budget is part of Subdivision 1 of Section 1 and is also referenced in Sections 3 and 5 of House Bill 1014 or Budget No. 405. No General Fund dollars are appropriated for the operations of this office. Excluding the bond payments and one-time appropriations this part of the appropriation totals \$1,103,151 under the base level and \$1,184,893 under the Governor's recommendation.

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The proposed funding for the administrative office of the Industrial Commission provides for 4 full-time employees. Three of the four positions are currently filled with full-time staff. The other position is currently vacant as we determine the amount of work needed on a records management project that was identified in a recent audit and changes being made to our data management system. In the past these dollars were used for part time services but it appears that the need is for a full-time person. The Governor's recommendation is made up of salaries - \$891,955 and operating costs of \$292,938. The increase in the salaries budget is the executive recommended salary increases. The operating budget was increased by \$30,000 in fees and professional services to continue to update the website, improve data management (implementation of a content management system) and implement records management practices noted in a recent audit finding. The operating budget was also increased by \$2,775 for M365 Productivity Costs (ITD).

The administrative budget includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission (IOGCC). 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 are based on the level of oil production in each member's state and because North Dakota is #2 in production the dues increased in recent years. Governor Burgum was recently named as chairman of the IOGCC and North Dakota will be hosting their annual meeting August 25 - 27, 2019 in Medora, North Dakota.

Deducted from the base level budget was the one-time funding for the Industrial Water Supply Asset Study. The study is identified in Section 2 in the amount of \$150,000. Last session the Legislature directed the following:

SECTION 11. APPROPRIATION - INDUSTRIAL COMMISSION STUDY - WESTERN AREA WATER SUPPLY AUTHORITY - REPORT TO LEGISLATIVE MANAGEMENT. There is appropriated out of any moneys in the resources trust fund, in the state treasury, the sum of \$150,000, or so much of the sum as may be necessary, to the industrial commission for the purpose of conducting an independent study of the feasibility and desirability of the sale or lease of the industrial water supply assets of the western area water supply authority, for the period beginning with the effective date of this Act, and ending June 30, 2019. The study must provide information regarding the financial impact to the western area water supply authority, its members and customers, the financial viability of the authority, and options available to the authority for debt servicing. The industrial commission may form a nonvoting advisory committee chaired by the state engineer to provide input regarding the scope of the study and to receive reports on the status of the study. The industrial commission shall report to the legislative management's interim water topics overview committee on the results of the study by June 1, 2018.

That study was conducted and the report was given to the interim Water Topics Overview Committee.

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)

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industrial sales. You will see this funding source noted in **Section 5** where authority is granted for these agencies and WAWS to transfer funds to the Industrial Commission. The stated amount in Section 5 was pulled from the 2017-19 biennium and needs to be updated to the current biennium amount of \$1,184,893

Subdivision 1 of Section 1 includes the lease (bond) payments for the outstanding North Dakota Building Authority bonds. That amount is reflected on line 18 Grants - bond payments. The base level is \$13,210,484 for the base level and \$10,508,767 under the Governor's Recommendation. This amount is being reduced because there are fewer outstanding bonds and the Commission did a refunding late in 2017 and lowered the Authority's interest costs. What is needed for these payments for the 2019-2021 biennium is \$10,508,767 which is a decrease from the prior biennium of \$2,701,717. 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 Schedule for all the Building Authority 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. The level of debt service available would translate into bonding for approximately \$213.2 million of projects.

Section 3 provides the breakdown on the source of funding for the \$13+ million of lease (bond) payments as stated under the base level. Because the amount needed is only \$10,508,767. Section 3 should be amended as follows:

North Dakota university system	\$4,959,448
North Dakota university system - energy conservation projects*	415,664
Department of corrections and rehabilitation	689,299
Department of corrections and rehabilitation - energy conservation projects*	16,180
State department of health	644,884
Job service North Dakota	434,847
Office of management and budget	567,125
Attorney general's office	647,500
State historical society	1,177,875
Parks and recreation department	66,875
Research and extension service	483,337
Veteran's home	405,733

The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of these payments:

*University System – UND (05A)	\$ 415,664
*Department of Corrections and Rehabilitation	\$ 16,180
Job Service North Dakota (02A/10B) (fed funds)	\$ 434,846

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Historical Society (05A)	\$ 33,333
Veterans Home (10A/B)	\$ 405,733
Dept. of Health (02A) (federal funds)	\$ 183,247
	\$1,489,003

There are two sections that we have had in prior appropriation bills that were not included in HB 1014. I would ask for reinstatement of the following sections:

SECTION A. APPROPRIATION - ADDITIONAL FUNDS FROM BONDS - 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, 2019, and ending June 30, 2021.

SECTION B. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 39 of the 2017 Session Laws and transferred pursuant to section 8 of chapter 39 of the 2017 Session Laws is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2019, and ending June 30, 2021.

Section A allows 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. Although we have not used this authority for many years, because of ongoing discussion about potential bonding during the upcoming biennium it would be beneficial to have the ability to cover any costs that may be incurred in the bonding process.

Section B allows for monies that were transferred to the Industrial Commission Administrative Office for its operations during the 2017-2019 biennium that were not used to be carried forward to the 2019-2021 biennium. Whatever amount that is carried forward reduces the amount that needs to be transferred from the agencies during the 2019-2021 biennium.

The last item on our schedule this morning is a time period to discuss the following programs overseen by the Industrial Commission that have continuing appropriations. They are:

Lignite Research Program. The majority of the funding for the Lignite Research Fund comes from non-General Fund dollars. Jason Bohrer will be discussing Section 7 which allows for funding to be provided on a non-matching basis. The majority of the funds under the Lignite Research Program must have match funding. This non-match funding is needed for litigation, studies and activities in support of the Lignite Research Program, externality studies and other marketing, environmental, or transmission activities that assist with the preserving and enhancing of the lignite industry in North Dakota.

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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. Mr. Brent Brannan, Director of the Program, can come to a meeting at your request to discuss this program.

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 \$325,000 from the Oil and Gas Research Fund for the Pipeline Authority during the 2017-2019 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. Funding for the Renewable Energy Program comes from the Resources Trust Fund at the level of \$3 million per biennium. Additional information about the Renewable Energy Program is behind the tab titled Renewable Energy Program (REP).

Outdoor Heritage Fund. The Outdoor Heritage Fund receives its continuing appropriation from funding based on a percentage of oil revenues. In 2013 the Outdoor Heritage Fund was established with the limitation of \$30 million per biennium. During the 2013-2015 biennium the amount received was \$18,641,973. In 2015 the limitation was increased to \$40 million. The amount actually received was \$19,958,440. During the 2017 legislative session the Legislature limited the funding for the 2017-2019 for one biennium to \$10 million. That limit was reached in May, 2018. The limitation on funding now goes back to the earlier level of \$40 million a biennium. It is forecasted under the Governor's Executive Budget/forecast that the amount of funding that would be received is \$30,264,313.

Transmission Authority. In 2005 the Legislature established the North Dakota Transmission Authority. John Weeda currently serves as the part-time Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund (non-matching dollars). More information about the Transmission Authority is available under the tab titled Transmission Authority.

Thank you for the opportunity to present testimony on the Industrial Commission budget.

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NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE											
2017A											
2006B/2001A											
2006A/2000A/1998A											
Biennium	2010B 2002A	2010A/B	2012A	2005A	Totals	Other Source	Energy Conser.	Total Gen. Fund	10% of \$.01 Sales Tax*	Available Debt Ser	
2017-19	917,144	504,531	1,809,463	9,894,867	13,126,005	1,146,911	507,785	11,471,309	47,250,320	35,779,011	
2019-21	928,088	490,888	1,797,750	7,361,250	10,577,976	1,140,293	431,844	9,005,839	42,095,500	33,089,661	
2021-23	492,700	481,056	909,000	6,191,750	8,074,506	840,392	423,295	6,810,819	42,095,500	35,284,681	
2023-25	0	465,981	0	2,782,875	3,248,856	499,317	207,649	2,541,890	42,095,500	39,553,610	
2025-27	0	448,181	0	0	448,181	448,181	0	0	42,095,500	42,095,500	
2027-29	0	425,469	0	0	425,469	425,468	0	0	42,095,500	42,095,500	
2029-31	0	174,031	0	0	174,031	174,031	0	0	42,095,500	42,095,500	
Totals	2,337,932	2,990,137	4,516,213	26,230,742	36,075,024	4,674,593	1,570,573	29,829,857			
	3.24%	3.33%	1.41%	1.53%							
Revised 11/23/2018											
The statutory limitation is based on the Legislative March 2017 forecast with a 0% increase each subsequent biennium.											

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**TESTIMONY, HOUSE APPROPRIATIONS GOVERNMENT
OPERATIONS COMMITTEE
JANUARY 10, 2019
HOUSE BILL 1014**

**ERIC HARDMEYER – PRESIDENT & CEO
BANK OF NORTH DAKOTA**

Mr. Chairman and members of the Committee, I am Eric Hardmeyer, President and CEO of the Bank of North Dakota (BND). As you know, BND is the only state-owned bank in the nation and this year we celebrate our 100th year anniversary. Our mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota.

While our mission statement is short, the responsibilities of BND are large and extraordinary. BND is a unique hybrid between a state agency and a bank and we find ourselves as stewards of the history and visionaries for the future. As such, we believe it is our responsibility to properly position BND in this time of rapid economic change. While remaining true to our values, we must be agile in our response to changes in the marketplace.

The Bank serves many roles in North Dakota; we provide a variety of services and products to assist the local banking and financial services industry. We serve as a state repository for revenues and administer legislative loan programs to local subdivisions. We deliver unique economic development and agriculture lending programs. We buy home loans on the secondary market from local banks; provide programs to spur college saving and provide loans to advance education. And, as you know, BND is called upon to support state initiatives and provide earnings to the general fund.

Before I begin the discussion on BND's proposed biennial budget, I want to inform you that attached as an appendix beginning on page 13, is the efficiency study as required in the last legislative session as part of the IC budget bill.

Today, in addition to the normal financial discussion, I want to outline how BND is positioning itself to play a vital role in advancing the priorities of North Dakota including economic diversification, talent attraction and retention and supporting a positive business climate. As I noted earlier, the 1919 legislature could not envision the business and technology of today. And, we cannot envision the market place in 2050 but we can properly structure and position the Bank to succeed and serve the state.

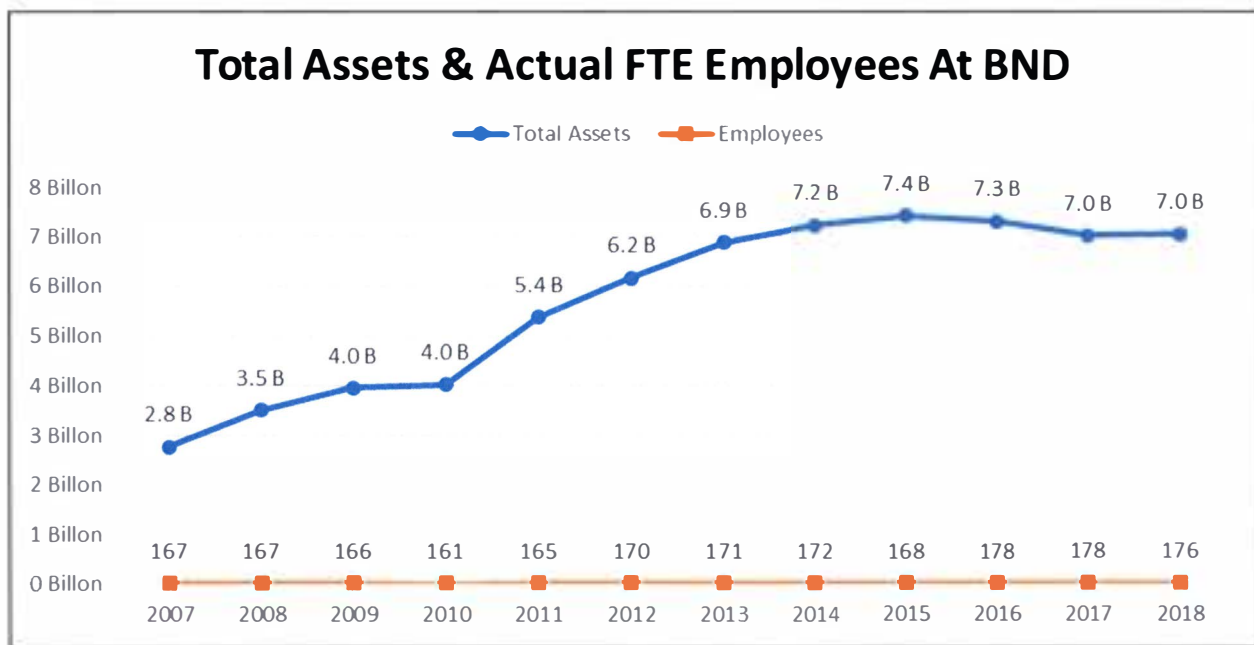
In late 2017 we completed work on our strategic plan that covers the period of 2018-2020. We began the process of evaluating the needs of the Bank in 2017. The research included input from managers, the Advisory Board and key stakeholders such as banks, legislators and economic developers. The result was a plan that identified 5 key strategies with specific underlying initiatives that provide our roadmap for that period. The 5 strategies are; actively support ND's economic growth and diversity, expand access to postsecondary

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education, leverage BND's unique competitive advantage, enhance innovation and agility to be a model of effective government, and optimize technology and use of data.

The underlying strength of BND lies with a culture that values the abilities of our employees. Consequently, the efficient use of staff resources has enabled us to grow the bank substantially while maintaining the number of employees. Our business practice includes a diligent requisition process to evaluate every vacancy. We gained efficiencies in the Bank by utilizing technology or streamlining efforts. This practice allows us to operate in an efficient and forward-looking manner.

The graph below represents the change in assets and employees between 2007 and 2018. Over this 11 year period, assets per employee have increased 2.5x from \$16 million to \$40 million.



A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as a percentage of income. Anything below 50% is considered to be excellent. BND is operating with an efficiency ratio under 15%, which is four times better than the industry average of 60.6%.

In addition to strategic planning, we also actively engage in succession planning. Our HR service area consistently evaluates and surveys internal staff to determine their interest and ability to advance at the Bank. While talent is at a premium in every business or agency, it is essential to the current and future operations of BND. Our ability to produce record profits; address state needs and serve the private sector is directly tied to the talent level at the Bank.

In the end, our goal is to accomplish three things. One, provide products and services to the financial institutions in North Dakota. Two, serve as a steward of the revenues

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that pass-through BND. Three, and most importantly is the mandate of our mission serving economic development, agriculture and industry.

12-31-18 BND YEAR END FINANCIAL HIGHLIGHTS

Over the last 15-years, BND grew from a \$2 billion bank to a \$7 billion bank today. The overall strength of North Dakota’s economy during that time was key to BND’s expansion. As state tax revenues and fees increased, these were deposited into BND and then deployed into various assets such as loans, investments, or short-term securities.

In calendar year 2018, BND assets were slightly higher than year-end 2017. As noted above, during the height of the energy boom, BND grew at an extraordinary pace. Now, at the end of an economic contraction, deposits have stabilized, and total assets are expected to remain somewhat level over the next few years under conservative assumptions for growth in state revenues. During 2018, BND sold the remainder of its federal student loan portfolio (\$250 million) and a portion of its mortgage loan portfolio (\$25 million). Those two sales combined with a state-wide slowdown in overall loan activity resulted in the loan portfolio shrinking by \$309 million.

BND Financial Summary					
	2015	2016	2017	Unaudited 2018	Projected 2019
Assets	\$ 7,408	\$ 7,295	\$ 7,003	\$ 7,040	\$ 6,948
Loans	\$ 4,340	\$ 4,711	\$ 4,824	\$ 4,515	\$ 4,446
Deposits	\$ 5,802	\$ 4,887	\$ 4,615	\$ 4,790	\$ 4,477
Capital	\$ 749	\$ 876	\$ 825	\$ 862	\$ 849
C/A Ratio	10.02%	12.01%	12.05%	12.24%	12.22%
Income	\$ 130,654	\$ 136,155	\$ 145,284	\$ 158,508	\$ 163,492
Transfer	\$ 28,600	\$ 19,989	\$ 186,932	\$ 128,615	\$ 165,900
% Transfer	22%	15%	129%	81%	101%
ROE	17%	16%	18%	18%	19%

BND Capital Benchmark

The Bank of North Dakota is adequately capitalized with capital of \$868 million or 12.32% of assets. While this is a bit technical, the important thing is to understand how it compares to other banks.

- A nation-wide average for similar size banks is a ratio of 10.46%.
- The North Dakota average for all banks is 10.62%.

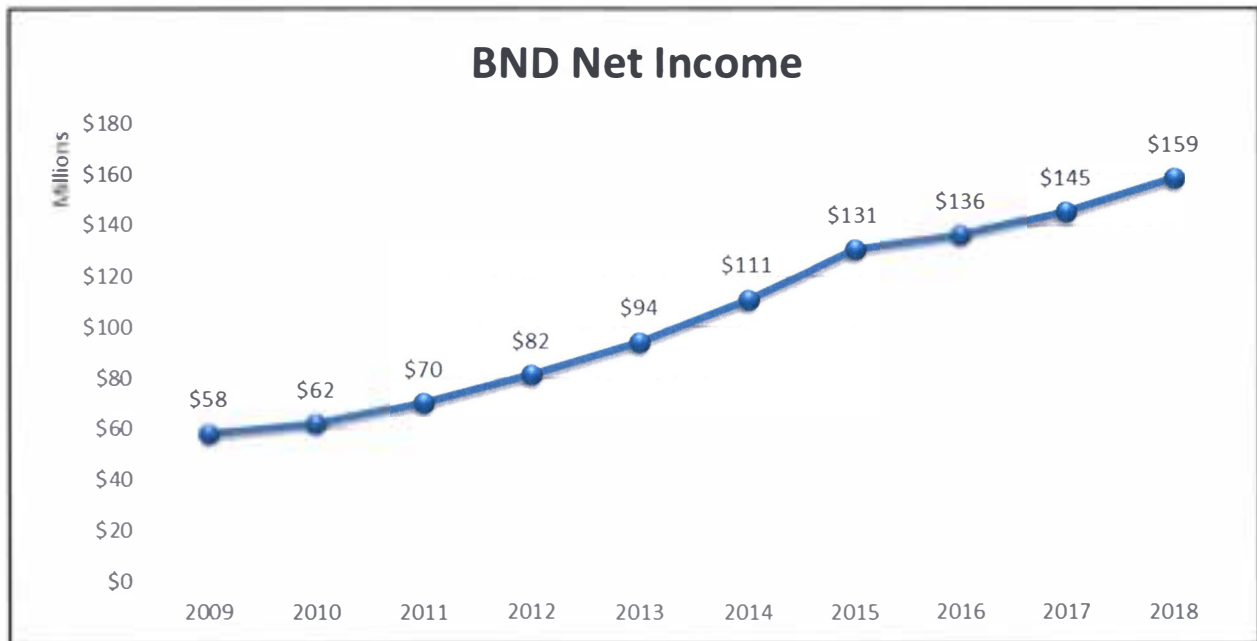
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At the Bank of North Dakota, the internal benchmark is to maintain equity of 10.0%. This benchmark is set by considering peer institution benchmarks, the substantial regulatory environment, the economic concerns in energy and agriculture, and the importance equity plays in BND providing mission-driven programs.

Banks continue to be under pressure to increase regulatory required capital levels. BND is not federally regulated; however, we are examined by state regulators and hold an independent rating from Standards & Poor's of A+. Each of these entities assess the strength of BND's capital ratios as a significant part of their exam.

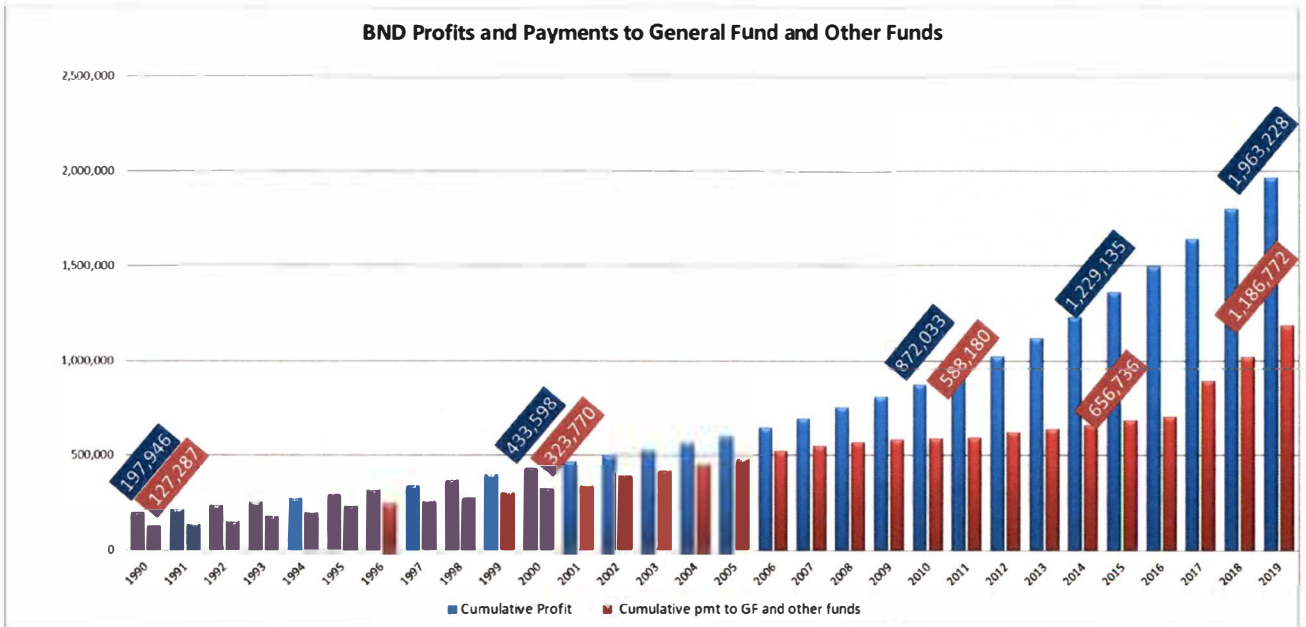
BND Earnings

Earnings have been strong with BND achieving record profits each of the last fifteen years. The 2018 budget anticipated earnings of \$148 but actual earnings came in above projections at \$158.6 million.



In the next biennium, we believe earnings may level off or could be reduced slightly subject to the state revenues and a rising interest rate environment. The projection for the 2019-21 biennium is for BND to have approximately \$300 million in earnings.

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Over the past 2 bienniums, BND's earnings and capital were also utilized to assist the state with various programming needs. In the 2015 Legislative Session, BND committed \$100 million of its capital to fund the Infrastructure Revolving Loan Fund. In the 2015 and 2017 Legislative Sessions, another \$71.0 million of capital was used to fund the various buy down loan programs that fuel economic development across ND. BND also contributed \$10 million of capital during the 2015-2017 biennium to provide support to the Housing Incentive Fund administered by Housing Finance Agency.

As is provided in this bill, BND is required to provide another dividend or transfer to the general fund in the amount of \$140 million. That coupled with BND programs of an additional \$56 million as provided in this bill or amendments to, will result in total transfers from BND of \$196 million.

Can BND handle these transfers and still conduct business and produce earnings? The answer is Yes. BND is well positioned, assuming there is close coordination between the legislative branch and BND

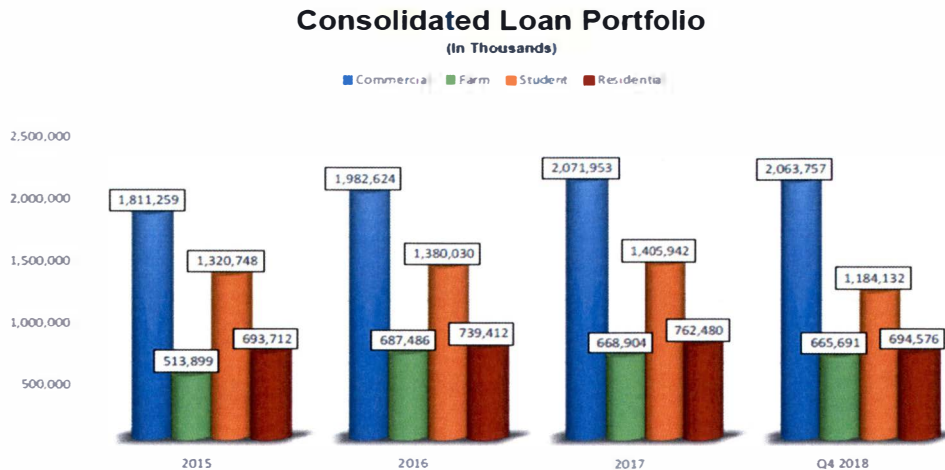
BND LOAN PORTFOLIO

The Bank of North Dakota's \$4.7 billion loan portfolio consists of four types of loans: agriculture; student loans; commercial and residential. This diversification provides some protection during times of rapid economic change. The graph below shows each portfolio since 2015.

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BND LOAN PORTFOLIO

The Bank of North Dakota's \$4.7 billion loan portfolio consists of four types of loans: agriculture; student loans; commercial and residential. This diversification provides some protection during times of rapid economic change. The graph below shows each portfolio since 2015.



BANK OF NORTH DAKOTA HOUSE BILL 2014, SECTION 1 OPERATIONS

BND is a special fund agency, so expenses and employee salaries are funded by revenues generated by the Bank. In essence, the Legislature appropriates our revenues back to BND to these expenses. The Bank of North Dakota's 2019-21 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 2019-2021	\$ 63,315,329	Proposed Appropriation
Budget 2017-2019	\$ 58,489,204	Base level
	\$ 4,826,125	Proposed Enhancement

CAPITAL ASSETS

Budget 2019-2021	\$ 1,510,000	Proposed Appropriation
Budget 2017-2019	\$ 810,000	Base level
	\$ 700,000	Proposed Enhancement

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OPERATIONS

Salaries and benefits are projected to increase for the next biennium as we anticipate additional expenses to fund healthcare, employee raises, and temporary staffing/overtime. We anticipate competitive pressures for talent to continue into the foreseeable future and expect that to put pressure on our salary line item in the 19-21 biennium.

Operating expenses includes data processing, training and development, supplies, postage, etc. BND has made several adjustments to reduce its operating expenses in areas like postage and IT communications where more efficient means of electronic communication replaced mail and phone services. Within our proposed budget, total other operating increased by \$1.7 million with most of that coming from an increase to our contingency line of \$1 million.

Of the funds requested for contingency, \$1,000,000 is earmarked for compliance testing, hedge consulting and enterprise risk management. The financial industry is going through dramatic changes with information security requirements, compliance and regulatory needs, etc. 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

Moneys appropriated for capital assets consist of funds for replacement of our student loan system that will provide our student borrowers with a current technology platform and allows for more efficient integration with existing internal systems.

Biennium-to-Date Actual Spending versus Budget

Bank of North Dakota
Biennium Appropriation Report
Eighteen Months Ended December 31, 2018

Line Item	Total Approp.	Biennium-to-Date Expenditures	To-Date Budget	To-Date Variance	To-Date Unexpended
Operating	\$58,489,204	\$38,167,416	\$41,835,534	\$(3,668,118)	\$20,321,788
Cap. Assets	\$ 810,000	\$ 224,835	\$ 602,560	\$ (377,725)	\$ 585,165
Total	\$59,299,204	\$38,392,251	\$42,438,094	\$(4,045,843)	\$20,906,953

**BANK OF NORTH DAKOTA
HOUSE BILL 1014, SECTION 5
Transfer to the Industrial Commission**

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs.

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**BANK OF NORTH DAKOTA
HOUSE BILL 1014, SECTION 6
Transfer to the General Fund**

This section addresses the transfer from BND to the General Fund for the 2019-2021 biennium in the amount of \$140,000,000.

**BANK OF NORTH DAKOTA
HOUSE BILL 1014, Proposed Amendment
Transfer to BND ND Development Fund, Inc.**

TRANSFER – BANK OF NORTH DAKOTA – TRANSFER TO THE NORTH DAKOTA DEVELOPMENT FUND INC. The Bank of North Dakota shall transfer the sum of \$15,000,000, from the Bank's current earnings and undivided profits to the North Dakota Development Fund Inc. during the biennium beginning July 1, 2019 and ending June 30, 2021. The funding must be used in accordance with N.D.C.C. 10-30.5 and to purchase existing New Venture Capital assets held by the Bank of North Dakota.

**BANK OF NORTH DAKOTA
HOUSE BILL 1014, Proposed Amendments
Transfer to BND Economic Development Buy Down Programs**

BND administers a number of economic development loan programs. A centerpiece of the economic development programming is the PACE (Partnership in Assisting Community Expansion) Program. PACE includes a number of sub-sector programs targeted to stimulate economic diversification. Starting with the 2013 Legislative Session, the appropriation to fund the interest rate buy-down programs was removed from the General Fund and inserted in the budget as a draw to BND's Capital. Listed below are the detailed numbers for the pertinent buy-down programs.

TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, 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, 2019 and ending June 30, 2021.

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, 2019 and ending June 30, 2021.

TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$1,000,000, or so much of the sum as may be necessary, from the Bank's

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current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2019 and ending June 30, 2021.

TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, 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, 2019 and ending June 30, 2021.

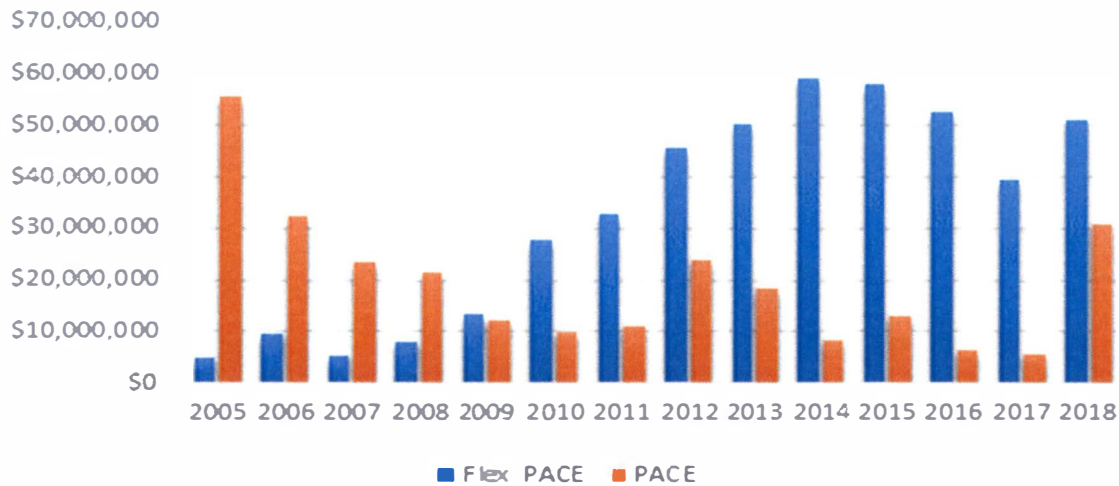
TRANSFER - BANK OF NORTH DAKOTA – SCHOOL CONSTRUCTION LOAN FUND. The Bank of North Dakota shall transfer the sum of \$5,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the school construction loan fund during the biennium beginning July 1, 2019 and ending June 30, 2021.

Summary of Economic Development Programs

	BND Capital Allocation: 2017-2019 Bien.	Estimated Use: 2017-2019 Bien.	Estimated Remaining: 2017-2019 Bien.	BND Capital Allocation: 2019-2021 Bien.	Program Allocation: Life-to-Date
PACE/Flex PACE	\$16,000,000	\$16,000,000	\$0	\$26,000,000	\$164,900,000
Ag PACE	2,000,000	1,333,333	666,667	3,000,000	\$18,398,100
Bio-Fuels PACE	1,000,000	133,333	866,667	1,000,000	10,900,000
Medical PACE	0	0	0	0	10,249,000
Beginning Farmer School Construction	6,000,000	4,333,333	1,666,667	6,000,000	32,221,500
	6,000,000	6,000,000	0	5,000,000	18,875,000
	\$31,000,000	\$27,800,000	\$3,200,000	\$41,000,000	\$255,543,600

The PACE Fund was established by the Legislature to assist North Dakota communities in expanding their economic base by providing support for 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

Total Loan Amounts for PACE & Flex PACE 2005-2018



A total of \$30.9 million in PACE loans and \$51.0 million in Flex PACE loans were funded in 2018 in comparison to \$5.5 million and \$39.3 million respectively for 2017. As you will note in the graph, community utilization of Flex PACE surpassed PACE in 2009. This transition is reflected in the proposed allocations for the PACE Program.

BND contracted with Praxis Strategies Group in the fall of 2016 to complete an analysis of the PACE and Flex PACE programs for the time period of 2005 to 2016. The intent of this study was to determine the effectiveness and return on investment of the programs and recommend changes that could improve the program. In addition to analysis of the financial data, the study also interviewed and surveyed bankers; economic developers and loan recipients to determine ways to improve the program.

According to the analysis:

- The PACE and Flex PACE program generated projects with a total value more than \$1 billion dollars during the ten-year period.
- On average, 775 jobs were created each year by companies receiving PACE funding.
- Each dollar of BND financing leveraged \$2.03 from other sources.
- Median Wages among PACE borrowers peaked in 2015 at \$21.65/hr. The median wage of PACE borrowers was \$3.30 higher than the median wage of \$18.35/hr in North Dakota.

FLEX PACE AFFORDABLE HOUSING BUYDOWN

Flex PACE for Affordable Housing provides financing with an interest buy down for new affordable multi-family housing units and non-residential, licensed, child care projects that are new or expanding in North Dakota

- There were 4 new Affordable Housing PACE loans funded in 2018 accounting for 74 affordable rental units, compared to 17 Affordable Housing PACE loans funded in 2017 accounting for 195 affordable rental units and 8 daycare facilities.

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- There are a total of 11 loans pending with a total loan amount of \$21,765M which account for 299 affordable rental units.

BEGINNING FARMER REVOLVING LOAN FUND

The beginning Farmer Revolving Loan Fund was established to assist those North Dakota residents entering agriculture with purchasing land and equipment. The interest rate on these loans is fixed at 1% below BND's base rate with a maximum interest rate of 6% for the first five years of the loan.

- There were 95 Beginning Farmer Real Estate Loans in 2018 and 62 in 2017.
- There were 75 Beginning Farmer Chattel Loans in 2018 and 62 in 2017.

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. This is a key tool in supporting agriculture diversification.

- A total of 64 Ag PACE loans were funded in 2018 compared to 40 in 2017.
- The majority of the loans funded during the previous three years were for field tiling projects.

BIO-FUELS PACE FUND

The Bio-Fuels PACE Fund was established to buy down the interest rates on loans to biodiesel and ethanol production facilities and livestock operations. These loans can be utilized for real property, equipment and facility expansion.

- There were 10 Bio-Fuels PACE loans funded in 2018 and 6 in 2017.

SCHOOL CONSTRUCTION LOAN FUND

The SCALF Fund was established by the 2015 legislature to buy-down the interest rate on loans for approved school construction projects. The program is available to schools that qualify for a loan through the Department of Public Instruction.

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BORROWER	Loan Amount Requested
MOTT REGENT SCHOOL DIST #1	\$6,087,200.00
EDGELEY PUBLIC SCHOOL DIST #3	\$2,780,463.00
CARRINGTON PUBLIC SCHOOL DIST	\$10,000,000.00
DIVIDE COUNTY PUB SCHOOL DIST	\$6,930,000.00
PARK RIVER AREA SCHOOL DIST #8	\$8,088,858.00
SOUTH HEART SCHOOL DIST 9	\$7,700,000.00
DICKINSON PUBLIC SCHOOL DIS #1	\$10,000,000.00
NEDROSE SCHOOL DISTRICT #4	\$10,000,000.00
GRENORA PUBLIC SCHOOL DIST #99	\$6,965,000.00
ALEXANDER PUBLIC SCHL DIS NO 2	\$10,000,000.00
BISMARCK PUBLIC SCHOOL DIST	\$5,000,000.00
CENTRAL CASS DISTRICT #17	\$8,000,000.00
Transferred To SCARLF	
HILLSBORO PUBLIC SCHOOL DIST #9	\$1,050,000.00
FLASHER PUBLIC SCHOOL DIST #39	\$5,400,000.00
MAPLETON PUBLIC SCHOOL DIST	\$5,135,515.00
MINTO PUBLIC SCH DISTRICT #20	\$5,220,000.00
STRASBURG PUBLIC SCHOOL DIST	\$2,730,000.00
KULM PUBLIC SCHOOL DISTRICT #7	\$3,850,000.00
WILLISTON PUBLIC SCHOOL DIST #1	<u>\$20,000,000.00</u>
TOTALS	\$134,937,036.00

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Appendix

BANK OF NORTH DAKOTA EFFICIENCY STUDY

DECEMBER 2018

During the 2017 legislative assembly, it was noted in Section 31 of SB2014 that “the Bank of North Dakota shall conduct a study regarding potential efficiencies in operations. The Bank of North Dakota shall report to the appropriations committees of the sixty-sixth legislative assembly regarding the results and recommendations of the study”.

Background

It is important to note that BND has been an organization of transformation for many years. We take pride in our ability to reinvent ourselves to meet the needs of the state, while always keeping true to our mission “To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota.” Our most significant recent reorganization occurred in 2014 when we clearly identified three outward-facing service market segments: financial institutions, economic development and education. This change resulted from research conducted as we developed our 2015-2017 strategic plan and included input from managers, our Advisory Board and key stakeholder groups. In addition to the external customer focus, we also reorganized internally to create three new divisions: business development, credit administration and risk management. This reorganization reflected a switch from a reactionary organization to one that is forward-looking and proactive in our approach to providing the most customer value. During this time of transition and change, we did not increase the number of FTE’s and no employees were terminated. Many employees transitioned into new roles that reflect the new direction and structure.

2015 Reorganization

The separation of our previous lending service area into business development and credit administration has had many benefits. Under this new structure, our business bankers focus on building relationships with financial institutions across the state to meet their operational and lending needs. The other three components of the business development unit include the education market, economic development and government programs, and residential real estate. The economic development and government programs service area is a new unit that was established at this time and fills a great need by identifying economic development financing needs, providing solutions in financing of large projects and administering loan programs delegated to BND by the Legislature such as the School Construction and Infrastructure loan programs. Today, BND is administering almost \$1 billion in delegated loan programs.

The credit administration service area provides critical analysis and back office operations with a focus on protecting the bank’s assets. The volume and complexity of loans held by BND has grown significantly over the years and employees in this unit play a key role in ensuring our strong loan portfolio meets self-imposed quality standards.

Risk management is a new service area that now oversees internal audit, credit

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review, compliance and enterprise risk management. Since 2008, the regulation and compliance mandates for a financial institution have increased dramatically. This business unit transitioned from primarily an audit function to one that is more consultative in their approach to managing risks that face our business.

Vision

As part of our 2015-2017 strategic plan review, we also believed it was time to refresh our vision statement. Based again on input from our employees and key stakeholders, we changed our vision to read “BND is an agile partner that creates financial solutions for current and emerging economic needs”. We believe that it is important for our current and future employees and customers to understand the need for BND to move quickly when things happen, whether it be in reaction to a natural disaster like the Souris River flood in 2011 or one of our many loan programs that responded to ag-related crisis relating to drought and/or low commodity prices. This proactive approach set BND up very well with the initiatives of Governor Burgum when he took office in December of 2016. Governor Burgum’s initiative on “Reinventing Government” is nothing new for BND as we have been operating in this manner for decades.

Strategic plan 2018-2020

Our current 2018-2020 strategic plan is a continuance of many of the initiatives that were started prior to 2018. One of our main areas of focus is to drive a culture of innovation. This was defined by establishing and focusing on four guiding principles: coaching, collaboration, curiosity and empowerment.

BND has numerous examples of collaborative efforts on a statewide basis. We have been reviewing and are currently in the process of identifying efficiencies with the ND Housing Finance Agency to include real estate servicing and the sharing of resources for IT, human resources and accounting. Other opportunities that have been collaborative in nature are the efforts taken on with the ND Public Finance Authority, ND Health Department and ND Department of Transportation to develop “One Application” to ease the process of infrastructure funding. This collaborative effort is being driven by our BND employees to simplify the process for entities interested in infrastructure repair and replacement projects.

Process Improvement-Streamlining

There are many examples of internal process improvement. We recently transferred the processing of BND payroll from being handled internally to the ND Office of Management and Budget. This move is not only more efficient from a macro level, we estimate that we will ultimately save staff hours that can be reallocated to other areas of need. We have also worked to utilize common policies that have been identified through the HR unification project wherever this makes sense while continuing to meet our needs as a business and financial institution.

BND is also working with ITD to identify streamlining opportunities through the statewide IT unification project. There are many examples in technology that have been identified where systems can replace manual processes.

Our Education Market was recently refocused with a more clearly defined goal toward providing the very best customer service. Leadership positions in this area were

renamed to include leader of student loan performance, leader of processing, leader of customer service and leader of outreach. While titles may be simple to change by nature, these names reflect not only our focus on the future but also our desire to provide BND employees with meaningful and forward-thinking work that brings value to our customers.

We engage in an active succession planning process to help prepare our current employees for future leadership positions. We review this information on an ongoing basis to identify training and development needs so that there is the opportunity for knowledge transfer. Our performance management process includes a discussion with employees on their future career goals as well as their plans for retirement. We believe strongly in open dialogue and transparency so that we can do our best to transfer knowledge and make sure that position successors are as prepared as possible to take on new roles as they are vacated. We recently participated in the voluntary separation incentive program because we believe it was an opportunity for employees to come forward, so we could reward them for years of hard work and effort. This program was an effective tool to allow employees to transition out of the organization and BND to reevaluate where future needs will exist. This is also done through a job requisition process where every single vacancy is analyzed before it is posted and filled. We want to make sure that appropriate resources are allocated in the best and most efficient manner so that we can provide the most value to the state of ND.

There are numerous examples where current and future needs are evaluated on an ongoing basis to provide the best customer experience and most value to the state of ND. An example of this is the establishment of BND offices in Grand Forks, Fargo, and Minot. The Fargo and Grand Forks offices are located on college campuses to leverage our relationship with both university and entrepreneurial activity. The Minot office is co-located with the economic development and chamber function in that community. This helps us provide better service to our customers around the state.

Data Measurements

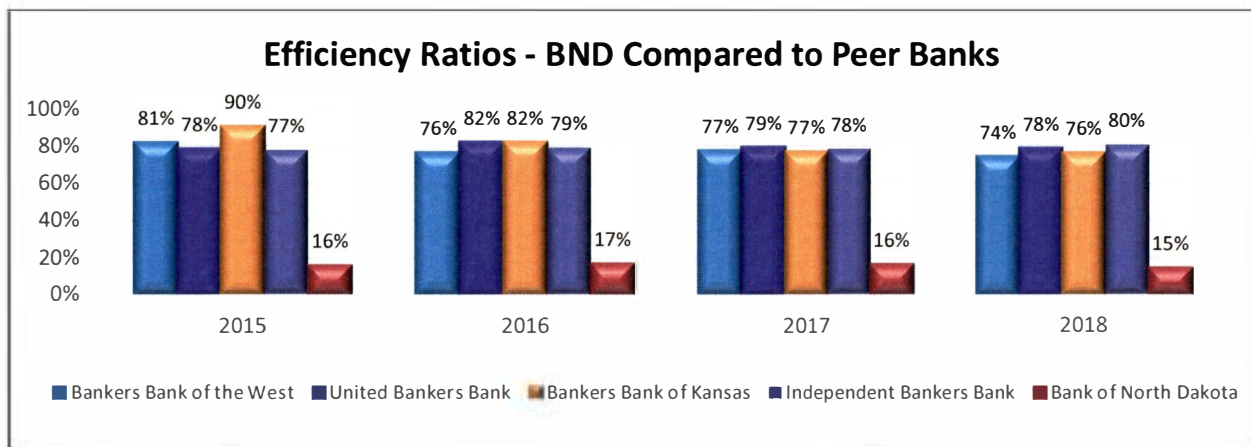
The accepted industry standard for measuring banks performance is from the Federal Financial Institutions Examination Council. www.cdr.ffiec.gov. From this site, standardized measurements of banks across America are provided through a “Call Report” or a “Uniform Bank Performance Report” (UBPRs). These reports provide an in-depth analysis of a bank from the income and earnings to expenses and return on investment. While BND is not required to officially file a report as a state-owned bank, we voluntarily complete this information and track the same statistics to provide a comparative analysis tool.

To complete this study, BND undertook analysis from two different perspectives. One, how does BND compare to the community owned banks in North Dakota. While this is useful, the insights are limited since comparing BND which serves as a “Bankers-Bank” to a retail, community bank is somewhat of a skewed metric. There is no similarity in how deposits are gathered and how deposits are utilized, and BND also does not operate retail branch locations across the state.

The second set of analysis is to compare BND to other “Bankers-Banks” in America. In the data from the FFIEC is a peer group (301) for Bankers-banks. This group currently includes 13 banks from across America. (A map is included in the appendix.) While the gathering of deposits is different, the function of these banks to provide participation loans and banking services is more similar to the role BND plays in North Dakota. For purposes of this analysis, BND is utilizing commonly accepted metrics such as the efficiency ratio, assets per employee and revenues per employee.

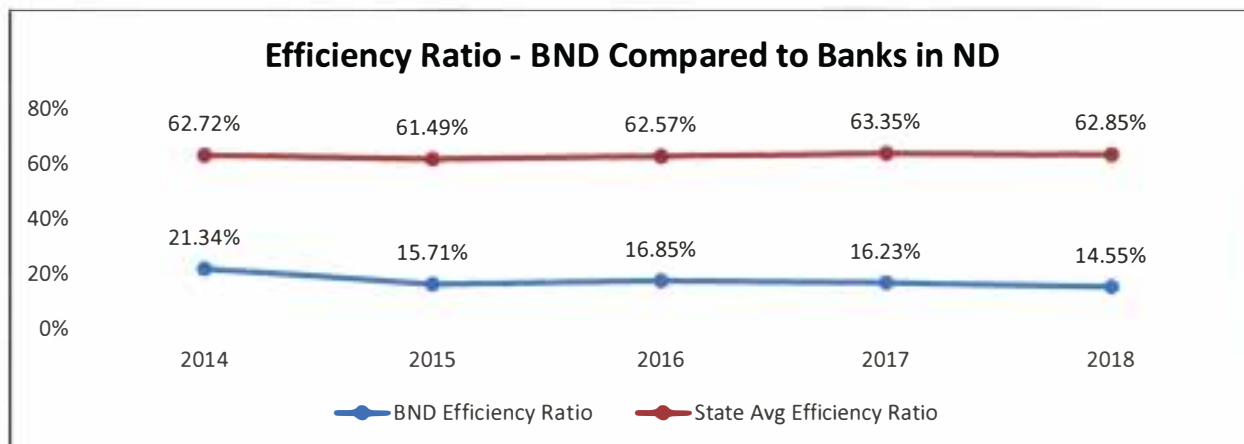
Efficiency Ratio

According to *Investing Answers*, the bank efficiency ratio is a “quick and easy measure of a bank’s ability to turn resources into revenue”. The bank efficiency ratio measures a bank’s overhead costs as a percentage of its revenue; the lower the ratio, the better (50% is generally regarded as the maximum optimal ratio). For purposes of this analysis, BND utilized four banks from the Midwest region for this comparative analysis. As one can see of the graph, the lowest efficiency ratio in 2018 is 74% at Bankers Bank of the West. BND’s efficiency ratio is at 15% in 2018.



As noted earlier, BND does compare itself against community banks in North Dakota. As one can see, the efficiency ratio for North Dakota community banks has maintained around 62% over the last five years. In that same time, BND’s efficiency ratio dropped from 21.34% to 14.55%.

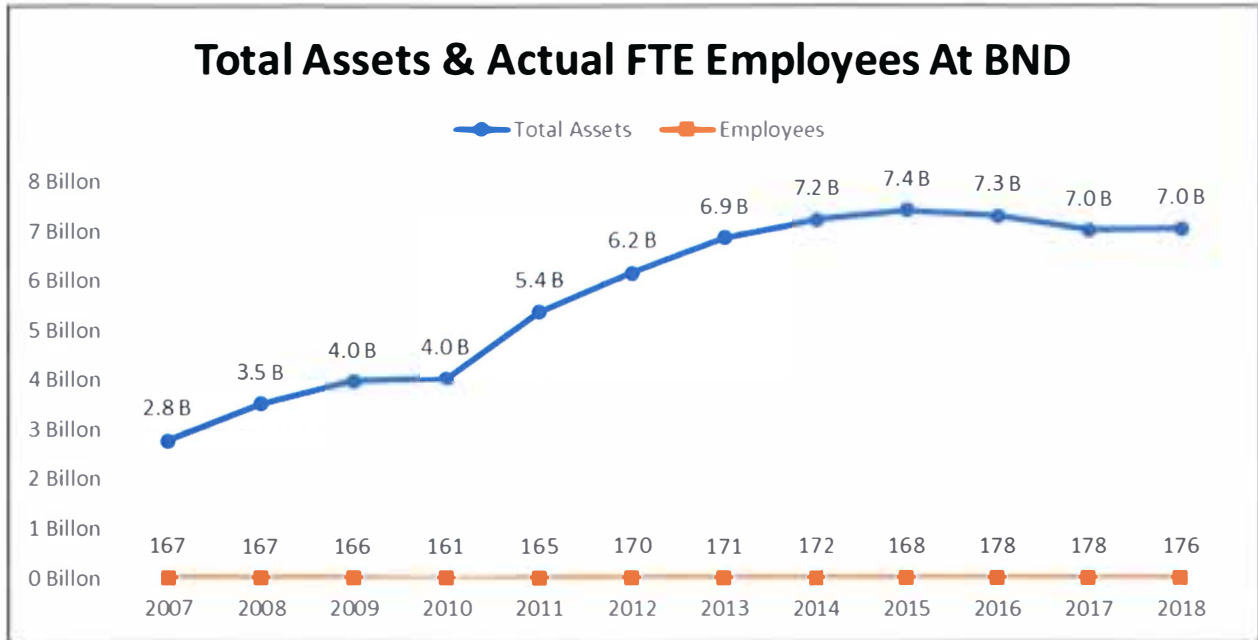
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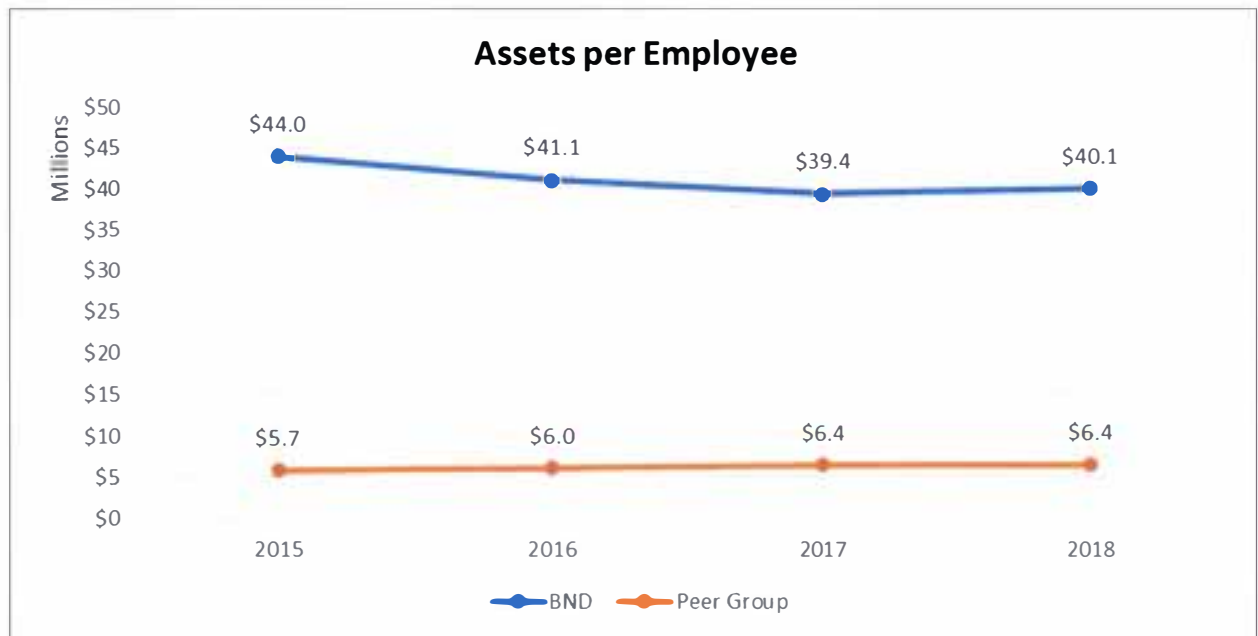
Assets and Revenues Per Employee

Over the last decade, the Bank of North Dakota experienced a period of dynamic growth along with the growth of the oil industry and strong agriculture commodity prices. The bank grew from about \$4 billion in assets topping out at just over \$8 billion in 2015 before shrinking back to just over \$7 billion today. While total assets increased 100%, the FTE count only increased by 5%.



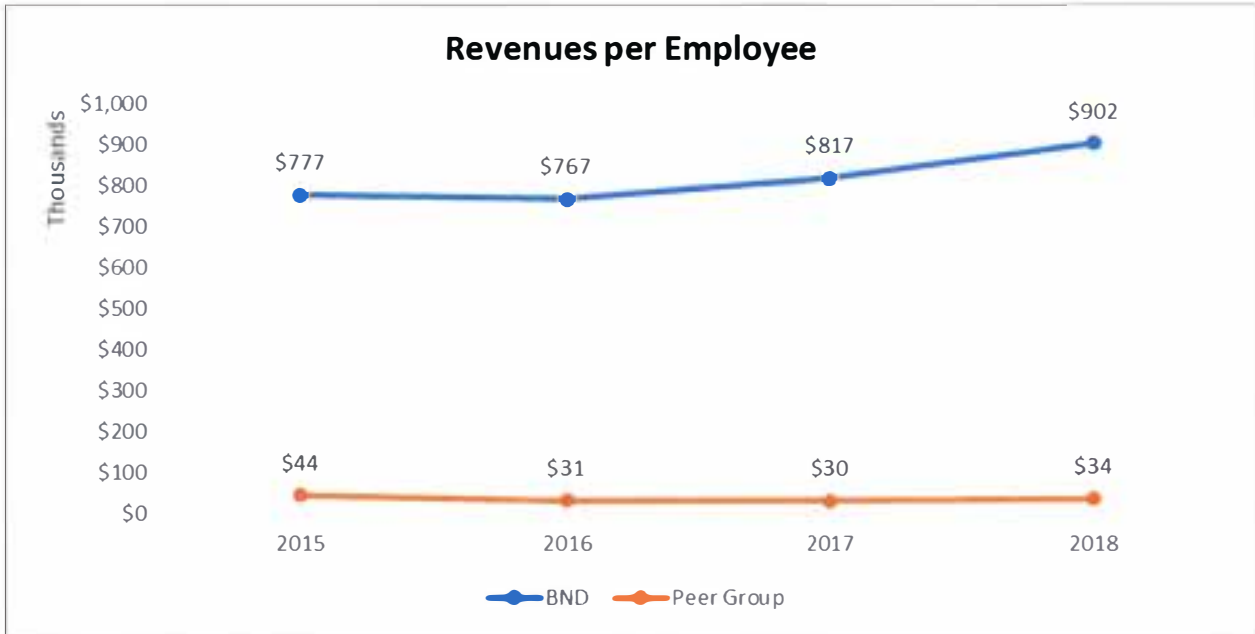


The following two graphs further show the efficiency of BND as compared to its peer institutions. BND is averaging just over \$40,000,000 in assets per employee. The peer group is averaging \$6,400,000 per employee in 2018.



BND again excels when comparing revenues per employee to its peer group. BND is making around \$902,000 per employee while the peer group is averaging \$34,000 in 2018.

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Conclusion

Our numbers only tell part of the story, our ability to meet our goals and mission is through the dedication of our employees and is reflected in an efficiency ratio that is literally the envy of other financial institutions across the country. The greatest strength of BND is to provide products and services to banks and their customers across the state. The \$2 billion in commercial participations represents economic development financing with our local community banks, financing that might have otherwise left North Dakota except for BND.

Bank of North Dakota will continue to pursue innovation and consider opportunities to streamline where it makes sense. Our approach has been and will continue to be one of balancing our focus on being a bottom-line driven organization that strives every day to fulfill our mission ***“To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota”***. This great work is made possible by the ongoing dedication to BND’s mission, vision, core values and guiding principles by employees who provide the very best in customer value to the state of North Dakota.

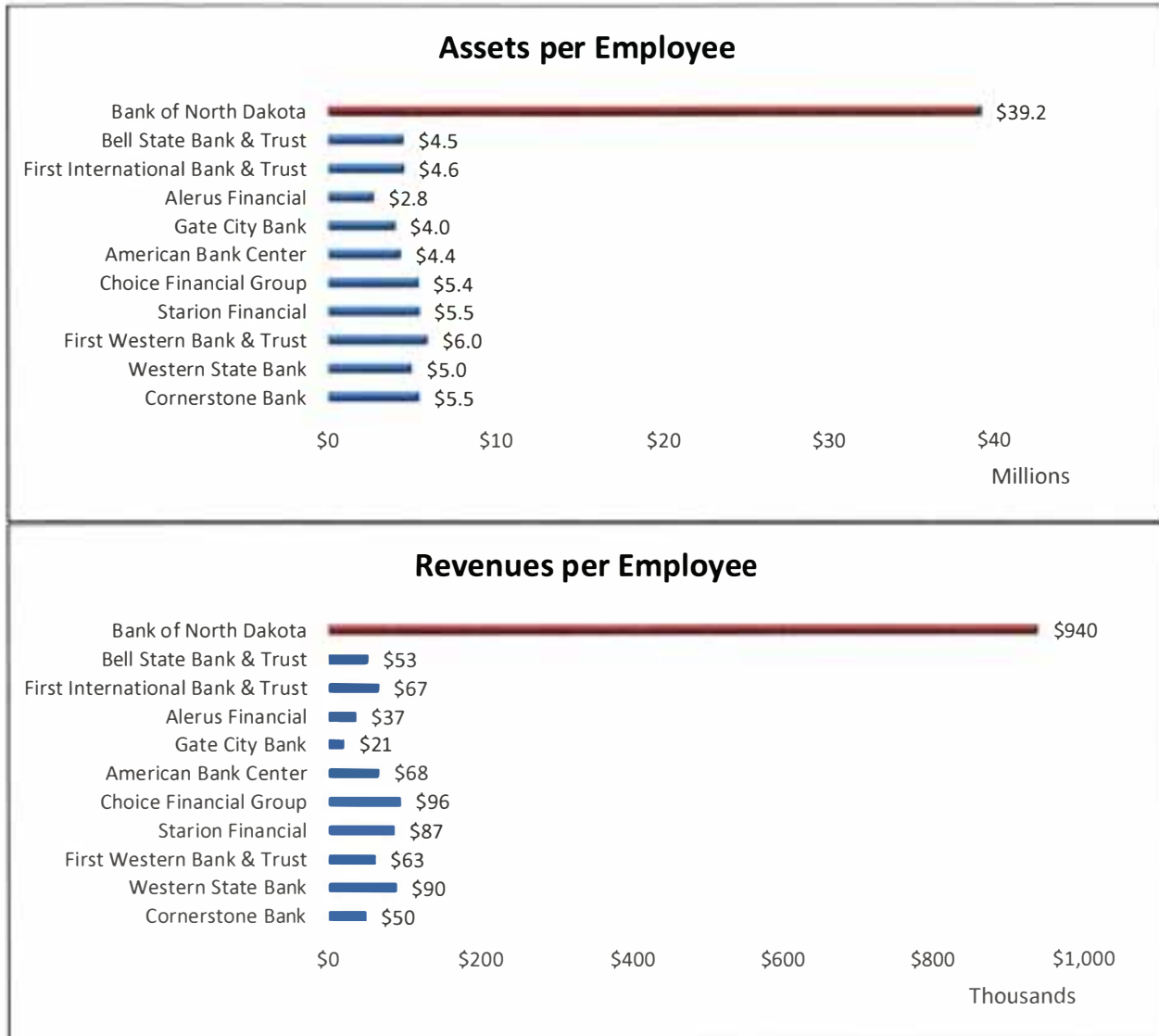
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Map of BND Peer Banks Peer Group 301 of FFIEC



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BND Comparison with Top 10 North Dakota Community Banks as of 9/30/18

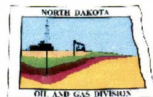


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House Appropriations Committee HB 1014

January 10, 2019

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission

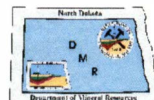
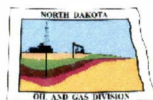


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NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES

The Legislature created the Industrial Commission of North Dakota in 1919 to conduct and manage, on behalf of the State, certain utilities, industries, enterprises, and business projects established by state law. The Industrial Commission has jurisdiction over oil and gas resources, the investigation and publication of geological information and the regulation of coal exploration, geophysical exploration, geothermal energy, paleontology resources, subsurface minerals, geophysical exploration, and carbon dioxide underground storage in North Dakota through the Department of Mineral Resources Geological Survey and Oil and Gas Division.

The Industrial Commission appoints the Director of the Department of Mineral Resources, who serves as Director of the Oil and Gas Division and appoints the State Geologist and Assistant Director of the Oil and Gas Division.



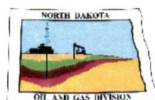
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NORTH DAKOTA OIL AND GAS DIVISION

The Oil and Gas Division, headed by the Director, was formed in 1981 to provide the technical expertise needed for enforcement of Industrial Commission jurisdiction over statutes, rules, regulations, and orders pertaining to geophysical exploration, drilling, production of oil and gas, restoration of drilling and production sites, and proper disposal of oil field brine and other oil field wastes in North Dakota.

The Division facilitates the electronic storage of and provides access to oil and gas production, reservoir, well, and geophysical exploration data for use by industry, royalty owners, and other governmental agencies and citizens.

In 2009, regulation of carbon dioxide storage was added to the Oil and Gas Division responsibilities. In 2013, regulation of underground gathering pipeline infrastructure was added to the Oil and Gas Division's responsibilities. In 2015, this authority was broadened to include bonding requirements on underground gathering pipelines.



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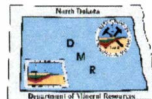
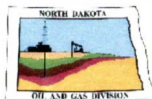
OIL AND GAS REGULATORY PROGRAMS

Oil and Gas Exploration and Production (NDCC 38-08)

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)

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.



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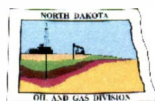
OIL AND GAS REGULATORY PROGRAMS

Pipeline (NDCC 38-08-27)

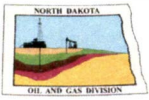
The application of this section is limited to an underground gathering pipeline that is designed or intended to transfer crude oil or produced water from a production facility for disposal, storage, or sale purposes and which was placed into service after August 1, 2015. Upon request, the operator shall provide the commission the underground gathering pipeline engineering construction design drawings and specifications, list of independent inspectors, and a plan for leak protection and monitoring for the underground gathering pipeline. Within sixty days of an underground gathering pipeline being placed into service, the operator of that pipeline shall file with the commission an independent inspector's certificate of hydrostatic or pneumatic testing of the underground gathering pipeline.

Carbon Dioxide Geological Storage (NDCC 38-22-01)

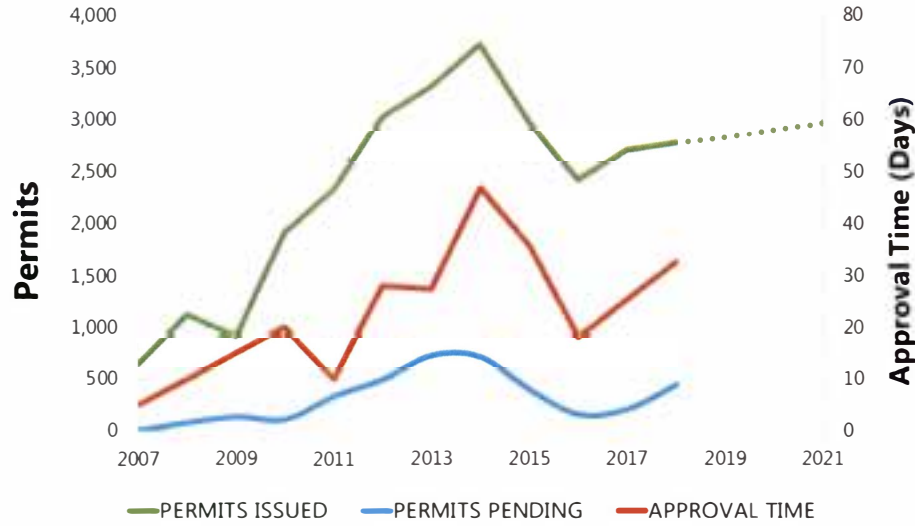
It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and 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.



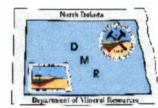
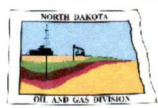
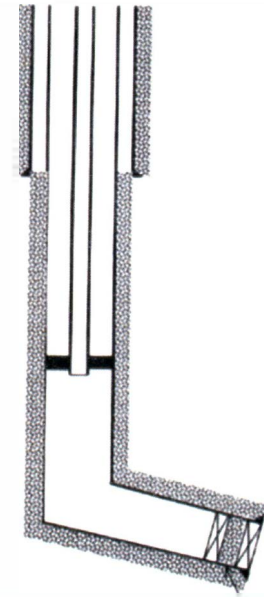
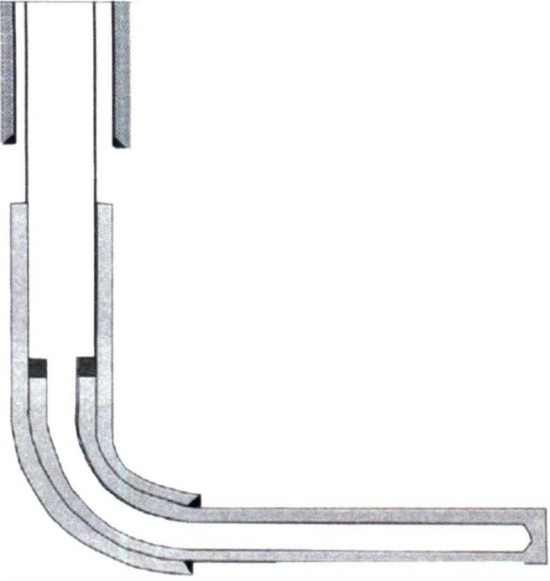
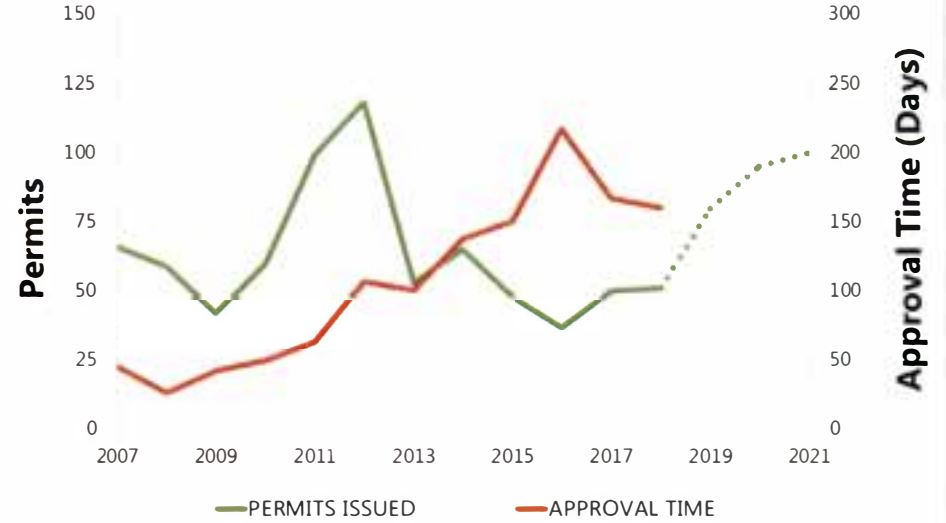
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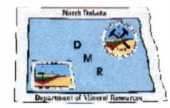
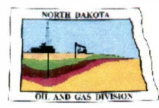
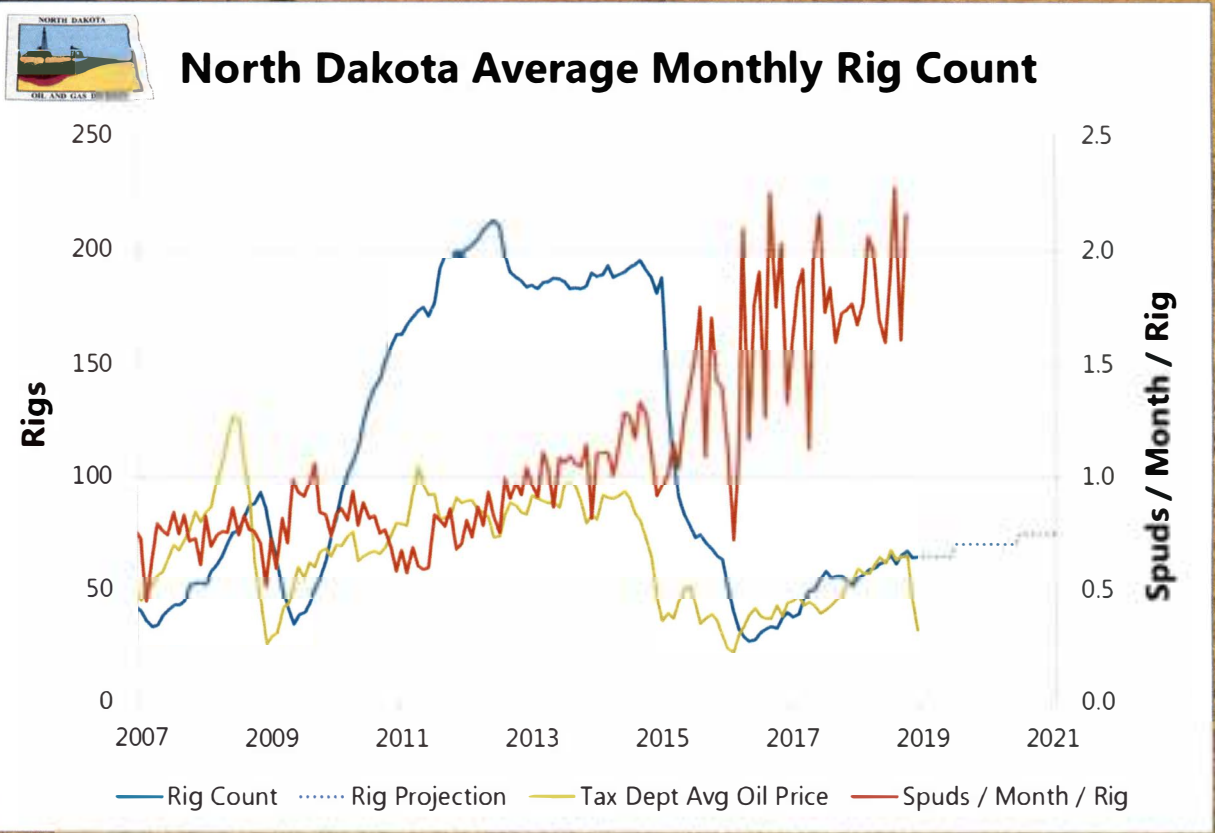
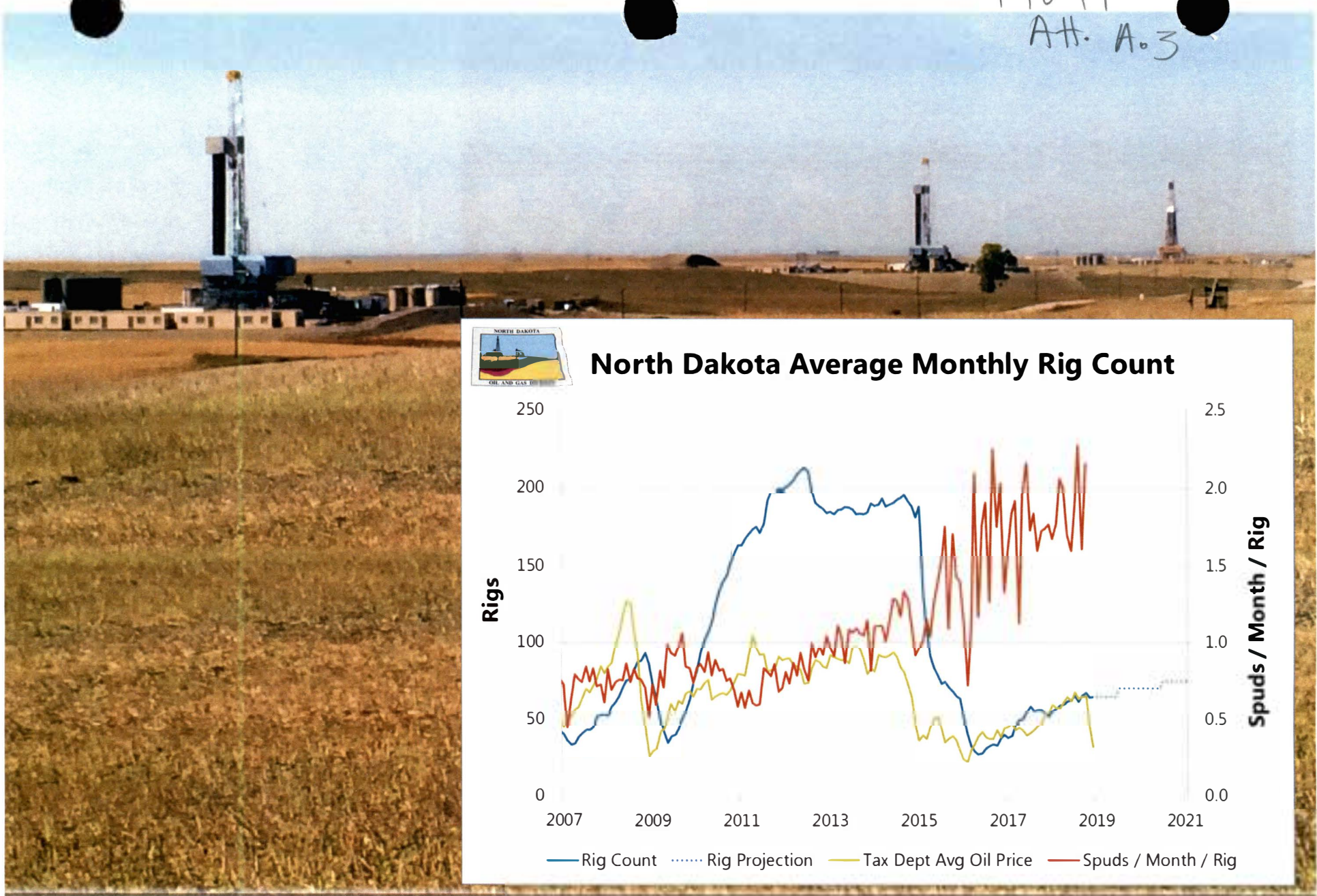
North Dakota Oil & Gas Permits Issued



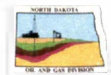
North Dakota UIC Permits Issued



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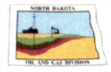
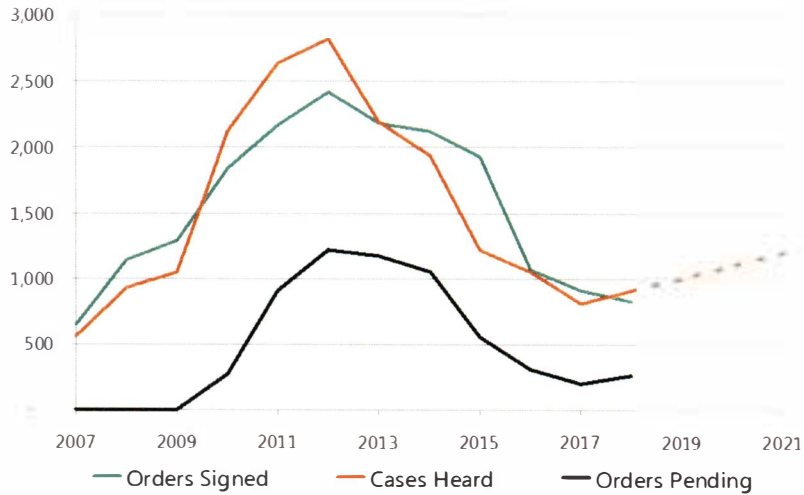


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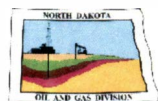
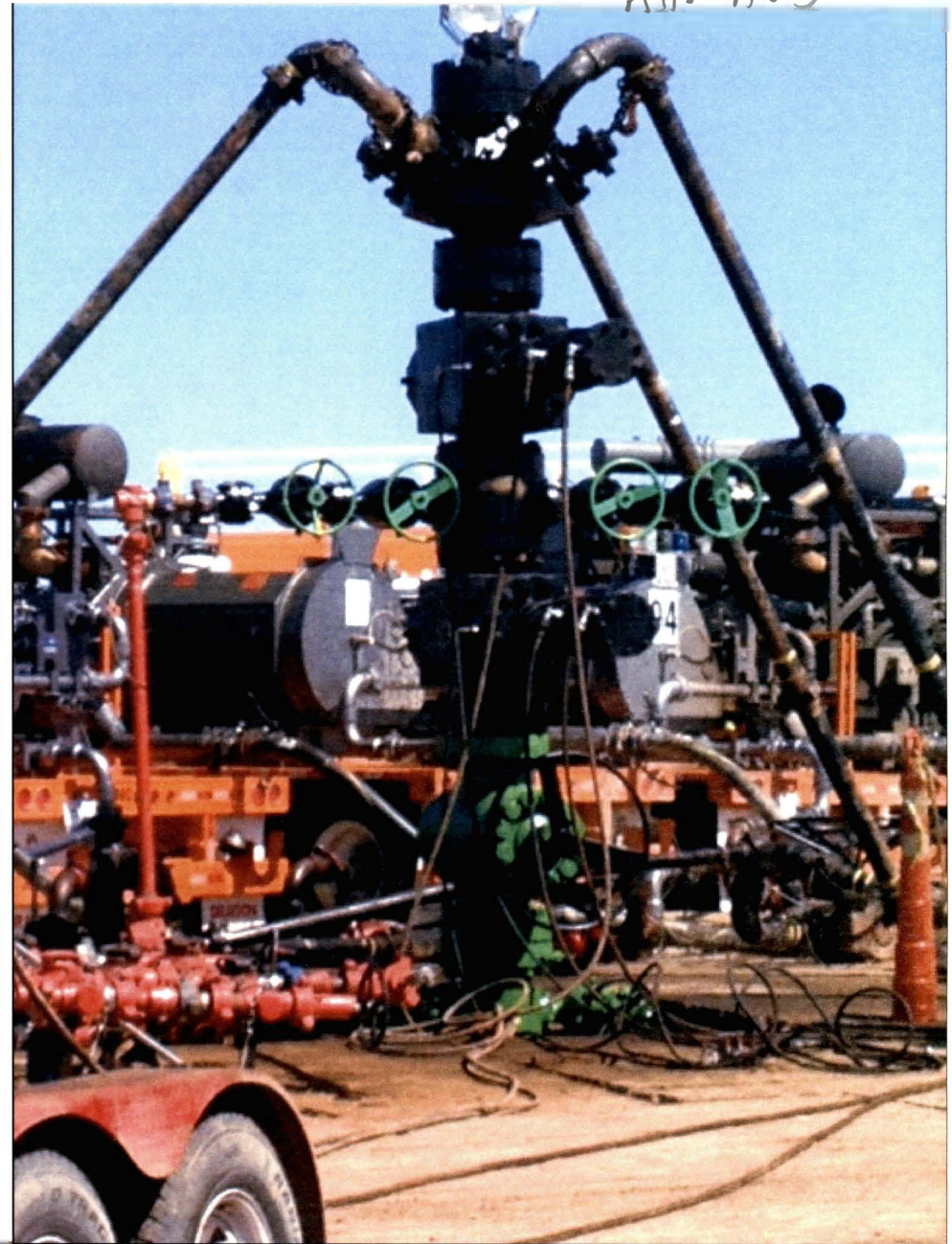
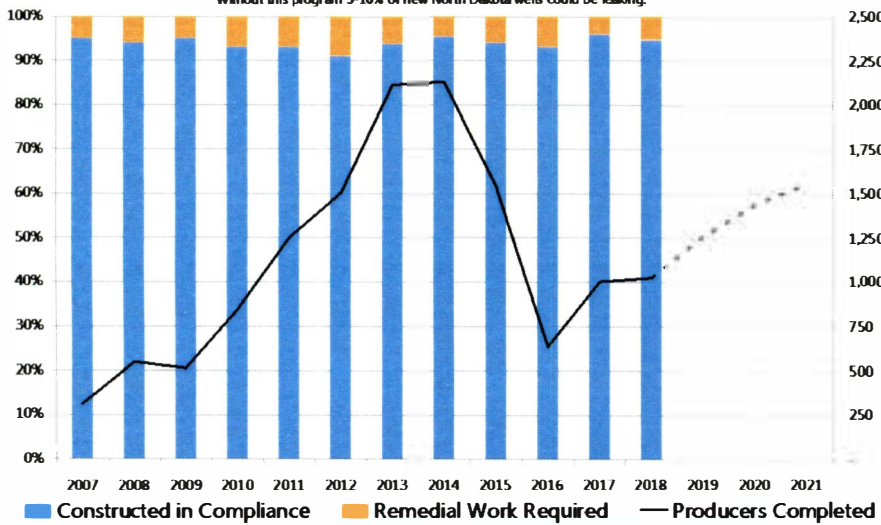
Orders Signed--Cases Heard

The Oil and Gas Division continues to work on issuing the backlog of pending applications and is now seeing signs of increasing hearing activity.

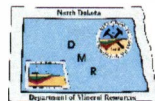
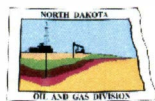
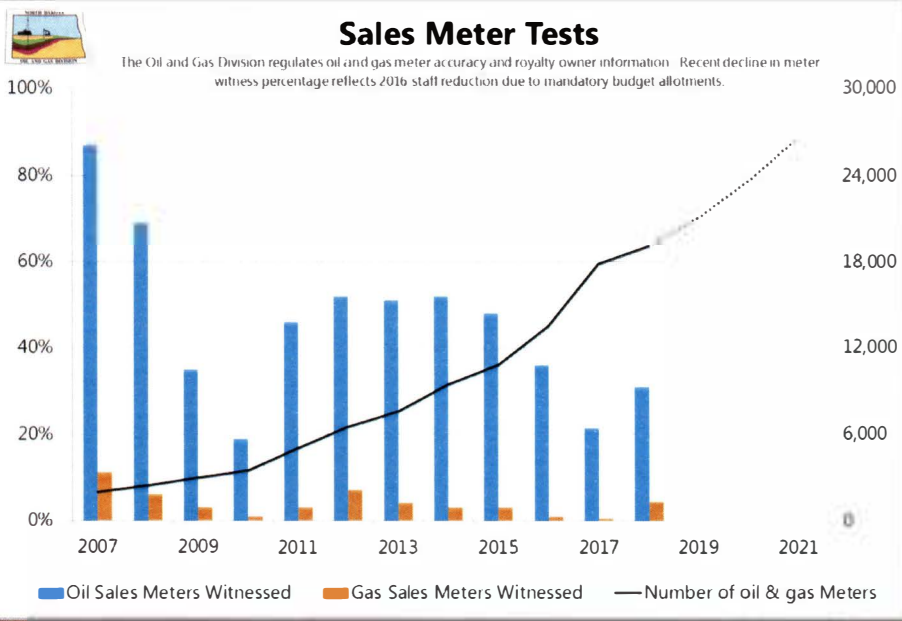
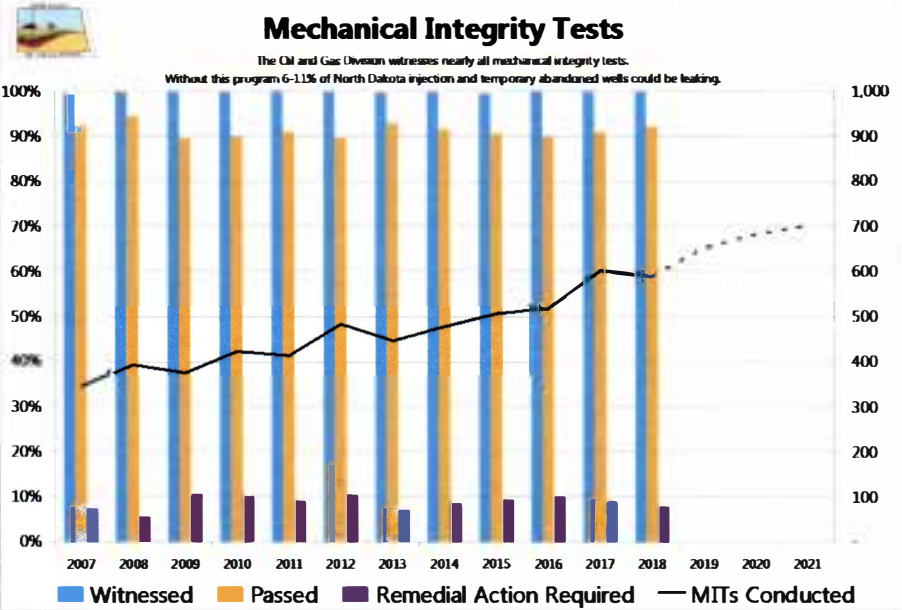
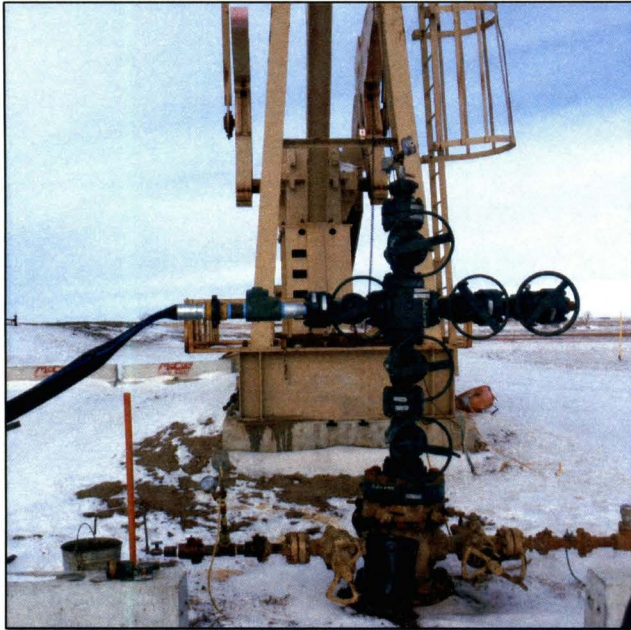


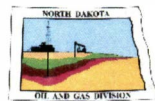
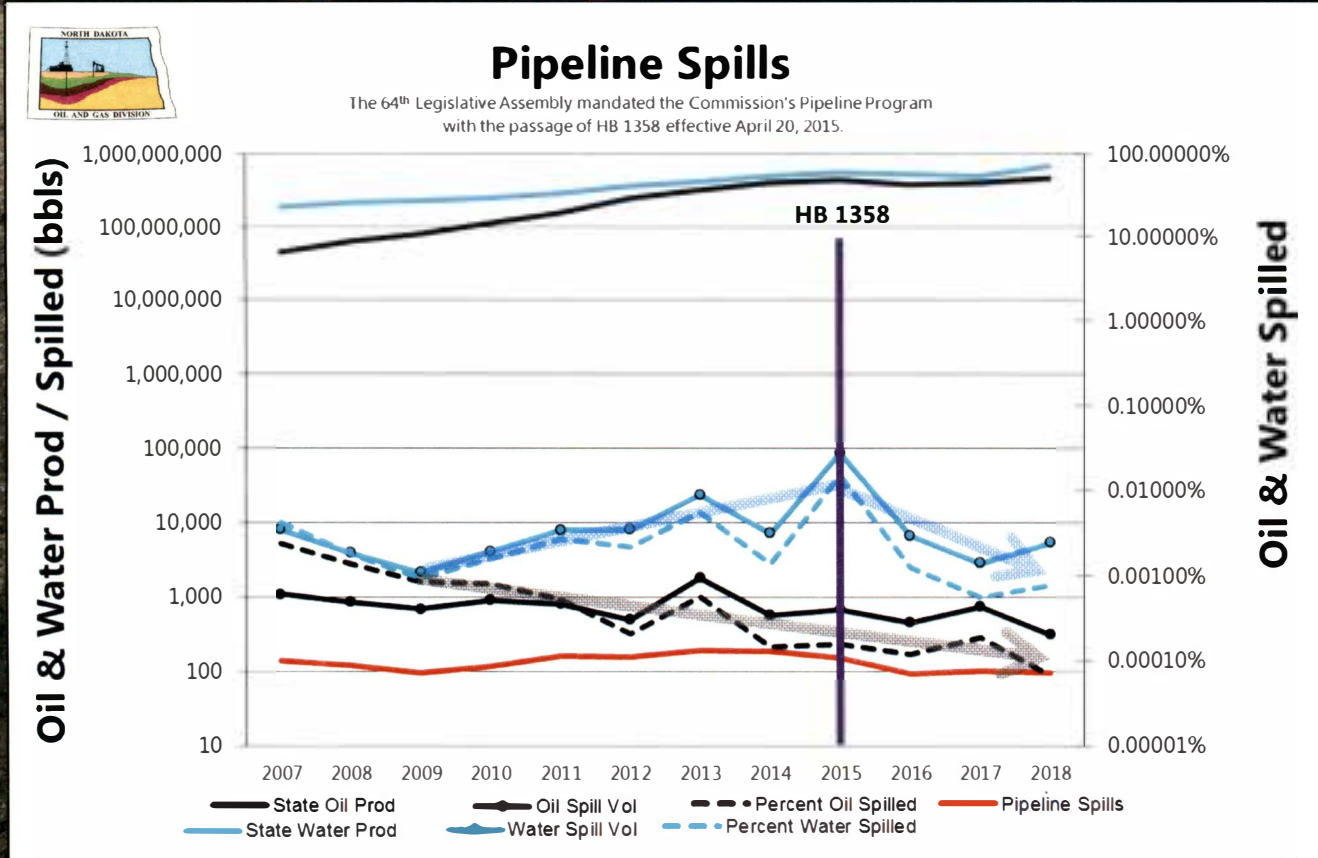
Well Construction

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.



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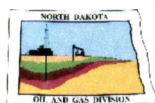
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NORTH DAKOTA GEOLOGICAL SURVEY

The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 120 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, rare earth elements, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources such as the Inyan Kara Formation for produced water disposal, the Survey is actively mapping landslides throughout the state. 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 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 450,000 feet of core and 50,000 boxes of drill cuttings obtained from oil and gas wells.



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GEOLOGICAL SURVEY REGULATORY PROGRAMS

Regulation, Development, and Production of Subsurface Minerals (NDCC 38-12)

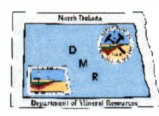
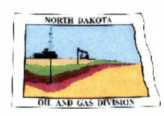
The exploration, development and production of subsurface minerals requires a permit, basic data to be provided to the state geologist. These regulations cover minerals not included in the oil & gas and coal regulatory programs.

- Subsurface Mineral Exploration and Development**
- Underground Injection Control Program**
- In Situ Leach Uranium Mining Rules**
- Surface Mining–Noncoal**
- Solution Mining**

Coal Exploration (NDCC 38-12.1)

Drilling for coal exploration or evaluation requires a permit and a report of findings must be filed with the state geologist. Collectively, these reports comprise a database useful to private and government coal researchers and provide information necessary for geologic correlations and economic forecasting.

Coal Exploration



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GEOLOGICAL SURVEY REGULATORY PROGRAMS

Geothermal Resource Development Regulation (NDCC 38-19)

Geothermal (ground source) heating and cooling systems require a permit. The permit review process helps to ensure that geothermal systems are properly designed and constructed, and minimizes the risk of groundwater contamination or other environmental problems.

Geothermal Energy Production

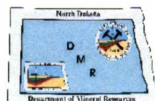
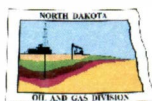
Paleontological Resource Protection (NDCC 54-17.3)

Paleontological resources, on land owned by the State of North Dakota and its political subdivisions, are protected. A permit is required from the state geologist to investigate, excavate, collect, or otherwise record paleontological resources on these lands.

Paleontological Resource Protection

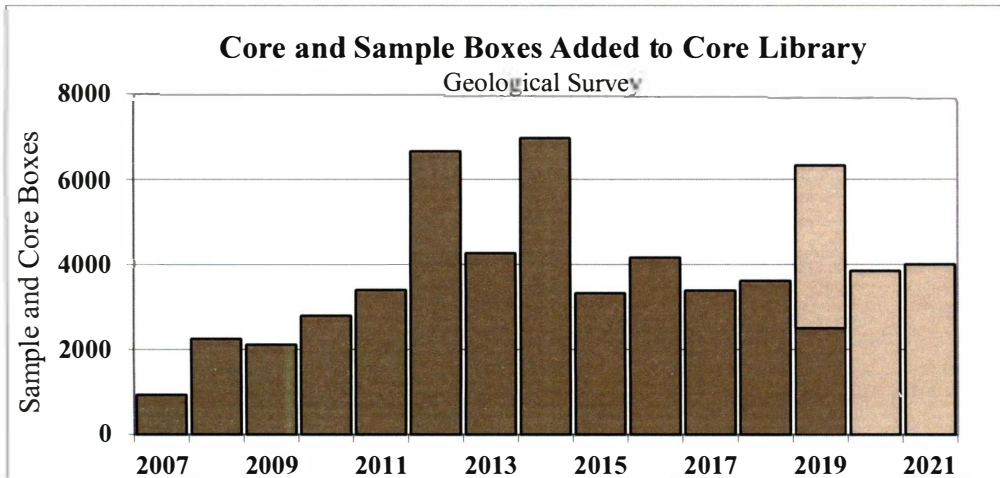
Disposal of Nuclear and Other Waste Material (NDCC 23-20.2)

A permit is required for the temporary storage of material in the subsurface as well as the subsurface disposal of domestic, municipal, industrial, and high-level radioactive waste. Prior approval for testing or exploration as well as a facility permit must be granted by concurrent resolution passed by the legislative assembly.

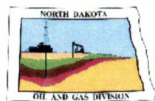


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 Art. A.3

WILSON M. LAIRD CORE AND SAMPLE LIBRARY

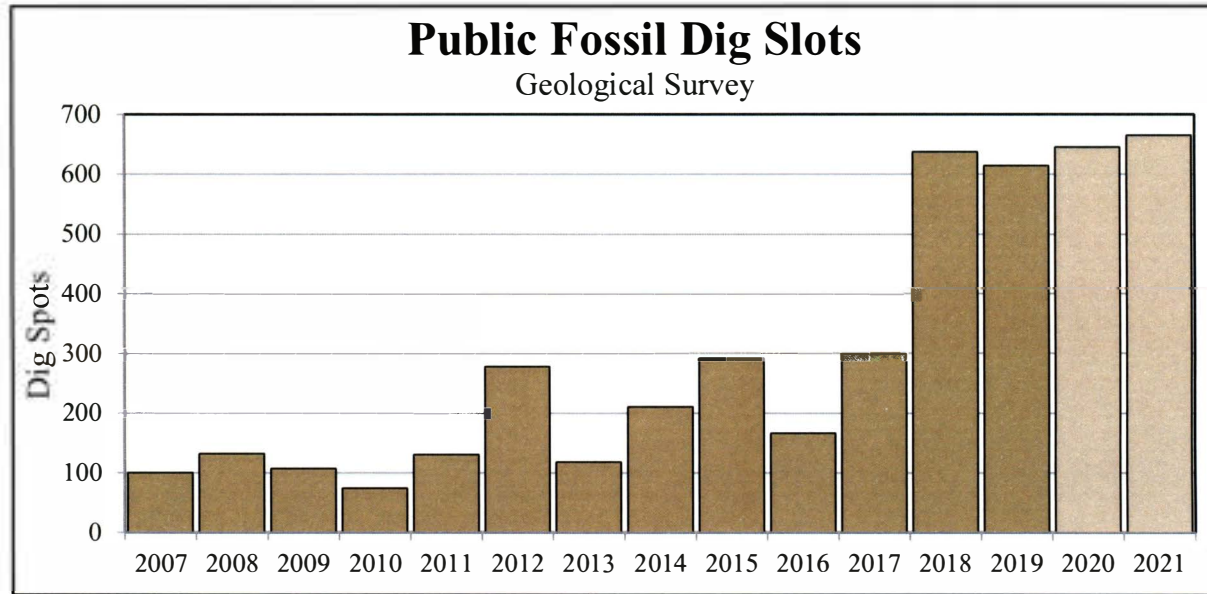


Upper Left: Expansion of the Wilson M. Laird Core and Sample Library was completed in 2015. Right: Slightly more than 50,000 cuttings boxes are stored in the south aisle of the core library. Lower left: A total of 12,750 feet of core has been cut that has not yet been submitted to the core library, 6,000 feet of that should come into the core library before the end of this biennium.

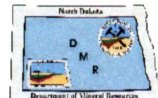
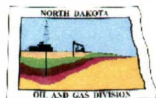


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Att. 4.3

PUBLIC FOSSIL DIG PROGRAM

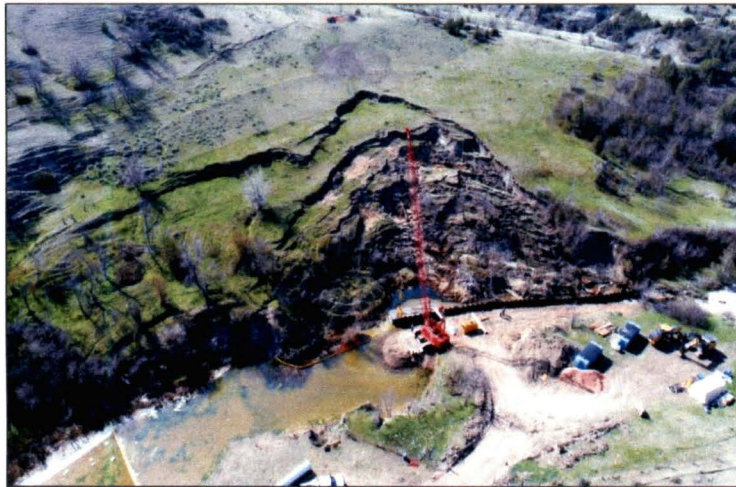
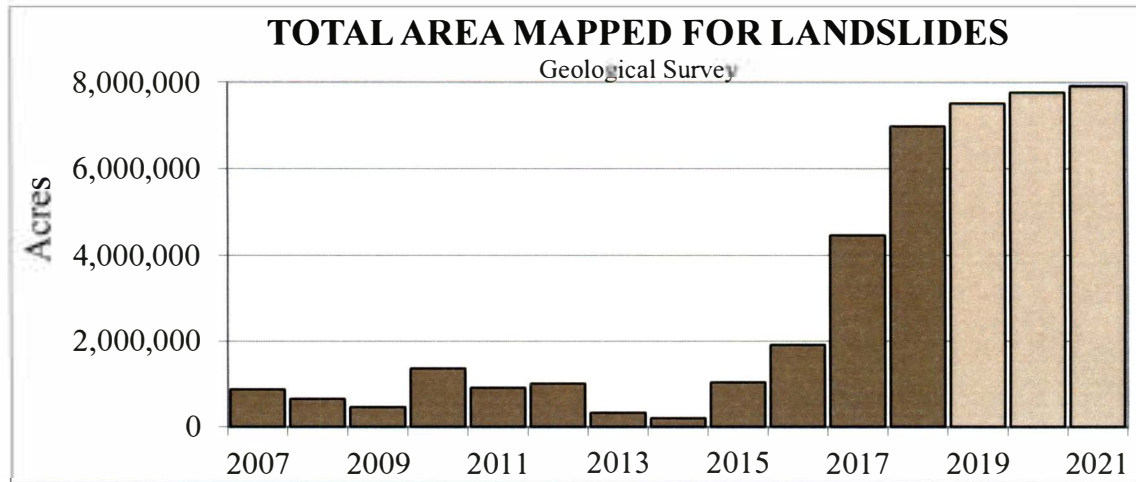


Left: Some of the participants at the 2018 Medora dig. Right: A 60 million year old crocodile scute uncovered at the 2018 Medora dig.

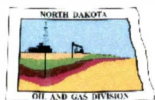


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 Att. A3

LANDSLIDE MAPPING PROJECT

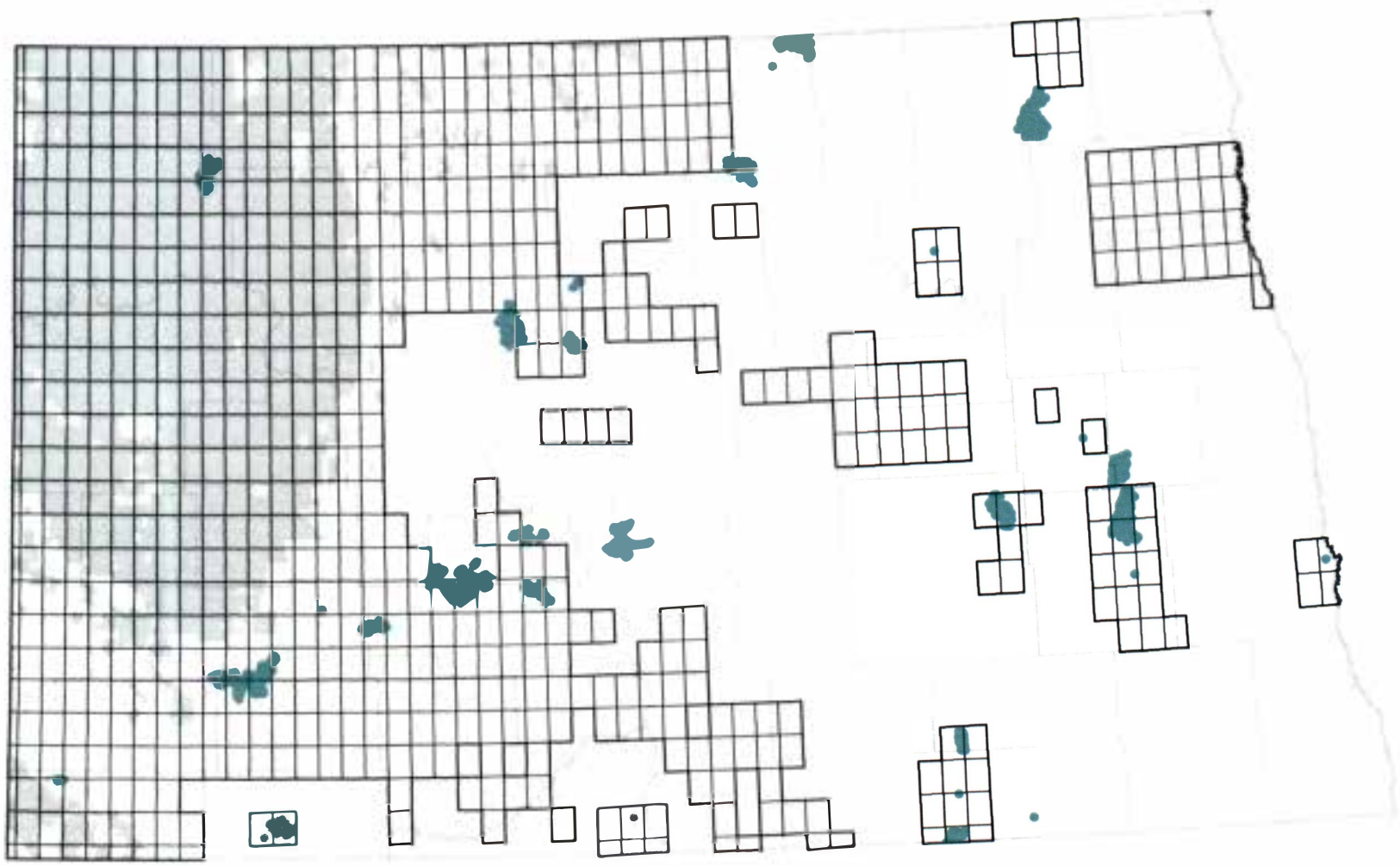


Left: A landslide and broken oil pipeline coincide in Billings County. Right: A landslide to the south of ND Highway 200A west of Washburn. The slope has since been cut back to stabilize it. Whenever possible, the Survey maps areas ahead of development so that infrastructure can be diverted around areas of unstable slopes.

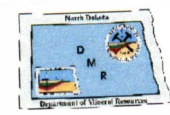
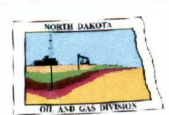


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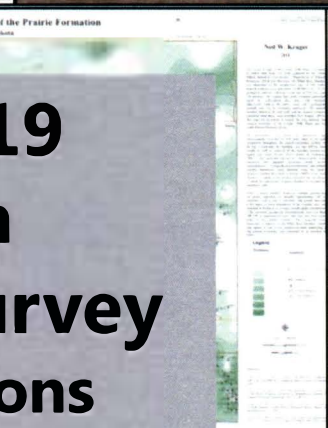
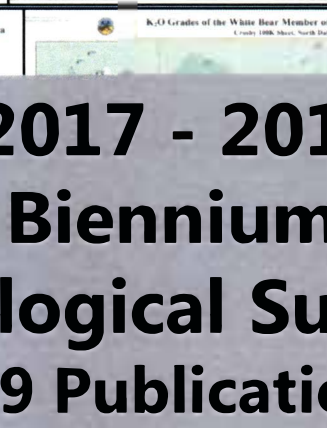
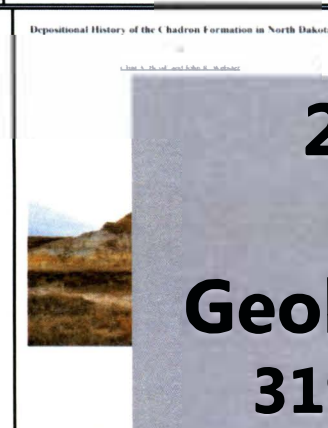
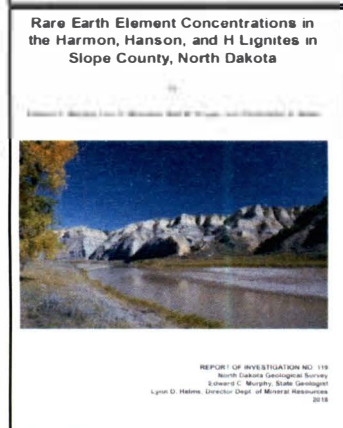
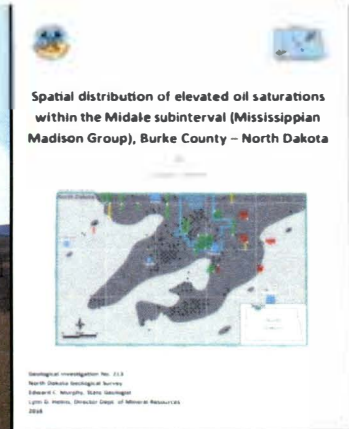
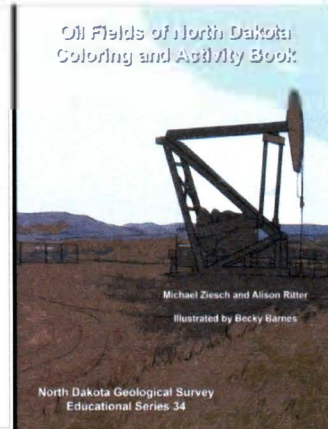
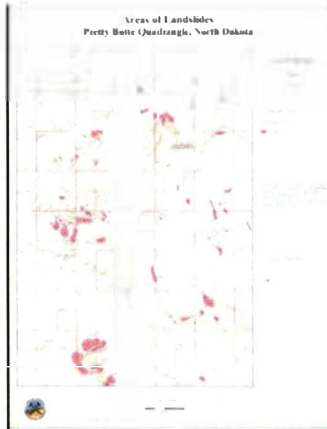
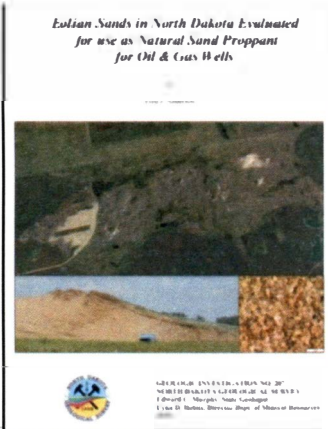
LANDSLIDE MAPPING PROJECT



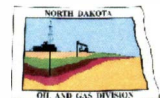
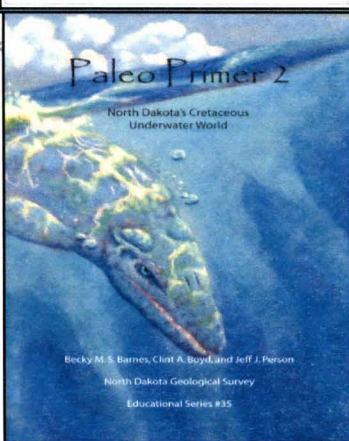
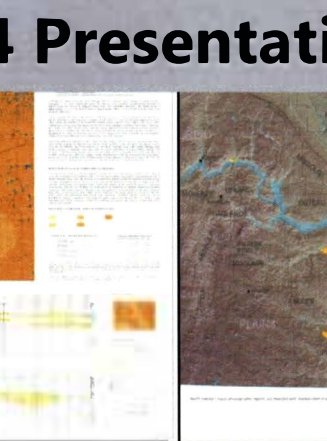
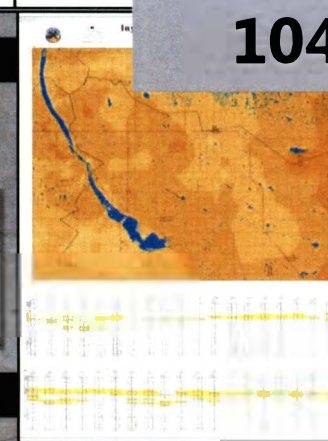
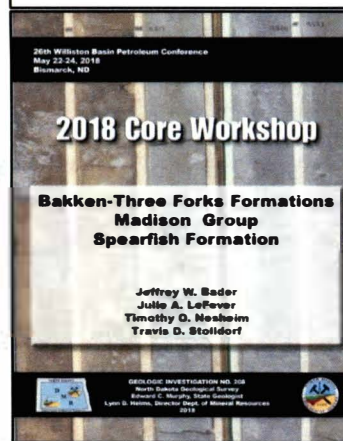
 Landslide Maps Completed  Oil/Gas Field  Wind Turbines  County Boundaries



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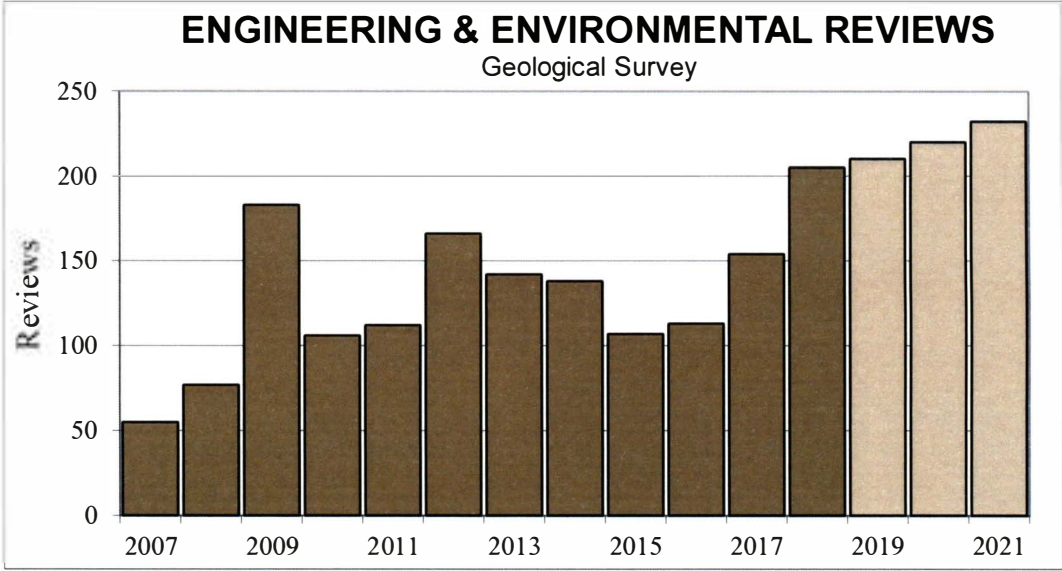


**2017 - 2019
Biennium
Geological Survey
319 Publications
104 Presentations**

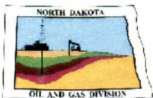


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ENGINEERING & ENVIRONMENTAL REVIEW PROGRAM



Left: Bridge replacement over the Heart River west of Dickinson in 2013 (Vern Whitten Photography). Right: The Tatanka Wind Farm in Dickey County.

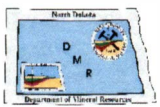
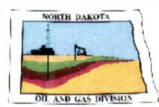


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A.M. A 3

MAJOR COMPONENTS - PROGRAM COSTS

The Department of Mineral Resources (DMR) budget is 99% general funds and <1% federal funds. Budget costs are primarily salary and benefits (81%). Federal funds for protection of fresh water supplies are not increasing, although program costs continue to rise due to inflation and federal environmental mandates. However, the agency continues to have statutory responsibilities to protect fresh water supplies. The federal funds are not expected to change over the current biennium.

The operating budget consists of travel (46%), primarily state fleet vehicle mileage for field work. Other operating items of significant costs include Lease/Rent/Facilities costs (26%) for the Bismarck office, warehouse, and three field offices and IT costs (12%) more than half of which are ITD data processing, Telephone, and Contractual Services.



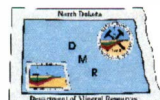
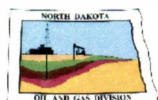
SALARIES AND BENEFITS

During the 2017-2019 biennium, we experienced an increasing rig count, in addition, ever-increasing drilling rig efficiencies and technological advancements have resulted in a 32% increase in statewide oil production and a 36% increase in statewide gas production over the two-year period.

Current staffing levels are inadequate to keep up with a rig count above 55 rigs. At the same time, our work force has been strained by attrition due to retirements and private industry opportunities.

A record number of oil producing wells along with required oil conditioning and gas capture goals as provided in orders of the Commission has resulted in a significant increase in workload. To address this shift in workload, the Department reassigned duties of several engineering technicians that were assigned to permitting, although permitting requests have again significantly increased, straining the current staff.

Rig count has steadily increased throughout the biennium (64 Rigs on 1/9/19) as oil prices have tripled from their recent lows and rig count is projected to increase to around 75 rigs by fiscal year-end 2021. The Spearfish play has been proven commercial in the past and recent increased oil prices have returned some activity to Bottineau County, which could warrant additional inspections by our Minot office in the near future. 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.



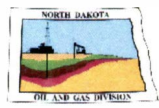
HB 1014
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OPERATING EXPENSE

Travel

DOT motor pool rates are increasing more than 4%, which will increase costs for the Oil and Gas Division. To offset inflationary increases, the number of field inspections will have to be reduced at a time when industry has a large number of inexperienced personnel and new small operators who need guidance and supervision. This may result in inadequate protection of potable waters and correlative rights.

Geological Survey travel has been cut over the last two bienniums. The Geological Survey has curtailed field work at a time when there is a high demand for our rare earth element study results, the results of our study into the feasibility of using North Dakota sands as proppant in Bakken and Three Forks completions, and the identification of landslides related to current and future impacts on infrastructure. In addition, we have more than doubled our public fossil dig program due to the strong demand from both in state and out of state participants.



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OPERATING EXPENSE

Lease/Building Rent/Land – Long term contracts but slow increases

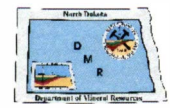
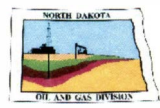
Oil and Gas Division rent is increasing \$55,865 in our Bismarck, Dickinson, Minot, and Williston office buildings. Geological Survey rent of building space is increasing \$12,000 in our Bismarck and warehouse buildings.

Repairs

A major expansion of the Wilson M. Laird Core and Sample library took place during the 2015-2017 biennium. Although we do not pay utilities, the Facilities Department at the University of North Dakota maintains our heating and cooling system and bills us on a monthly basis. Maintenance costs for the new heating and cooling system have been much higher than anticipated (19% increase).

Computers

Computers are at the end of their life cycle (including extended warranty) and need to be replaced (\$70,400). The switch over to M365 Productivity will increase ITD costs (\$76,787). Inflationary increases in data processing (\$19,923).



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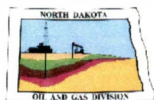
OPERATING EXPENSE

Operating Fees/Services

Litigation: The 65th Legislative Assembly appropriated \$1,000,000 from the Strategic Investment and Improvements Fund to the Industrial Commission for the purpose of defraying litigation expenses. Just over \$950,000 has currently been expended with six months of the current biennium remaining.

The 66th Legislative Assembly should consider a one-time appropriation of the sum of \$1,500,000, or so much of the sum as may be necessary, to the Industrial Commission for the purpose of defraying expenses associated with possible litigation and other administrative proceedings involving efforts to regulate hydraulic fracturing, flaring reduction, or any other activity currently under the jurisdiction of the Industrial Commission.

The Governor's recommended budget included the Industrial Commission in a funding pool included in OMB's budget for potential litigation.

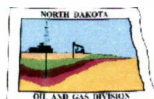


CAPITAL ASSETS

IT Equip/Software over \$5,000

RBDMS: The Department of Mineral Resources (DMR) Risk Based Data Management System (RBDMS) is the master oil and gas database for the state of North Dakota. RBDMS is a standardized platform built by the Ground Water Protection Council (GWPC). Nearly all oil and gas producing states are members of the GWPC and use a version of RBDMS.

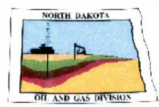
The legacy system operating at the DMR is at end of life. It is operating on technology, Access 2003, that is no longer supported by Microsoft. Research including a Business Process Modeling and Analysis, as well as Fit Gap examination, have taken place at the DMR to determine the most appropriate method of upgrading the system to contemporary web-based technology. It has been determined that a collaborative project between the DMR and GWPC would be the most effective. Upgrading the system, in collaboration with GWPC, will allow North Dakota resources to be leveraged with those of the council. Building off of work the GWPC is conducting for the state of California results in a system upgrade cost of \$9,544,005 for North Dakota. The GWPC has committed monetary resources of \$1,996,030 to the initiative. The DMR would contribute \$650,000 from Reservoir Data Fund and \$1,897,975 of in-kind resources, leaving a balance of \$5,000,000 as a General Fund special appropriation request.



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2017-2021 POTENTIAL CHANGES IN FEDERAL FUNDING

<u>Federal Funding Program</u>	<u>2017-2019 Anticipated Award</u>	<u>2017-2019 Anticipated Change</u>	<u>2019-2021 Anticipated Award</u>
UIC Oil & Gas (EPA)	\$210,000	\$0	\$210,000
PSC Coal (OSM-DOI)	\$8,000	\$0	\$15,000
NCRDS-Coal (USGS-DOI)	\$20,000	(\$20,000)	\$0
Statemap (USGS-DOI)	\$0	\$20,000	\$13,000

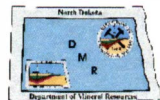


BUDGET REDUCTIONS TO MEET 90% BUDGET

	2017-19 Approp.	2019-21 Base Budget	Requested 10% Reductions	2019-21 90% Budget
40510 Salaries & Wages	\$20,630,206	\$20,630,206	(\$2,016,531)	\$18,613,675
40530 Operating Expense	\$11,593,787	\$4,795,048	(\$302,631)	\$4,492,417
40570 Contingent Positions	<u>\$221,737</u>	<u>\$221,737</u>	<u>(\$221,737)</u>	<u>\$0</u>
Total Expenditures	\$32,445,730	\$25,646,991	(\$2,540,899)	\$23,106,092

Breakdown of 10% Reductions:

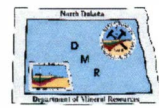
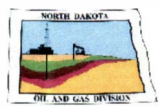
Salaries & Benefits:	(\$2,162,540) (14 positions)
Travel:	(\$338,197)
IT Software Maintenance:	(\$17,600)
Professional Supplies:	(\$3,000)
Supplies:	(\$9,000)
IT Equipment:	(\$30,250)
Office/Other Equip:	(\$22,210)
Lease/Rent Bldg:	\$67,865
IT Communications:	(\$22,612)
Professional Development:	(\$3,355)



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EXECUTIVE RECOMMENDED BUDGET CHANGES

	2019-21 Base Level	Executive Budget	DMR Essential Budget
40510 Salaries & Benefits	\$20,630,206	\$22,235,162	\$22,452,779
40530 Operating Expense	\$4,795,048	\$5,513,062	\$5,621,302
40550 Capital Assets	\$0	\$5,000,000	\$5,000,000
40570 Contingent Positions	<u>\$221,737</u>	<u>\$0</u>	<u>\$902,969</u>
Total Expenditures	\$25,646,991	\$32,748,224	\$33,977,050
Less Federal Income	\$238,004	\$238,004	\$238,004
Less SIIF Transfer	<u>\$0</u>	<u>\$5,270,000</u>	<u>\$5,270,000</u>
Total General Fund	\$25,408,987	\$27,240,220	\$28,469,046
FTE	103.5	103.5	107.5



EXECUTIVE RECOMMENDED BUDGET CHANGES

**Amend
HB 1014
Section
1.1***

40510 Salaries & Benefits - The difference between the Base Level and the Executive Budget salary line item is \$1,604,956. This is composed of: \$1,506,205 in Governor recommended salary, retirement, and health insurance increases; (\$163,451) in position turnover savings; and \$40,465 contingency positions costs to continue (after moving \$221,737 to the salary line item).

**Amend
HB 1014
Section
1.1***

40530 Operating Expense - The difference between the Base Level and the Executive Budget operating line item is \$718,014. This is composed of: \$300,827 inflationary increases; \$147,187 for new computers and M365 productivity costs; and \$270,000 for the Rare Earth and Proppant Sand studies (special funds).

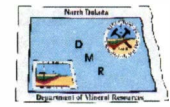
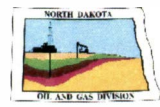
**Add new
section to
HB 1014***

The Executive Recommendation moved the agency requested \$1,500,000 for Litigation funding to an OMB maintained Litigation Fund.

**Amend
HB 1014
Section 2***

40550 Capital Assets - The difference between the Base Level and the Executive Budget capital assets line item is composed of \$5,000,000 for the RBDMS upgrade (special funds).

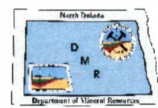
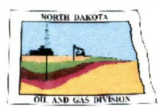
****An appendix of all recommended amendments to HB 1014 are listed on slides 46-47.***



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A# A.3

DMR ESSENTIAL BUDGET AMENDMENTS TO HB 1014

	2019-21 Base Level	Executive Budget	DMR Essential Budget
40510 Salaries & Benefits	\$20,630,206	\$22,235,162	\$22,452,779
40530 Operating Expense	\$4,795,048	\$5,513,062	\$5,621,302
40550 Capital Assets	\$0	\$5,000,000	\$5,000,000
40570 Contingent Positions	<u>\$221,737</u>	<u>\$0</u>	<u>\$902,969</u>
Total Expenditures	\$25,646,991	\$32,748,224	\$33,977,050
Less Federal Income	\$238,004	\$238,004	\$238,004
Less SIIF Transfer	<u>\$0</u>	<u>\$5,270,000</u>	<u>\$5,270,000</u>
Total General Fund	\$25,408,987	\$27,240,220	\$28,469,046
FTE	103.5	103.5	107.5



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DMR ESSENTIAL BUDGET AMENDMENTS TO HB 1014

**Amend
HB 1014
Section 4***

40510 Salaries & Benefits

The DMR Essential Budget adds four contingent positions: \$459,089 (\$332,949 salaries and \$126,140 operating) for two full-time equivalent positions (petroleum engineer and engineering technician) if the total number of wells capable of production and injection exceeds 20,800; and \$443,880 (\$317,740 salaries and \$126,140 operating) for two full-time equivalent positions (two engineering technicians) if the total number of wells capable of production and injection exceeds 22,500. [Note – salary amounts above include executive recommended salary, retirement, and health insurance increases.]

The DMR Essential Budget adds \$217,617 in temp salaries to retain, for up to 11 months, employees in key positions with critical institutional knowledge who have reached the rule of 85 and plan to retire.

**Amend
HB 1014
Section
1.1***

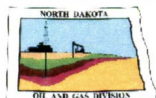
40530 Operating Expense

The difference between the Executive Budget and the DMR Essential Budget operating line item is \$108,240. The Executive Budget transferred all of the contingency funding to the salary line item, but did not add the cost to continue for the contingent position operating costs.

**Add new
section to
HB 1014***

An additional \$412,505 of unspent funds from the 65th Legislative Session SB 2134 Ordinary High Water Mark study should be considered for transfer to the litigation fund. There is potential for expert witness costs during any litigation resulting from this study. Costs are not expected soon, but there is a two year window for litigation to be brought forward until September 27th, 2020.

****An appendix of all recommended amendments to HB 1014 are listed on slides 46-47.***

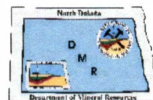
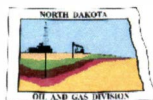


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AN A. 3

2015-2017 AUDIT

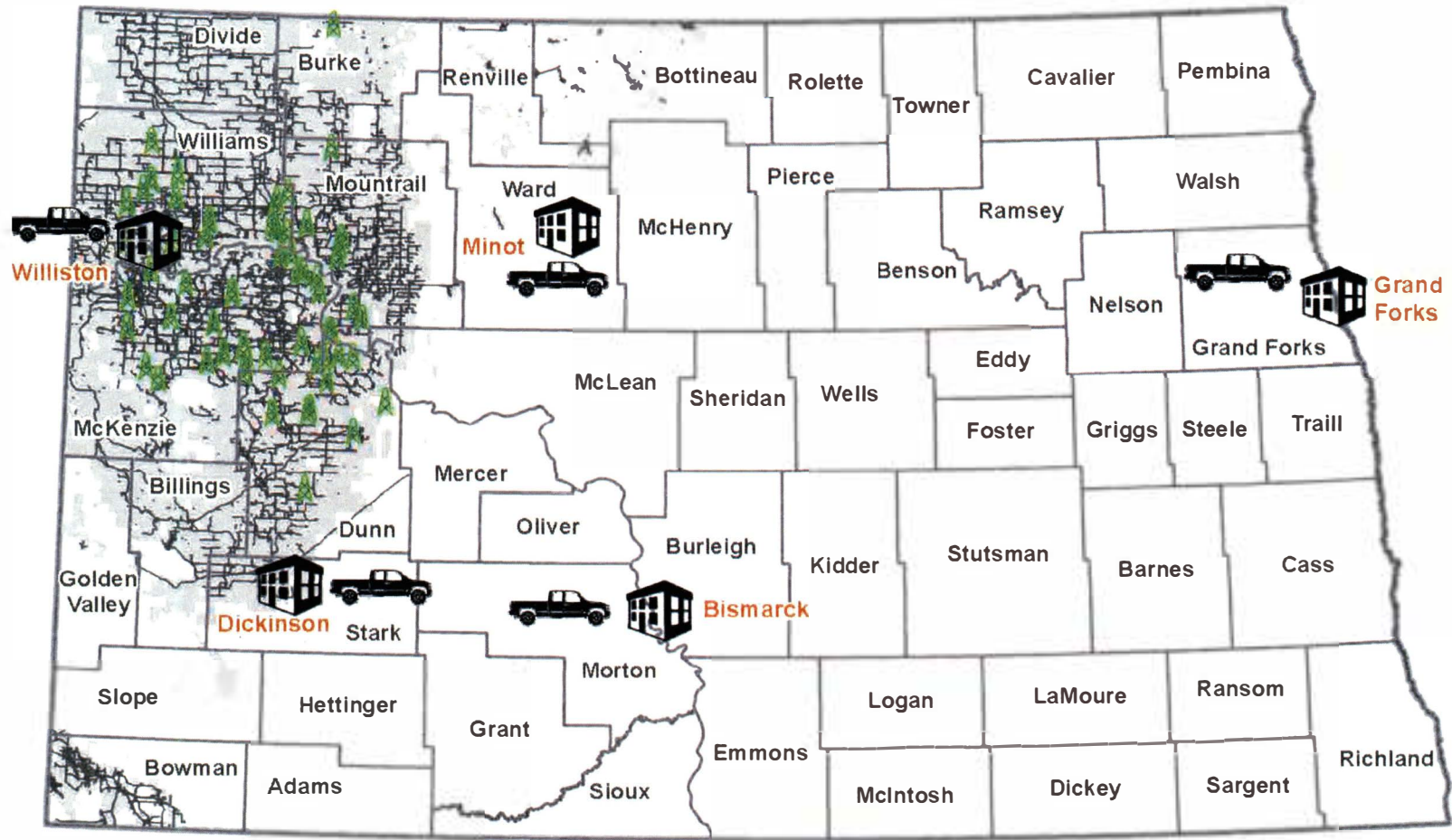
DMR Audit Findings

The Office of State Auditor performed an operational and financial audit for the biennium ending June 30, 2017. DMR had no formal findings.

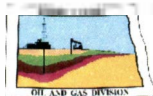


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DEPARTMENT OF MINERAL RESOURCES STAFFING



Years of Service	0-3	4-6	7-10	11-15	16-20	21-25	26-30	30+
FTE	22	23	19	8	7	3	2	10
%	23%	25%	20%	9%	7%	3%	2%	11%



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STAFF MODEL – FIELD INSPECTOR’S FY2019

FY 2019

Permanent Field Staff Model

Current

20 Petroleum Engineer - Field Inspectors

1 Petroleum Engineer - Field Inspectors - vacant FTE

7 Engineering Technician - Field Inspectors
1 Geophysical/coal exploration - Field Inspector
5 Engineering Technician - Pipeline Inspectors
1 Engineering Technician - Pipeline Inspector - vacant
3 Engineering Technician - Field Inspector - vacant

Total	Needed
27	35
1	1
5	6
1	
4	
38	42

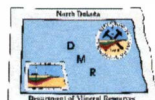
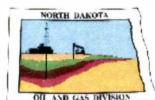
Required

65 Drilling Rigs
12 Petroleum Engineer - Field Inspectors Needed
45 hours per week
5 hours office time
20 hours Spills, Pluggings, other Engineering
17,709 producing wells 0 visits per year
1,461 injection wells 0 visits per year
0 hours for well inspections
20 hours for rig inspection

11/5/2018 18,200 Wells and Facilities
23 Engineering Technician - Field Inspectors Needed
45 hours per week
5 hours office time
2 hours Spills and Bems
17,709 producing wells 4 visits per year
1,461 injection wells 12 visits per year
38 hours for well inspections
0 hours for rig inspection

35

	Petroleum Engineer Field Inspectors	Wells	ET or PE Field Inspectors	Total Field Inspectors
Min	20	18,466	22	26
	30	18,598	22	28
	40	18,731	22	30
	50	18,864	22	32
	60	18,997	22	33
	70	19,130	23	36
	80	19,263	23	38
	100	19,528	23	42
	120	19,794	23	46
	140	20,060	24	51
	160	20,325	24	54
	180	20,591	24	58
Max	200	20,857	25	63

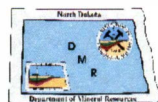
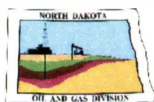


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STAFF MODEL – ADMINISTRATIVE POSITIONS FY2019

FY 2019 Office Staff Model

	Current				Metrics	Fiscal Year 2019					Action
	Total	FTE	Vacant	Temp		Work Load	Need	FT	Temp		
Pipeline	4.0	4.0			500 miles gathering pipeline construction / FTE	2,000	4.0	4.0			
Underground injection	1.0	1.0			1,500 UIC wells / FTE	1,461	1.0	1.0			
Treating Plants	1.0	1.0			10 permits / year / FTE	10	1.0	1.0			
Well logs, cores, samples, cement tops, and directional surveys	4.0	4.0			500 permits / year / FTE	1,989	4.0	4.0			
Oil and Gas permitting	5.0	5.0			500 permits new and renewed / year / FTE	1,989	4.0	4.0	-1.0	share FTE > Prod & Filing	
Information Technology	5.0	5.0			20 employees / FTE	108	5.4	5.0			
Accounting & payroll	3.0	3.0			35 employees / FTE	108	3.1	3.0			
Reclamation	2.0	1.0	1.0		8,750 wells / FTE	19,170	2.2	2.0		fill vacant position	
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0	3.0			900 wells / FTE	2,984	3.3	3.0			
Production auditing	3.0	2.0	1.0		5,000 wells / FTE	17,709	3.5	3.0	0.5	fill vacant position	
Oil and Gas measurement	2.5	2.0		0.5	7,200 wells / FTE	17,709	2.5	2.0	0.5		
Hearing dockets and orders	2.0	2.0			500 cases / year / FTE	1,000	2.0	2.0			
Reception, filing, and PIO	3.5	2.5	1.0		5,000 wells & files / FTE	19,170	3.8	3.5	0.5	fill vacant position	
Human Resources	1.0	1.0			110 employees / FTE	108	1.0	1.0			
Safety-Facilities-Motorpool	1.0	1.0			110 employees / FTE	108	1.0	1.0			
Bonding	1.0	1.0			18,000 wells / FTE	19,170	1.1	1.0			
Geology surface	4.0	4.0			2,100 permits, publications, presentations, maps / year/ FTE	8,400	4.0	4.0			
Geology subsurface	1.0	1.0			1,100 permits, publications, presentations, maps / year/ FTE	1,100	1.0	1.0			
Geology petroleum	2.0	2.0			6,700 permits, publications, presentations, maps / year/ FTE	13,400	2.0	2.0			
Geology inquiries, georeviews, and publications	5.0	5.0			1,250 publications, presentations, maps / year/ FTE	6,200	5.0	5.0			
Core Library	5.0	3.0		2.0	400 permits / year / FTE	1,989	5.0	3.0	2.0		
Paleontology	3.5	3.0		0.5	985 permits, publications, presentations, digs / year/ FTE	3,400	3.5	3.0	0.5		
Executive	4.0	4.0			25 employees / FTE	103	4.1	4.0			
Total Office Staff	66.5	60.5	3.0	3.0			67.2	62.5	3.0		
Total Field Staff	40.0	33.0	7.0	0.0			42.0	42.0	0.0	fill vacant positions -2 FTE "hands free" lost people-hours	
Total DMR Staff	106.5	93.5	10.0	3.0			107.5	104.5	3.0		



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STAFF MODEL – FIELD INSPECTOR’S FY2020

FY 2020

Permanent Field Staff Model

Current

20 Petroleum Engineer - Field Inspectors

1 Petroleum Engineer - Field Inspectors - vacant FTE

7 Engineering Technician - Field Inspectors
1 Geophysical/coal exploration - Field Inspector
5 Engineering Technician - Pipeline Inspectors
1 Engineering Technician - Pipeline Inspector - vacant
3 Engineering Technician - Field Inspector - vacant

Total	Needed
27	37
1	1
5	6
1	
4	
38	44

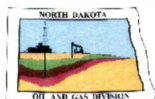
Required

70 Drilling Rigs
13 Petroleum Engineer - Field Inspectors Needed
45 hours per week
5 hours office time
20 hours Spills, Pluggings, other Engineering
19,221 producing wells 0 visits per year
1,561 injection wells 0 visits per year
0 hours for well inspections
21 hours for rig inspection

6/30/2019 19,170 Wells and Facilities
24 Engineering Technician - Field Inspectors Needed
45 hours per week
5 hours office time
2 hours Spills and Berms
19,221 producing wells 4 visits per year
1,561 injection wells 12 visits per year
39 hours for well inspections
0 hours for rig inspection

37

	Petroleum Engineer Field Inspectors	Wells	ET or PE Field Inspectors	Total Field Inspectors
Min	20	19,591	23	27
	30	19,821	23	29
	40	20,051	23	31
	50	20,282	24	34
	60	20,512	24	35
	70	20,743	24	37
	80	20,973	24	39
	100	21,434	25	44
	120	21,895	26	49
	140	22,355	26	53
	160	22,816	27	57
	180	23,277	27	61
Max	200	23,738	28	66

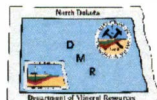
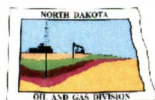


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STAFF MODEL – ADMINISTRATIVE POSITIONS FY2020

FY 2020 Office Staff Model

	Current				Metrics	Fiscal year 2020				
	Total	FTE	Vacant	Temp		Work Load	Need	FT	Temp	Action
Pipeline	4.0	4.0			500 miles gathering pipeline construction / FTE	2,000	4.0	4.0		
Underground injection	1.0	1.0			1,500 UIC wells / FTE	1,561	1.0	1.0		
Treating Plants	1.0	1.0			10 permits / year / FTE	10	1.0	1.0		
Well logs, cores, samples, cement tops, and directional surveys	4.0	4.0			500 permits / year / FTE	2,142	4.3	4.0		
Oil and Gas permitting	5.0	5.0			500 permits new and renewed / year / FTE	2,142	4.3	4.0	-1.0	share FTE > Prod & Filing
Information Technology	5.0	5.0			22 employees / FTE	110	5.0	5.0		
Accounting & payroll	3.0	3.0			35 employees / FTE	110	3.1	3.0		
Reclamation	2.0	1.0	1.0		9,300 wells / FTE	20,783	2.2	2.0		fill vacant position
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0	3.0			975 wells / FTE	3,213	3.3	3.0		
Production auditing	3.0	2.0	1.0		5,500 wells / FTE	19,221	3.5	3.0	0.5	fill vacant position
Oil and Gas measurement	2.5	2.0		0.5	7,600 wells / FTE	19,221	2.5	2.0	0.5	
Hearing dockets and orders	2.0	2.0			500 cases / year / FTE	1,000	2.0	2.0		
Reception, filing, and PIO	3.5	2.5	1.0		5,000 wells & files / FTE	20,783	4.2	3.5	0.5	fill vacant position
Human Resources	1.0	1.0			110 employees / FTE	110	1.0	1.0		
Safety-Facilities-Motorpool	1.0	1.0			110 employees / FTE	110	1.0	1.0		
Bonding	1.0	1.0			18,200 wells / FTE	20,783	1.1	1.0		
Geology surface	4.0	4.0			2,100 permits, publications, presentations, maps / year / FTE	8,400	4.0	4.0		
Geology subsurface	1.0	1.0			1,100 permits, publications, presentations, maps / year / FTE	1,100	1.0	1.0		
Geology petroleum	2.0	2.0			6,700 permits, publications, presentations, maps / year / FTE	13,400	2.0	2.0		
Geology inquiries, georeviews, and publications	5.0	5.0			1,250 publications, presentations, maps / year / FTE	6,200	5.0	5.0		
Core Library	5.0	3.0		2.0	400 permits / year / FTE	2,142	5.4	3.0	2.4	
Paleontology	3.5	3.0		0.5	985 permits, publications, presentations, digs / year / FTE	3,400	3.5	3.0	0.5	
Executive	4.0	4.0			25 employees / FTE	103	4.1	4.0		
Total Office Staff	66.5	60.5	3.0	3.0			68.5	62.5	3.4	
Total Field Staff	40.0	33.0	7.0	0.0			44.0	44.0	0.0	fill vacant positions 2 contingency @ 20,800
Total DMR Staff	106.5	93.5	10.0	3.0			109.9	106.5	3.4	



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STAFF MODEL – FIELD INSPECTOR’S FY2021

FY 2021

Permanent Field Staff Model

Current

20 Petroleum Engineer - Field Inspectors

1 Petroleum Engineer - Field Inspectors - vacant FTE

7 Engineering Technician - Field Inspectors
 1 Geophysical/coal exploration - Field Inspector
 5 Engineering Technician - Pipeline Inspectors
 1 Engineering Technician - Pipeline Inspector - vacant
 3 Engineering Technician - Field Inspector - vacant

Total	Needed
27	39
1	1
5	6
1	
4	
38	46

Required

75 Drilling Rigs

13 Petroleum Engineer - Field Inspectors Needed

45 hours per week

4 hours office time

20 hours Spills, Pluggings, other Engineering

20,837 producing wells 0 visits per year

1,669 injection wells 0 visits per year

0 hours for well inspections

21 hours for rig inspection

6/30/2020 20,783 Wells and Facilities

26 Engineering Technician - Field Inspectors Needed

45 hours per week

4 hours office time

2 hours Spills and Berms

20,837 producing wells 4 visits per year

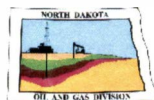
1,669 injection wells 12 visits per year

39 hours for well inspections

0 hours for rig inspection

39

	Rigs	Petroleum Engineer Field Inspectors	Wells	ET or PE Field Inspectors	Total Field Inspectors
Min	20	4	21,202	25	29
	30	6	21,432	25	31
	40	8	21,662	26	34
	50	10	21,891	26	36
	60	11	22,121	26	37
	75	14	22,466	26	40
	80	15	22,581	27	42
	100	19	23,040	27	46
	120	23	23,500	28	51
	140	27	23,959	28	55
	160	30	24,419	29	59
	180	34	24,878	29	63
Max	200	38	25,338	30	68

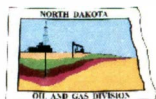


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STAFF MODEL – ADMINISTRATIVE POSITIONS FY2021

FY 2021 Office Staff Model

	Current				Metrics	Fiscal Year 2021				
	Total	FTE	Vacant	Temp		Work Load	Need	FT	Temp	Action
Pipeline	4.0	4.0			500 miles gathering pipeline construction / FTE	2,000	4.0	4.0		
Underground injection	1.0	1.0			1,500 UIC wells / FTE	1,669	1.1	1.0		
Treating Plants	1.0	1.0			10 permits / year / FTE	10	1.0	1.0		
Well logs, cores, samples, cement tops, and directional surveys	4.0	4.0			625 permits / year / FTE	2,700	4.3	4.0		
Oil and Gas permitting	5.0	5.0			525 permits new and renewed / year / FTE	2,700	5.1	4.0	-1.0	share FTE > Prod & Filing
Information Technology	5.0	5.0			24 employees / FTE	112	4.7	5.0		
Accounting & payroll	3.0	3.0			35 employees / FTE	112	3.2	3.0		
Reclamation	2.0	1.0	1.0		10,400 wells / FTE	22,506	2.2	2.0		fill vacant position
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0	3.0			1,250 wells / FTE	4,050	3.2	3.0		
Production auditing	3.0	2.0	1.0		6,000 wells / FTE	20,837	3.5	3.0	0.5	fill vacant position
Oil and Gas measurement	2.5	2.0		0.5	7,700 wells / FTE	20,837	2.7	2.0	0.5	
Hearing dockets and orders	2.0	2.0			500 cases / year / FTE	1,000	2.0	2.0		
Reception, filing, and PIO	3.5	2.5	1.0		6,000 wells & files / FTE	22,506	3.8	3.5	0.5	fill vacant position
Human Resources	1.0	1.0			110 employees / FTE	112	1.0	1.0		
Safety-Facilities-Motorpool	1.0	1.0			110 employees / FTE	112	1.0	1.0		
Bonding	1.0	1.0			19,600 wells / FTE	22,506	1.1	1.0		
Geology surface	4.0	4.0			2,100 permits, publications, presentations, maps / year/ FTE	8,400	4.0	4.0		
Geology subsurface	1.0	1.0			1,100 permits, publications, presentations, maps / year/ FTE	1,100	1.0	1.0		
Geology petroleum	2.0	2.0			6,700 permits, publications, presentations, maps / year/ FTE	13,400	2.0	2.0		
Geology inquiries, georeviews, and publications	5.0	5.0			1,250 publications, presentations, maps / year/ FTE	6,200	5.0	5.0		
Core Library	5.0	3.0		2.0	400 permits / year / FTE	2,700	6.8	3.0	2.4	
Paleontology	3.5	3.0		0.5	985 permits, publications, presentations, digs / year/ FTE	3,400	3.5	3.0	0.5	
Executive	4.0	4.0			25 employees / FTE	103	4.1	4.0		
Total Office Staff	66.5	60.5	3.0	3.0			70.2	62.5	3.4	
Total Field Staff	40.0	33.0	7.0	0.0			46.0	46.0	0.0	fill vacant positions 2 contingency @ 22,500
Total DMR Staff	106.5	93.5	10.0	3.0			111.9	108.5	3.4	



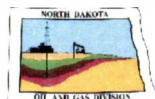
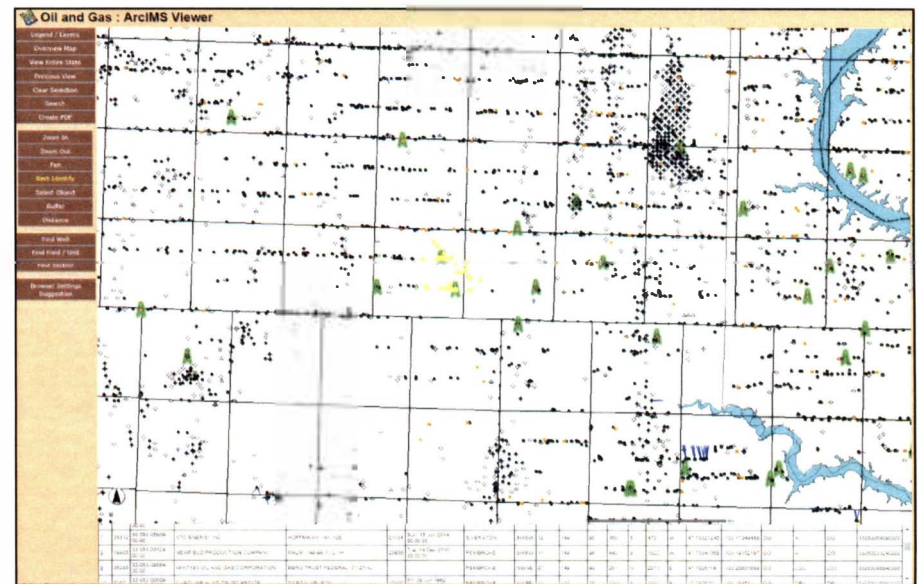
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RBDMS UPGRADE "NORTHSTAR" PROJECT (2018-2021)

Current RBDMS System

System uses Access 2003 which MS support ended in 2013 as well as Access 2010 which MS support will end in 2020.

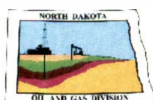
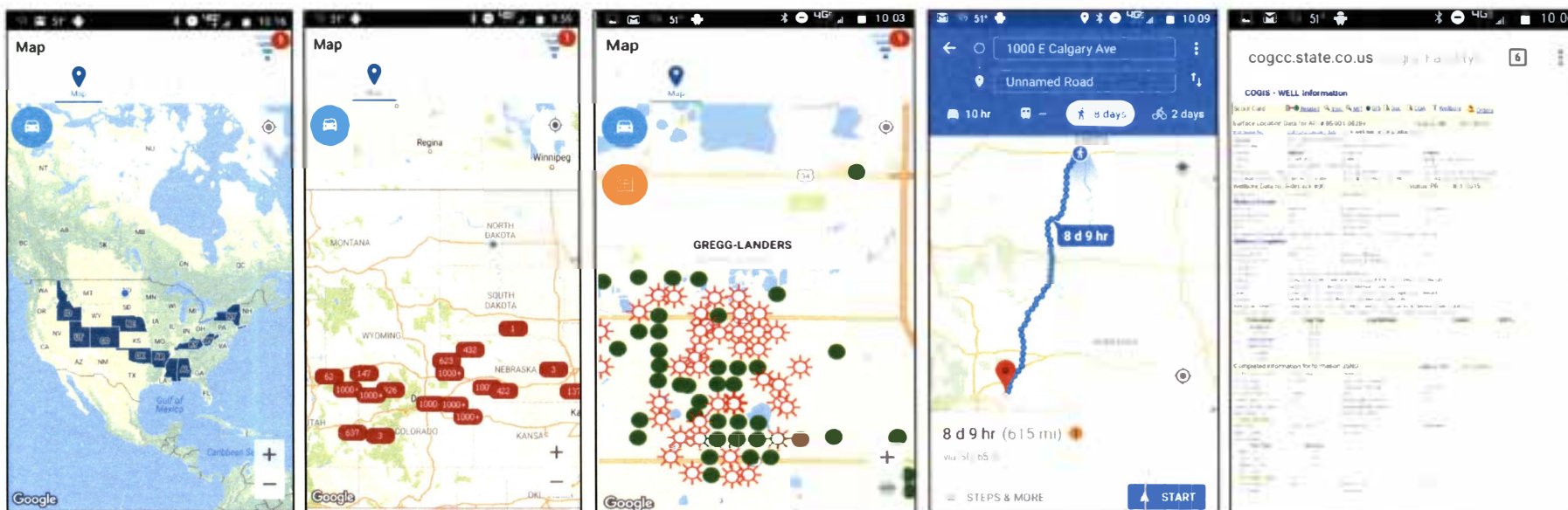
**North Dakota
Implementation of
RBDMS**



RBDMS UPGRADE "NORTHSTAR" PROJECT (2018-2021)

Future RBDMS System – "NorthSTAR"

North Dakota's Statewide Tracking and Reporting System "NorthSTAR" will capitalize on work completed by the State of California and the Groundwater Protection Council, who are the original developers of the program. Upgraded system will allow for cloud based data storage, interactive electronic regulatory filing options, and will integrate with a user friendly public interface ("WellFinder" app) in the future. A portion of costs are being shared by North Dakota Department of Mineral Resources and Groundwater Protection Council. Work is currently in the 1st of four phases to build out the program.



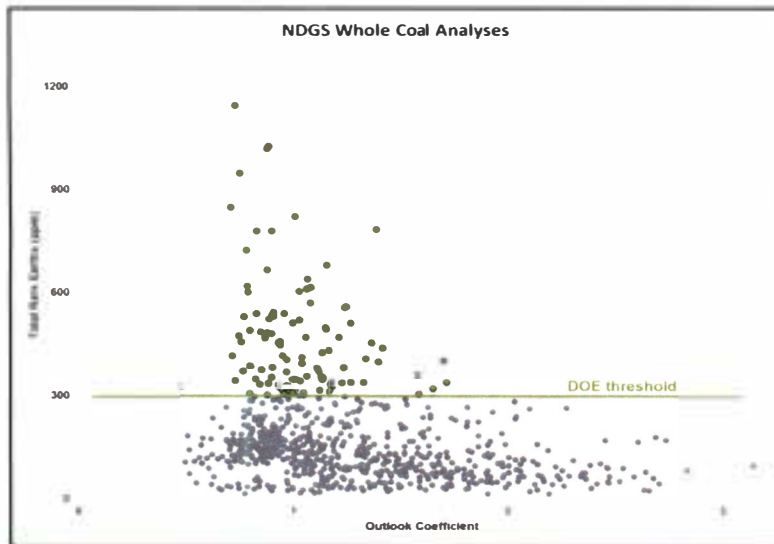
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RARE EARTH SAMPLING PROJECT

(2015-2021)

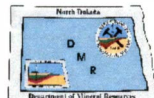
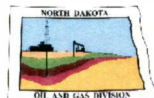
In 2015, we received \$100,000 in one-time funding to initiate a study of rare earth element concentrations in ND lignites and collected and had analyzed 342 samples. Since that time, we have collected an additional 855 samples and submitted 413 more for analysis. Twelve of our North Dakota lignite samples, coming from four different localities in western North Dakota, exceed 653 ppm, the highest concentration previously reported from a coal in North America. Our highest coal sample contains 1,026 ppm of rare earth elements, almost four times the threshold for coal set by the U.S. Department of Energy.

Our studies have garnered national attention, but we have yet to find consistently high rare earth concentrations over a large area. We would like to collect an additional 400 samples from specific areas in western North Dakota with the intent of generating an exploration model.



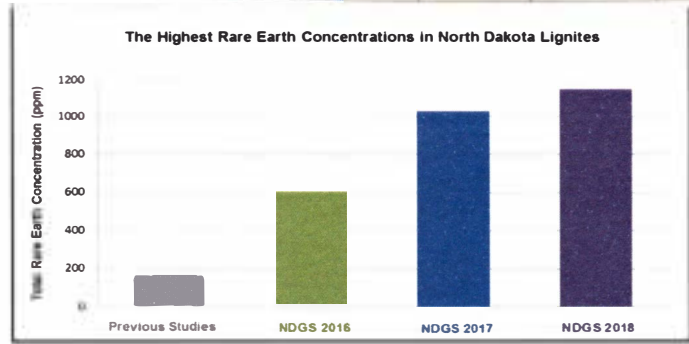
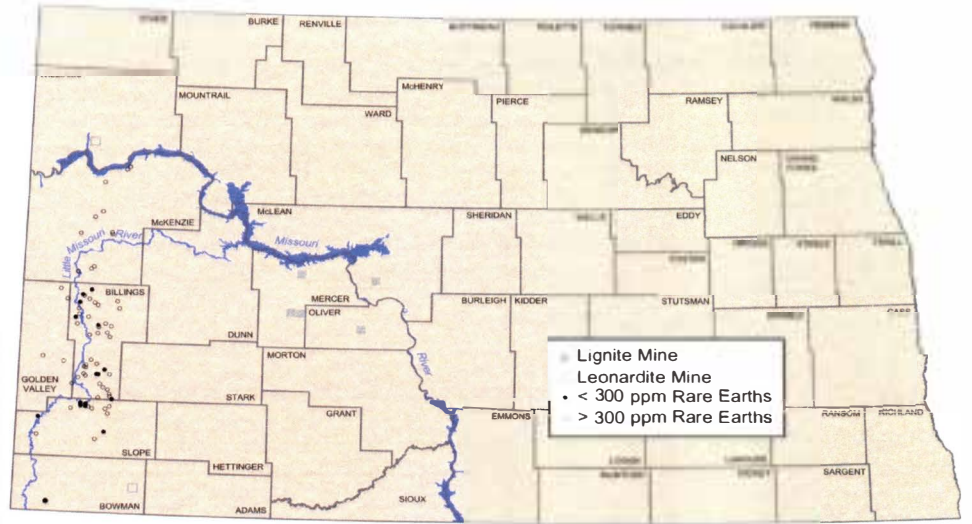
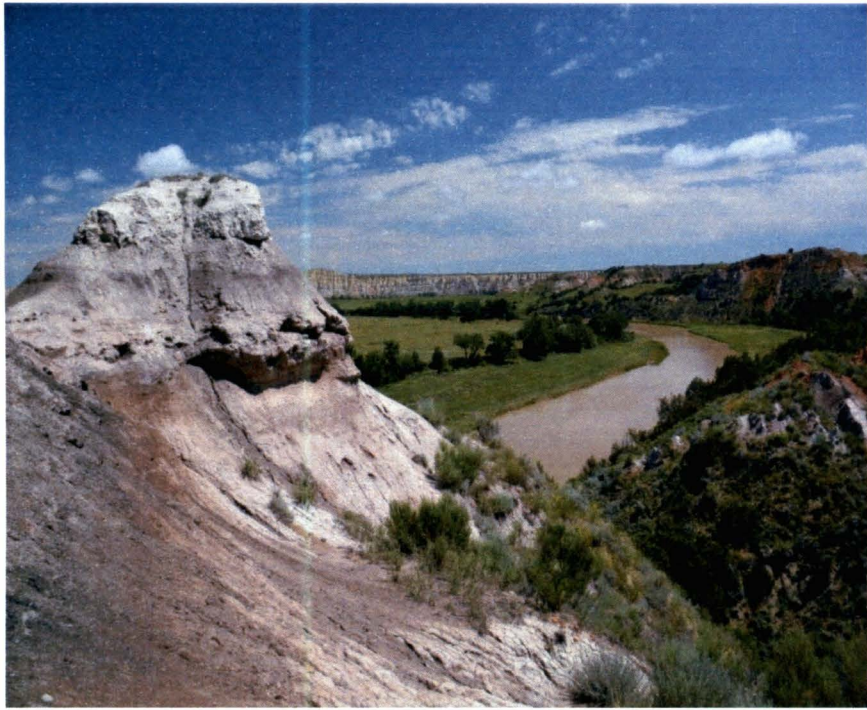
Sample collection (travel) =	\$ 20,000
350 samples @ \$400/sample =	<u>\$140,000</u>
Total project cost =	\$160,000

The rare earth element concentrations of 106 of the 755 Geological Survey samples exceed the U.S. Department of Energy threshold of 300 parts per million.

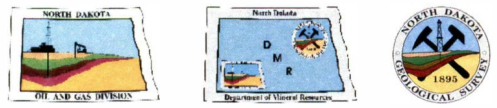


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RARE EARTH SAMPLING PROJECT (2015-2021)



Left: One of the Geological Survey study sites along the Little Missouri River in Slope County. Upper right: The locations of the Geological Survey rare earth sample sites. Lower right: Prior to the Geological Survey study, the highest rare earth concentration reported from a North Dakota lignite was 165 parts per million.



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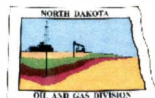
PROPPANT SAND PROJECT

(2018-2021)

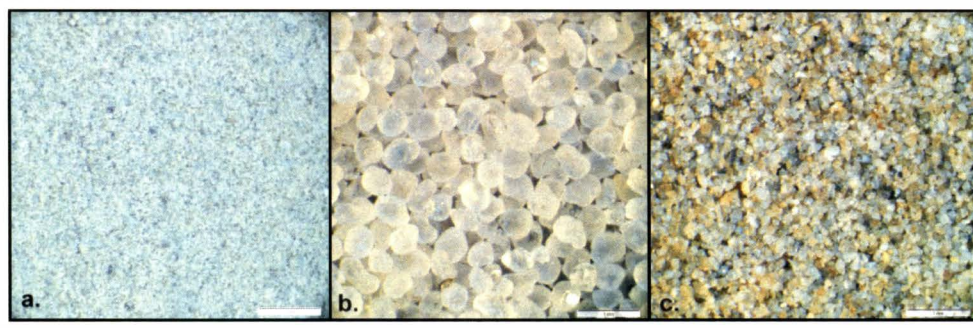
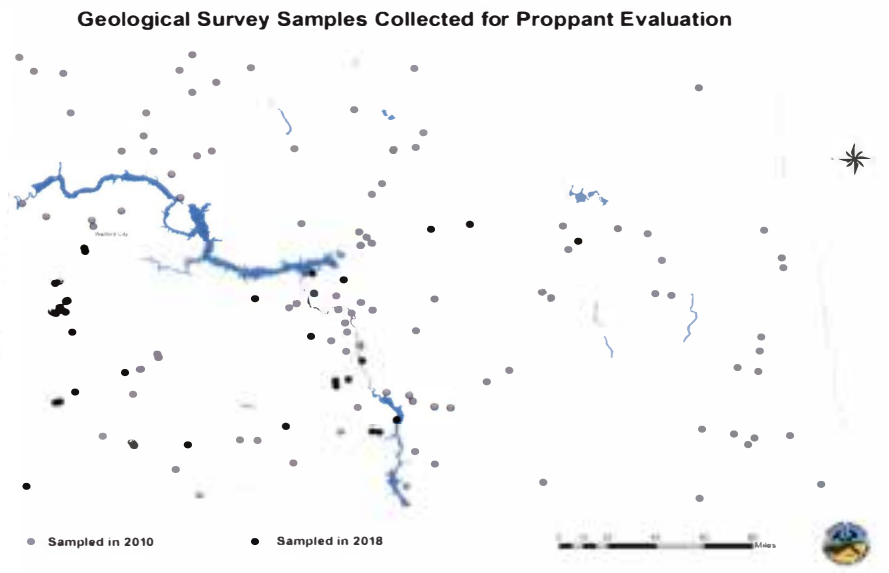
During the 2009-2011 biennium, we received \$30,000 in one-time funding to investigate the potential for sand resources in North Dakota to be used as proppant for oil and gas wells. We collected 125 samples and submitted the top ten samples to an independent testing lab. Those ND sand samples were of lesser quality than the silica sands that the industry was using from the upper-Midwest.

However, in 2018 the U.S. oil and gas industry began utilizing local sand resources with lower, but acceptable, quality standards. In response to those changes, we collected an additional 90 samples from bedrock sandstones in the west and wind-blown surficial sand deposits in the east and central portions of the state. We wish to collect an additional 100 samples and have the top 40 samples laboratory tested to determine if the best samples meet the new industry standards for proppant.

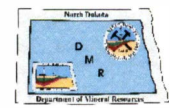
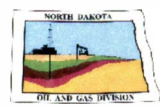
Sample collection (travel) =	\$ 10,000
40 samples @ \$2,500 =	<u>\$100,000</u>
Total project cost =	\$110,000



PROPPANT SAND PROJECT (2018-2021)



Left: A sandstone sample being collected from a study site in McKenzie County. Upper right: Sand and sandstone samples have been collected for this project from across North Dakota. Center: A few examples of the 215 photographs of North Dakota sand under a microscope that we have taken. Sample (a) is a windblown deposit from Burleigh County, (b) is an Ottawa white proppant sand from Illinois and (c) is a bedrock sandstone from Slope County.



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APPENDIX: REQUESTED AMENDMENTS TO HB 1014

Section 1. Appropriation – subdivision 1

Salaries & Wages

- Governor recommended salary increase \$954,104
- Governor recommended retirement increase \$125,062
- Governor recommended health insurance increase \$427,039
- Position turnover savings (\$163,451)
- Retain key employees who have reached rule 85 and plan to retire as part of institutional knowledge transfer plan (\$217,617)
- 2017-19 contingency positions funding \$221,737 (moved from separate appropriation line item to salaries)
- 2017-19 contingency position costs to continue \$40,465

Operating Expense

- Inflationary increase \$300,827
- New computers and M365 productivity costs \$147,187
- 2017-19 contingency position costs to continue \$108,240
- Rare Earth and Proppant Sand studies \$270,000 (special funds)

Capital Assets

- RBDMS upgrade \$5,000,000 (special funds)

Contingencies

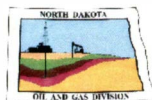
- 2019-21 two contingency positions for 20,800 wells \$459,089 (\$332,949 salaries and \$126,140 operating)
- 2019-21 two contingency positions for 22,500 wells \$443,880 (\$317,740 salaries and \$126,140 operating)

Full-time equivalent positions 107.5

Section 2. One-time Funding

Add to 2019-21 column:

- RBDMS upgrade \$5,000,000 (special funds)
- Rare earth study \$160,000 (special funds)
- Proppant sand study \$110,000 (special funds)



APPENDIX: REQUESTED AMENDMENTS TO HB 1014

Section 4. Contingent Funding

This section was lifted from the 2017 appropriation bill and should be replaced with the following:

The amount of \$459,089 from the general fund and two full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds twenty thousand eight hundred. Subject to budget section approval, the industrial commission may spend \$459,089 from the contingencies line item and may hire two full-time equivalent positions if the total number of oil wells capable of production and injection exceeds twenty thousand eight hundred.

The amount of \$443,880 from the general fund and two full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds twenty-two thousand five hundred. Subject to budget section approval, the industrial commission may spend \$443,880 from the contingencies line item and may hire two full-time equivalent positions if the total number of oil wells capable of production and injection exceeds twenty-two thousand five hundred.

Add New Sections. Estimated Income – Strategic Investment and Improvements Fund

The less estimated income line item in subdivision 1 of section 1 of this Act includes \$5,000,000 from the strategic investment and improvements fund for a risk based data management system upgrade.

The less estimated income line item in subdivision 1 of section 1 of this Act includes \$160,000 from the strategic investment and improvements fund for a rare earth research project.

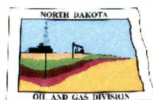
The less estimated income line item in subdivision 1 of section 1 of this Act includes \$110,000 from the strategic investment and improvements fund for a proppant sand research project.

Add New Section. Litigation Funding

The Industrial Commission anticipates \$1,500,000 for possible litigation which shall be included in an OMB maintained Litigation Fund.

Due to possible litigation for expert legal testimony relating to the ordinary high-water mark survey review, the amount appropriated to the industrial commission in section 1 of chapter 39 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from this appropriation are available to be transferred to the OMB maintained Litigation Fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

The total amount available to the Industrial Commission from the Litigation Fund is \$1,912,505.



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 10, 2019

Chairman Vigesaa and members of the Government Operations Division:

For the record, my name is Jolene Kline, and I am the Executive Director of the North Dakota Housing Finance Agency (Agency).

The Agency's budget is in Section 1, subdivision 3 of House Bill 1014. This budget is funded exclusively with federal and Agency-generated special funds including bond trust indentures, federal grant programs and Agency reserves. As a self-supporting state agency, there are no state general funds in this budget.

Before I highlight the differences between the 2019-2021 biennium base level budget and Governor Burgum's recommendations, I want to inform the committee that there were no findings in the audit of the financial statements of the Agency for years ended June 30, 2017, and 2018.

	<u>Base Level</u>	<u>Governor's Recommendation</u>	<u>Increase</u>	One-Time Funding
Salaries and wages	\$7,892,056	\$8,615,649	9%	
Operating expenses	\$4,743,355	\$5,346,276	13%	
Grants	\$31,794,828	\$53,466,600	5%	*\$20,000,000
Contingencies	\$100,000	\$100,000	0%	(HIF)
Total special funds	\$44,530,239	\$67,528,525		

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Salaries and Wages

The nine percent increase from the base level includes \$559,147 for the Governor's proposed salary and fringe benefits increase and \$164,446 to cover the salary and benefits for one FTE. The agency has 44 FTEs, however, one position was not given budget authority in the 2017-19 biennium, and the Agency is anticipating the need to fill this vacant FTE based on current and projected workloads.

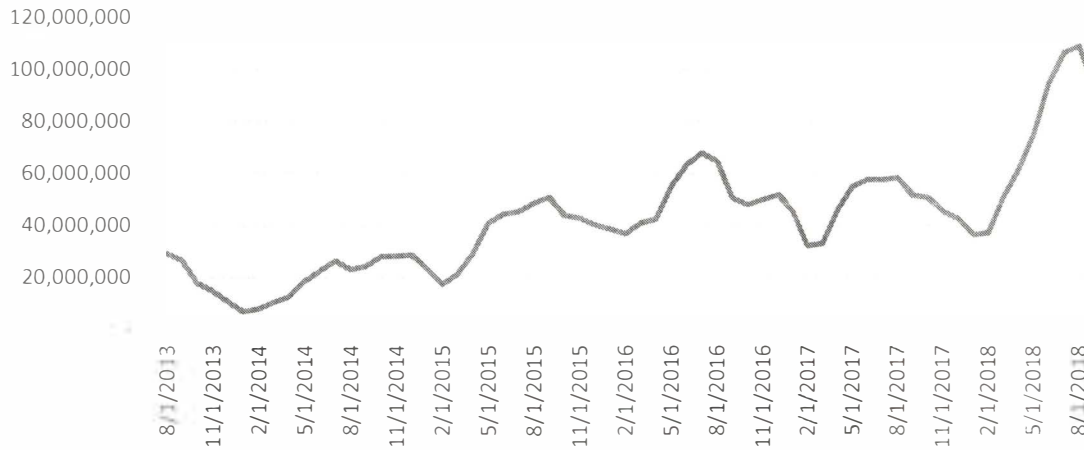
Operating Expenses

Operating expenses will increase \$602,921 or 13 percent. The largest operating expense is service release premiums, which are paid by the Agency to our lender partners across the state who originate mortgages for first-time and other low- and moderate-income borrowers under our homeownership programs. We purchase the actual mortgage from the originating lender, but they have the right to service the loans if they choose. Service release premiums purchase the servicing rights from those lenders. Growth in our 2018 mortgage portfolio exceeded projections. Therefore, the Agency anticipates the need to send an appropriations adjustment to OMB prior to the end of the biennium to cover service release premium costs. We are budgeting an additional \$654,490 to cover service release premiums in the 2019-21 biennium. It is important to note that the revenue generated from our portfolio of mortgages is expected to cover the costs of the service release premiums.

2018 was a record-breaking, non-special event year for our Homeownership Division. In an average year, the Agency purchases approximately 1,200 loans totaling less than \$200 million. Last year, the Agency purchased 1,798 loans valued at more than \$300 million. Since 2013, the Agency's loan pipeline has steadily increased even when adjusting for fluctuations in seasonal home purchasing patterns and home prices.

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NDHFA Loan Pipeline 2013-2018



The increased activity is indicative of more individuals and families becoming homeowners, which is good for North Dakota as homeowners are typically more invested in their community.

The remaining increases include \$100,000 for interest expenses. The Agency did reduce the operating expense line item by \$151,569 at the request of the Governor. Cuts were made to employee travel and training, office supplies, IT equipment, building and equipment rentals/leases, and professional development services and contracts.

Grants

The grants line item increase from the base level is five percent, not including the Governor's recommendation for one-time funding of \$20,000,000 for the Housing Incentive Fund. I will address the Housing Incentive Fund later in my testimony.

The majority of the \$31,794,828 base level funding is federal pass-through funding for HUD's Section 8 and Moderate Rehabilitation Programs. The remaining \$550,000 is Agency-funded programs leveraging reserves from our homeownership division.

Total 2019-21 biennium grant disbursements under HUD Section 8 for rental assistance are budgeted at \$26,155,500 which is \$1,666,702 more than 2017-19 levels. This program assists 2,697 units in 89 projects. Mod Rehab grant disbursements are \$1,021,100, assisting 119 units in nine projects. This amount is a decrease of \$164,930

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from 2017-19 levels. These are all federal funds that are passed through to the owners of the projects to benefit very low-income tenants. HUD also decreased funding for its counseling program by \$50,000.

Currently, \$550,000 in Agency reserves funds four grant programs. One program rehabilitates single- or multi-family housing for low-income individuals with a disability to be able to remain in their home and the other grant provides funding to nonprofits to supplement their rehabilitation programs for very low-income homeowners. The market survey grant is for communities to assess their future housing needs. The final grant is structured as a risk mitigation fund for landlords to rent to individuals and families that do not meet standard renter qualifications. The Landlord Risk Mitigation Fund was launched in 2018 with \$150,000 in Medicaid rebalancing dollars from the ND Dept. of Human Services. In the upcoming biennium, \$20,000 of the fund is estimated to be expended.

Agency Specific Requests

The Agency is requesting an amendment be added that reflects Section 4 of the Governor's Recommendations of House Bill 1014 and reads as:

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, 2019, and ending June 30, 2021.

Continuing this provision during the upcoming biennium will provide the Agency with the flexibility to capitalize on new funding opportunities and continue to meet the state's housing challenges.

The Agency requests that no changes be made to the FTE authority which stands at 44. The 2017-19 budget funded 43 FTEs and the agency retained one unfunded FTE position. In order to manage the workload increase over the past year, multiple staff have worked overtime since June. However, overtime was not deemed to be a sustainable, long-term solution when the agency had three vacant FTEs. Two of these

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positions have now been filled to assist with the increase in loan production and servicing activity. Without filling these positions, the Agency would not be able to process loans in a timely fashion and address the increase of serviced loans. The proposed increase in the salaries and wages line item will continue to fund the positions filled in 2018 and provide the Agency the flexibility to fill a position which has been vacant since May of 2018.

As of this month, 30 percent of the Agency's staff is eligible for retirement. Therefore, the Agency did not participate in the state's early retirement offering, as the potential of losing too many employees paired with the extensive workload would have impacted the Agency's ability to serve residents and the private sector while also needing to fulfill contractual agreements for federal housing compliance.

Staffing may be a challenge for the Agency moving forward as the median age is 54 and the average years of service are 18. The Agency plans to utilize retirement attrition to effectively evaluate future staffing levels.

In addition to a record-breaking, non-special event year, the Agency achieved Tier 1 ranking from HUD's National Servicing Center for servicing Federal Housing Administration (FHA) guaranteed single-family loans for the entire 2018 calendar year, which qualifies the Agency for HUD incentive payments. The Agency ranked in the top 17 percent of all HFA servicers nationwide. We also continue to trend below national metrics for foreclosures and delinquencies. I can only attribute this to the exceptional staff that works directly with vulnerable homeowners to give them the tools they need to remain in their homes. NDHFA customers benefit from in-state servicing rather than their loans being sold to large out-of-state servicers.

Finally, the Agency requests the committee approves the Governor's recommendations for a special funds transfer for the Housing Incentive Fund which is included in section 18 of HB 1014. The Agency is requesting an amendment be added to read as:

SECTION 18. SPECIAL FUNDS TRANSFER – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO HOUSING INCENTIVE FUND. The less estimated income line item in subdivision 4 of section 1 of this Act includes the sum of \$20,000,000, or so

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much of the sum as may be necessary, from the strategic investment and improvements fund which may be transferred at the direction of the housing finance agency for the purpose of a transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

The Housing Incentive Fund is an effective, locally-driven rental housing financing tool, created and authorized during the 2011 legislative session. Community leaders, private developers and nonprofit organizations have leveraged the fund to construct new or improve existing rental housing creating and rehabilitating rental housing across the state. Because of the Housing Incentive Fund, low- to moderate-wage workers, the state's aging population, individuals with disabilities and persons experiencing homelessness have increased access to safe, decent and affordable housing.

During the 2017-19 legislative session, the Housing Incentive Fund was permanently added to the Century Code, however, no new funding was authorized. Deobligated funds totaling \$3.7 million were carried over from the 2015-17 biennium into the 2017-19 biennium. All Housing Incentive Funds have been obligated as of September 2018.

The impact of the Housing Incentive Fund is witnessed in 26 urban and rural communities across the state. To date, \$89.8 million has been awarded resulting in \$443 million of construction creating a pipeline of 2,501 new or rehabilitated housing units. The 80 projects that have been funded equated to a \$4 return of public and private funding for every dollar invested in the Housing Incentive Fund.

By statute, the Housing Incentive Fund targets low- to moderate-income households including seniors, people with disabilities, families with children, veterans and people experiencing homelessness. If North Dakotans cannot afford housing or too much of their income is allocated to this one expense, it impacts their ability to maintain stability in their lives, advance economically, pursue educational opportunities and be able to afford basic necessities such as food, utilities, transportation, childcare and medical coverage.

Housing impacts the business community's ability to find a workforce to fill the more than 13,000 jobs listed through Job Service North Dakota. According to the National

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Low-Income Housing Coalition, North Dakotans wanting a two-bedroom apartment need to earn \$34,190 per year or \$16.44 per hour to afford \$855 in rent. In November 2018, 17.4 percent of the jobs listed through Job Service North Dakota offered \$14.99 per hour or less.

We know that the price of a two-bedroom apartment varies for each legislative district. For illustrative purposes your handouts include an overview for District 23. If you are interested in knowing more information about affordable housing and vulnerable populations in your district, please visit our website:

<https://www.ndhfa.org/Publications/PublicAffairs.html>

If individuals are housing unstable and at risk of experiencing homelessness, their dependency on social programs increases and the cycle of generational poverty begins. Over the past decade, North Dakota has averaged 1,021 homeless people according to HUD data. Validated HUD numbers from 2017 tallied the count at 1,089 homeless men, women and children. The most expensive individuals are classified as chronically homeless and includes individuals and families residing in places not meant for human habitation, such as an emergency shelter or on the streets. The national average cost per chronically homeless person in each state is \$30,000 to \$50,000 per year. North Dakota's annual average is 75 chronically homeless persons, however, many local service providers would state the number is higher than what is reported by HUD. Permanent Supportive Housing, which is offered by some of the Housing Incentive Fund projects, is proven to reduce the cost of chronic homelessness by 40 percent on average. When a person is housing stable and receives services to address the cause of their homelessness, which may stem from physical or emotional abuse, substance abuse, behavioral health issues, justice involvement or economic hardship, they can begin the process of becoming re-integrated into the community.

In addition to addressing workforce needs and persons experiencing homelessness, we cannot forget North Dakota's aging population. The state ranks seventh in the nation with the highest proportion of individuals ages 85 and older. As seniors age past 80, maintaining financial resources is essential to afford basic needs such as housing, health care, medications, healthy food and transportation.

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Currently, 76.1 percent of residents ages 75 to 84 own their own home. For those 85 and older, the number drops to 62.8 percent. According to national trends, 80-years-old is the approximate age that seniors move out of their homes due to physical restrictions and isolation and move into more community-based housing.

As seniors explore independent housing options, financial restrictions may prevent them from leaving their home, increasing the potential for accidents and injuries and further isolation. Another hindrance is the availability of affordable housing options due to limited income. The median income for North Dakotans ages 75 to 84 is \$35,900. Individuals 85 and older have a median income of \$19,700. Those living solely off of social security average \$16,133 annually and more than 29,000 ND seniors rely on social security for 90 percent or more of their income.

In order for a senior to not be considered housing burdened, they can allocate up to 30 percent of their income toward housing costs and utilities. Based on median income, North Dakotans ages 75 to 84 can afford to pay \$898 per month for all housing costs, 85 years and older can pay \$492, and individuals living on social security alone can afford \$403.

It is estimated that one out of two North Dakotan's will need long-term care sometime during their lives. As people age, the need for personal assistance with everyday activities increases. Creating affordable housing options allows seniors to age in place longer and be able to utilize in-home care, which promotes independence. Living at home also alleviates pressure on licensed assisted living facilities, which are at 95 percent capacity and licensed long-term care nursing facilities, which are at 93.6 percent capacity.

Each community in North Dakota has unique population and housing demographics. The Housing Incentive Fund is one of the most flexible and accessible programs that communities have to address their housing needs. Some communities may want to invest more in housing for workers filling entry-level positions. Other communities may need affordable housing for seniors to keep them as part of their community. Urban communities may need more permanent supportive housing options with accessibility to medical facilities for individuals to address their personal issues causing homelessness.

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When the Housing Incentive Fund was first created in 2001, many western North Dakota communities were struggling to recruit and retain workers to fill essential service jobs due to rapidly escalating rental rates. North Dakota Century Code 54-17-40.2.b. requires priority be given to housing for essential service workers.

“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.”

In order for each community to have the resources and flexibility they need to meet their particular population needs, we are requesting the committee consider removing text pertaining to essential service workers from North Dakota Century Code 54-17-40.2.b.

Thank you and I would be glad to answer any questions.

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NORTH DAKOTA

STATE RANKING #32*

In **North Dakota**, the Fair Market Rent (FMR) for a two-bedroom apartment is **\$855**. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn **\$2,849** monthly or **\$34,190** annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly Housing Wage of:

\$16.44
PER HOUR
STATE HOUSING WAGE

FACTS ABOUT NORTH DAKOTA:

STATE FACTS

Minimum Wage	\$7.25
Average Renter Wage	\$15.75
2-Bedroom Housing Wage	\$16.44
Number of Renter Households	111,254
Percent Renters	36%

91
Work Hours Per Week At
Minimum Wage To Afford a **2-Bedroom Rental Home** (at FMR)

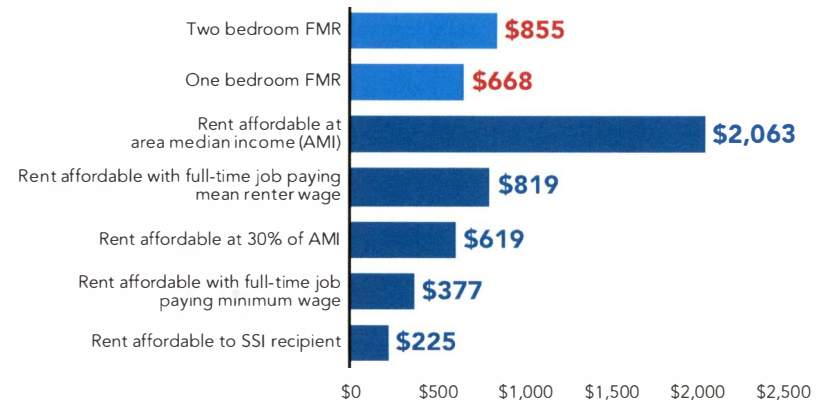
71
Work Hours Per Week At
Minimum Wage To Afford a **1-Bedroom Rental Home** (at FMR)

2.3
Number of Full-Time Jobs At
Minimum Wage To Afford a
2-Bedroom Rental Home (at FMR)

1.8
Number of Full-Time Jobs At
Minimum Wage To Afford a
1-Bedroom Rental Home (at FMR)

MOST EXPENSIVE AREAS HOUSING WAGE

Dunn County	\$24.40
Ward County	\$20.54
Mountrail County	\$19.67
Williams County	\$19.40
Grand Forks MSA	\$18.58



MSA = Metropolitan Statistical Area; HMFA = HUD Metro FMR Area.
* Ranked from Highest to Lowest 2-Bedroom Housing Wage. Includes District of Columbia and Puerto Rico.

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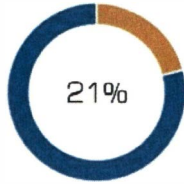
District 23 Affordable Housing Facts

POPULATION
14,241

HOUSEHOLDS
5,821

MEDIAN HOUSEHOLD INCOME
\$51,371

RENTER HOUSEHOLDS
1,768



are cost burdened



SENIOR HOUSEHOLDS
1,727

SENIOR HOUSEHOLDS WITH FOOD STAMPS
185

SENIORS WITH A DISABILITY
938

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
1,593

WITH FOOD STAMPS
300

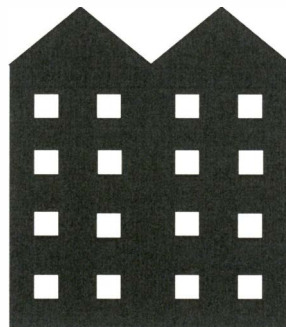


HOUSEHOLDS WITH FOOD STAMPS
713



HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
2,039

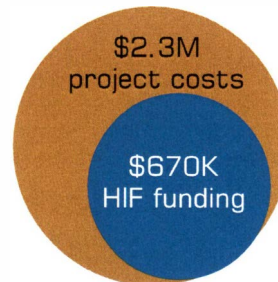
AVERAGE SOCIAL SECURITY INCOME PER YEAR
\$17,770



EXTREMELY LOW-INCOME HOUSEHOLDS THAT ARE COST BURDENED
Benson 166
Eddy 76
Griggs 29
Nelson 38
Steele 36

HIF MAKES A DIFFERENCE

- 2 HIF projects for a total of 18 units
- Meadowlark Homes, New Rockford
 - Second Avenue Apartments, New Rockford

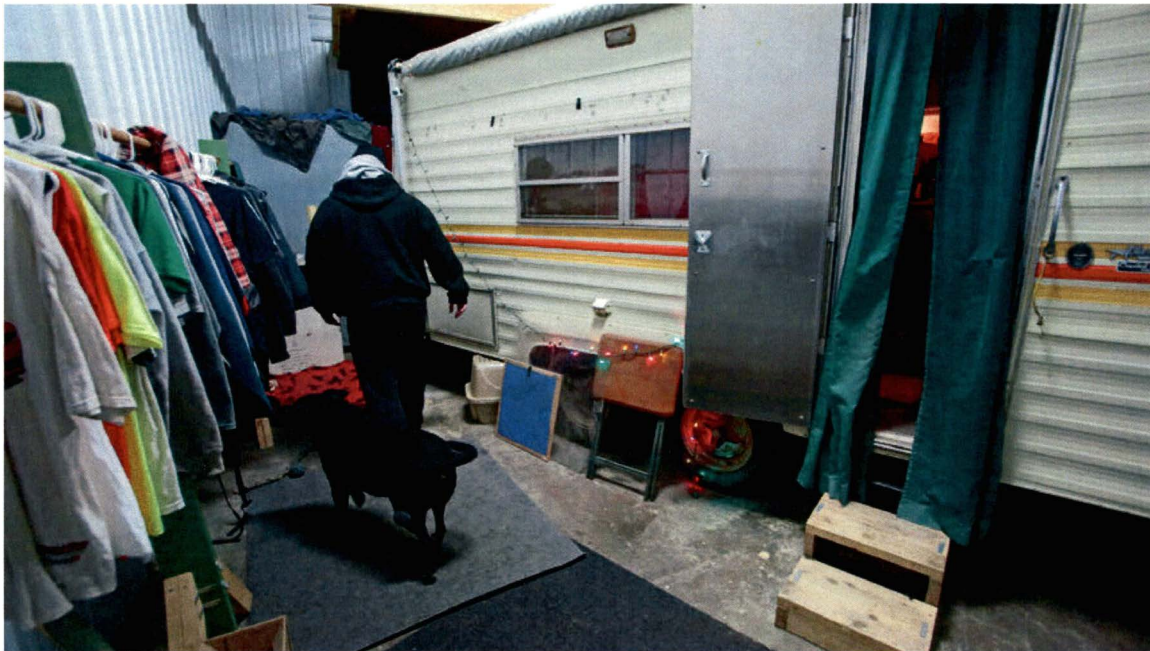


\$3.43 leveraged for each HIF dollar invested

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A 'precarious' life: Without a proper living space, 'Homeless Dave' ekes out existence in Moorhead industrial park

By [Robin Huebner](#) on Jan 6, 2019 at 2:31 p.m.



"Homeless Dave" walks past his camper housed in an industrial park garage in Moorhead. David Samson / Forum News Service 1 / 4

MOORHEAD, Minn. — He rents “shop space” in a cold-storage building in this city’s industrial park, but isn’t using it for woodworking or any other hobby. Instead, “Homeless Dave,” as he calls himself, has turned the spot not meant for human habitation into his home.

Boxes overflowing with household items cover the concrete floor. A bumper-pull camper parked inside is where he showers and sleeps. A makeshift office, where he uses his old computer, is shrouded in tarps and equipped with heat lamps to stave off the winter chill.

Dave, 50, has lived here nearly three years. Before that, he lived in a similar setting in Bismarck. “I’m trying. I’m trying to maintain as normal a life as I possibly can under the conditions that I’m in,” he said.

Forum News Service granted Dave's request not to use his full name or show his face, because he fears he’ll be kicked out of the space.

Cody Schuler, executive director of the Fargo-Moorhead Coalition to End Homelessness, wouldn’t estimate how many people in the area “sleep rough” in campers or cars because they’re a hidden, hard-to-count population. “They’ll do that because it feels safe to them,” Schuler said.

Pastor Sue Koesterman, executive director of Churches United for the Homeless in Moorhead, said it wears on a person's health in a serious way to not be adequately sheltered. "It's a very, very precarious, kind of day-by-day existence," Koesterman said.

No credit

For Dave, finding work and keeping money coming in hasn't been a problem. After he left a painting job because the fumes made him sick, he was unemployed for a little more than a month before finding a full-time position as a machinist for a local trailer manufacturer.

He said he doesn't receive any government assistance. His driving record is good, and he has a minimal criminal record. The primary barrier to him finding a place to rent is that he's never had a credit card. "I don't have bad credit, I have no credit," he said.

In addition, landlords want to talk to previous landlords about whether potential renters pay on time, and whether they left any damage in their previous place. Because of his somewhat transient, under-the-radar lifestyle, Dave doesn't have any references like that.

"All I have is a bunch of receipts from a place I'm not supposed to be living in," he said. So, he continues to rent the shop space in the industrial park for a substantial \$1,000 a month, with additional expenses for heat and internet. "There's that saying, 'We need someone who thinks outside the box or looks outside the box.' Well, I live outside the box," Dave said.

Cold, cramped quarters

It's a challenge for Dave to stay warm in the shop. He uses space heaters and heat lamps to supplement a single wall-mounted heater. On a mild winter day when Forum News Service visited, the temperature inside was barely 60 degrees.

Dave has no access to a kitchen, so he prepares meals on a crowded shop table. A toaster oven, steamer and slow cooker fight for space in the clutter. "Forgive the big pile of dirty dishes," Dave said.

The place has a one-gallon water heater, so he can wash only a few dishes at a time in the bathroom sink before the hot water runs out. He has a small refrigerator, freezer and washer but no dryer, so he hangs his clothes to dry.

A string of lights is draped down the side of the camper — not because he has Christmas spirit, he said, but to provide a lighted path if he gets up at night to use the bathroom.

A dog and cat keep Dave company. He built a large, enclosed "litter box" filled with sand for the animals to use when he's away at work. He doesn't often take his dog outdoors, so as not to raise suspicion about his living arrangement. Both animals need veterinary care, but he said he doesn't have the time or money to take them in.

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Vehicular homelessness

There are people all over the country like Dave living in vehicles, campers or storage units. Often, they've shunned shelters because they've had a bad experience at one or feel anxious in crowded spaces. The phenomenon of "vehicular homelessness" is growing, especially in high-rent metropolitan areas on the West Coast.

While the U.S. Department of Housing and Urban Development (HUD) doesn't collect vehicle-specific data, unsheltered homelessness — which includes people sleeping in cars — is on the rise. According to a HUD-required, point-in-time count on a single night in January 2018, a third of the more than 550,000 homeless people nationwide were living unsheltered, such as on the street, in abandoned buildings or cars. That represents a nearly 3 percent increase from the previous year.

Point-in-time numbers for North Dakota have bounced around. In January 2017, the most recent count available, 331 of 1,089 homeless people statewide were unsheltered. Only five years earlier, 53 of 688 homeless people were reported as unsheltered. A major spike occurred in 2013, when 1,395 of 2,069 homeless people were unsheltered.

As numbers rise, more cities are imposing criminal or civil punishments on people living in their vehicles. The National Law Center on Homelessness & Poverty reports that in 2016, nearly 40 percent of cities surveyed prohibited living in vehicles, a 143 percent increase since 2006.

'Stuck in a rut'

Dave knew of a half dozen others living in storage units in Bismarck. He's not aware of people like him in the Fargo-Moorhead area, "but I can guarantee you there are," he said.

Schuler said there are nearly 300 beds in the area's seven shelters, and they're always full. When people call seeking a bed, it's hard to know if they have been staying in a vehicle because they rarely volunteer that information.

"They're afraid they might get pushed out of the space they have, because the space you have is better than no space at all," Koesterman said. Dave said his body is beat up from working manual labor jobs and being homeless. He's proud of his resiliency, but desperately wants to find something better.

Someday, he hopes to buy a small piece of land and put a single-wide mobile home on it, but that someday seems far away. "I'm stuck in a rut, between being able to get into a legitimate place to live and, you know, being under a bridge," he said.

<https://www.thedickinsonpress.com/news/4553004-precarius-life-without-proper-living-space-homeless-dave-ekes-out-existence-moorhead>

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HOUSING INCENTIVE FUND PROJECTS

The North Dakota Housing Incentive Fund (HIF) is an effective, locally-driven, rental housing financing tool created and authorized during the 2011 North Dakota legislative session. Community leaders, private developers, and nonprofit organizations have leveraged HIF to construct new or improve existing rental housing. Because of HIF, low- to moderate-wage workers, the state's aging population, individuals with disabilities, and persons experiencing homelessness have increased access to safe, decent and affordable housing.

Workforce Housing Projects

Persons wanting a two-bedroom apartment need to earn more than \$34,000 or \$16.44 per hour to afford \$855 in rent according to HUD's Fair Market Rent summary. In November 2018, 17.4% of the jobs listed through Job Service North Dakota offered \$14.99 per hour or less.

Meadow Lark Homes — New Rockford, ND		Completed: 2016	
Project Focus	New Construction, Family	HIF Investment	\$430,000
# Units	10	Project Cost	\$1,435,268

Redeveloped the former New Rockford City Hospital, which closed in 1990 and had sat vacant for 25 years, was severely dilapidated and condemned due to asbestos. The New Rockford Area Betterment Corporation secured a grant from the EPA to clean up the site for redevelopment. Housing that is affordable was created to assist the school in filling vacant positions and allow older homeowners to downsize and be able to stay in New Rockford.

Prairie Heights I & II — Watford City, ND		Completed: 2013 and 2014	
Project Focus	New Construction, Family	HIF Investment	\$2,000,000
# Units	124	Project Cost	\$17,156,143

Mixed income housing for low- to moderate-income households including individuals and families employed by the private sector. Community-based living with green space and the ability to expand into a walkable community providing access to local amenities, such as childcare. Public financing was leveraged to create rents varying from \$400 to \$1,800. In 2017, 48.3% of households in Watford City earned less than \$75,000 per year and could qualify to live in income-restricted housing. The project showcases the value of public/private partnerships. MBI Energy contributed \$2 million to HIF in support of this project, recognizing the need for affordable workforce housing.

Senior Housing Projects

Most seniors ages 74 to 85-years-old and beyond are able to afford rents ranging from \$403 to \$898 based on 30% of their annual median income. Housing costs in excess of 30% can make them housing cost-burdened and force them to make choices between basic necessities, medications, food and transportation.

Cherrywood Village — Grand Forks, ND		Completed: 2014	
Project Focus	New Construction, Senior	HIF Investment	\$454,545
# Units	30	Project Cost	\$5,235,244

Independent-living apartments for seniors who are healthy enough to live on their own, but do not want the responsibility of maintaining a house and yard. 62.8% of North Dakotans 85 years and older still own their own home. As they explore other housing options, accessibility such as no stairs or elevator access and affordability are contributing factors for them to be able to move out of their home. Project funding included HUD's Section 202 Supportive Housing Program and a project based rental assistance contract to support very low-income seniors.

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Senior Housing Projects

Legacy Living At Central Place — Williston, ND Completed: 2014

Project Focus	Adaptive Reuse, Senior	HIF Investment	\$949,898
# Units	44	Project Cost	\$12,482,215

The historic junior high school was rehabilitated into affordable senior living units as an option for seniors facing escalating rental prices. The median income for North Dakotans ages 75 to 84 is \$35,900 and drops to \$19,700 for residents 85 and older. At the time the project was completed the average price for a one-bedroom apartment in Williston was just under \$2,400. The architect preserved historic features of the building which was constructed in 1931 and is on the National Register of Historic Places.

Permanent Supportive Housing Projects

HIF is a source of gap financing leveraged when an income restricted rental housing project will not cash flow with traditional financing. Minimal debt after construction or rehabilitation results in lower monthly rents and reduces the need for housing vouchers.

Jeremiah Program Apartments — Fargo, ND Completed: 2018

Project Focus	New Construction, At Risk Family	HIF Investment	\$2,200,000
# Units	20	Project Cost	\$5,866,485

Supportive housing for single mothers with children under the age of five. Currently, more than 2,300 single mothers are living in poverty in the Fargo-Moorhead area, a number that has increased 16% over the last six years. The majority of these mothers have children under the age of four. An on-site early childhood education center and individualized support are offered to the families. College enrollment or career advancement track required to live in the units.

Grace Gardens — West Fargo, ND Estimated Completion: 2019

Project Focus	New Construction, At Risk Family	HIF Investment	\$500,000
# Units	30	Project Cost	\$6,993,549

Domestic violence survivor housing for women with children. In 2017, 314 women and children were eligible for Cass County YWCA's supportive housing units, but only 60 were able to gain homes through the organization. Unfortunately, women escaping domestic violence typically do not score high enough on assessments to be rapidly housed. Families will improve their economic stability and health, breaking the cycles of abuse and poverty for the next generation.

Edwinton Place — Bismarck, ND Estimated Completion: 2019

Project Focus	New Construction, At Risk Individuals	HIF Investment	\$500,000
# Units	40	Project Cost	\$10,355,768

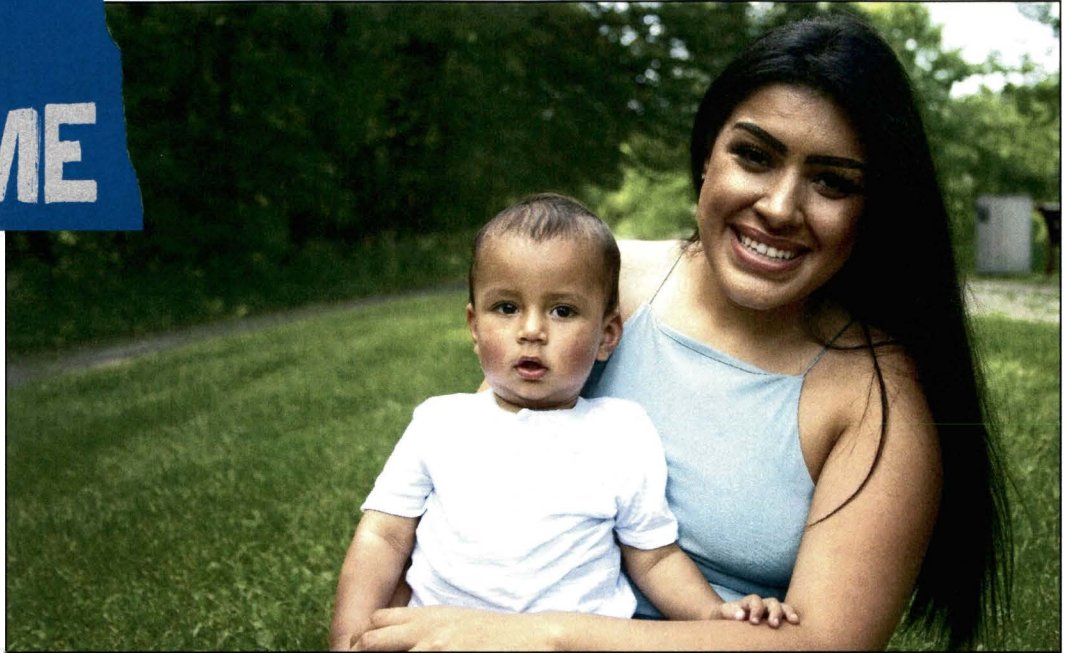
Rapid housing for chronically homeless individuals that are working with a case manager. Chronically homeless individuals are frequent users of emergency services which can cost a community \$30,000 to \$50,000 per year per individual. Providing these individuals with immediate access to housing is estimated to save a community up to 40% of the total cost of experiencing chronic homelessness. Support services are offered to address the underlying causes of homelessness, such as mental health or substance abuse issues, chronic health conditions, or a history of physical or sexual abuse. This infill project maximized a vacant city lot and is located within a designated Opportunity Zone.

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FACES OF HOME

From Poverty to Prosperity

Kristie Garcia's desire for a better life for herself and her 14-month-old son, Rey, was so strong that the prospect of driving eight hours roundtrip each week for 12 weeks did not deter her from her goal. In order to create the future she envisioned, the 22-year old knew she needed support and guidance.



When Kristie Garcia, 22, discovered she and her son could have a better life, she didn't give an eight-hour weekly round trip to Fargo, N.D., a second thought. She enrolled in Jeremiah Program's 12-week Empowerment class, undertaking the first step the program requires of single mothers who are motivated to lift themselves from poverty.

Garcia learned about the Jeremiah Program, a comprehensive program that helps single mothers progress from poverty to prosperity, from a program participant. In order to be accepted into the Fargo-Moorhead program, she was required to complete an Empowerment course focused on effective conflict management, assertive communication and personal accountability. At the time, she was living in Richfield, Minn., more than 240 miles away.

"When I started Empowerment, I was still going through a lot of emotions and anger about my son's dad, who has not made an effort to be in Rey's life," Garcia said. "The class helped me have the right mentality and gain support from other women who were dealing with similar challenges. The drive was not as important to me as beginning a new journey that would be better for

my son and me."

Jeremiah Program prepares determined single mothers like Garcia to excel in the workforce, readies their children to succeed in school, and reduces generational dependence on public assistance. Its Fargo-Moorhead campus has 20 furnished apartments designed to support the mothers who are required to work part time or volunteer, attend college full time working toward a career-track education, and participate in weekly coaching and life skills classes. A licensed early child development center, that serves children age six weeks until starting kindergarten, is part of the site.

The Fargo-Moorhead campus, which opened in January 2018, is one of the first supportive housing projects in the

country developed with assistance from the National Housing Trust Fund (HTF), a federal program that provides revenue to build, preserve, and rehabilitate housing for people with extremely low incomes. North Dakota Housing Finance Agency (NDHFA) administers the program on behalf of the state.

In early 2016, Diane Solinger, Jeremiah Program's Fargo-Moorhead executive director, had secured about half of the funds needed to develop the campus, including \$2.2 million in assistance from the North Dakota Housing Incentive Fund when she learned about the HTF. Jeremiah relies heavily on donations and at the time Solinger was optimistically pursuing a large contribution, but knew she would need at least \$1 million more to move the project forward.

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Jeremiah's Fargo-Moorhead campus has 20 apartments that provide the families who participate in the program with an affordable home while the mothers pursue a college education.

"When I learned about the National Housing Trust Fund from NDHFA, how it was dedicated to providing housing for families like ours, I knew we'd be competitive," said Solinger. While she continued working on her private donor, Solinger and the staff at Jeremiah's national office completed the HTF application.

"On Nov. 8, 2016, I had what I now refer to as my \$2 million day. In the morning, the private donor I'd been working with called to share that the million dollar gift had been secured. I was elated," said Solinger. "And, that same day, at 3:30 p.m., I received a call from NDHFA telling me that our project was one of three selected for a HTF award. We received exactly what we applied for, \$1,052,655."

A Wilder Research study estimates that every \$1 invested in a Jeremiah family returns up to \$4 to society through first-generation benefits of decreased dependence upon public assistance and increased taxable earnings, plus second-generation benefits of increased lifetime earnings/taxes paid, and savings from

property in Jan. 2018.

"Affordable housing provides a stable platform for individuals and families that allows them to better their lives," said NDHFA Executive Director Jolene Kline. "If we can move a family out of poverty, it's a win for the household and a win for the community."

After completing the Empowerment

costs associated with crime and special education.

The assistance provided through HTF allowed the Jeremiah Program to break ground on the Fargo-Moorhead campus the following year. The first families moved into the

course, Garcia moved into one of the new apartments on the Fargo-Moorhead campus and found part-time work at a college bookstore. After she finishes some general coursework, Garcia will start classes at North Dakota State University. Rey attends the campus' on-site child development center while Garcia works and is in school.

Ultimately, Garcia plans to earn a bachelor's degree in radiological sciences and pursue a career as a diagnostic sonographer. She would like to specialize in obstetrics.

"I honestly don't know where I would be without this program and the donors and agencies who supported it," Garcia said. "I feel like I have grown so much as a person already and I am so happy to be in a program that has put my son and me on a better path. I feel like I finally have a fresh start and a place to call home."

(Published August 2018 by North Dakota Housing Finance Agency.)

National Housing Trust Fund

The National Housing Trust Fund (HTF) is a federal program established as part of the Housing and Economic Recovery Act of 2008. Its primary purpose is to increase and preserve the supply of affordable rental housing for extremely low-income households, those earning less than 30 percent of area median income, including homeless families.

As the administrator of HTF, North Dakota Housing Finance Agency (NDHFA) is responsible for the development of an Annual Allocation Plan, which defines the process by which funds are distributed. The plan promotes the selection of properties addressing the state's most crucial needs within the priorities outlined in North Dakota's Consolidated Plan and the relevant strategies identified in North Dakota's Ten-Year Plan to End Long-Term Homelessness.

HTF dollars can be used for the production, preservation, rehabilitation and operation of a project. The financial awards are structured as forgivable zero-interest loans with a minimum term of 30 years.

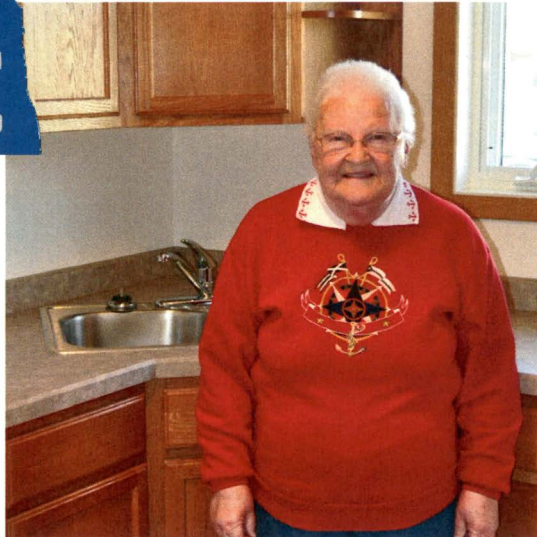
NDHFA made the first financial awards in 2016. Since then, six properties have shared \$5.58 million supporting the development of 85 housing units for individuals and families who have experienced homelessness or who are at risk of homelessness. NDHFA is currently accepting applications for the 2018 program with the project awards slated to be made in early November.

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FACES OF HOME

Able to Stay in My Community

Alerene Hoffman's home in New Rockford, N.D., was getting to be just a little too much for her to handle. This retired widow loved spending time in her garden tending to her flowers but health issues slowed her down and she wished for something smaller with less maintenance and no steps. She also wanted to stay in the town she had called home for years.



Hoffman moved into one of Eddy County Housing Authority's new twin homes on June 1 fulfilling all those wishes.

Hoffman and her husband Robert raised five children on a farm north of town. She spent 30 years working at the Lutheran Home of the Good Shepherd, an 80-bed nursing home in the rural North Dakota town. When her husband was injured in a construction accident, she was the main bread winner and they moved from the farm to a large home in town. After her husband passed away, she moved into a smaller house on First Avenue. Now, she says, it's time for something with fewer steps.

When the twin homes were completed this spring, Hoffman was one of the lucky ones chosen to live in the rental units which went fast and now have a waiting list.

"This will be a wonderful experience for me," Hoffman said. "I don't have to mow the grass or shovel snow or any of that. This will just be great. These are such nice homes."

Eddy County Housing Authority took on the twin home project in 2010 to help alleviate a rental housing shortage in the community of about 1,400 people. There are two sets of twin homes with two-bedroom units on Seventh Street and three-bedroom units on Third Avenue.

The response to this project was just

tremendous and really showed us the housing situation in the community," said

Tracy Henningsgard, executive director of the Eddy County Housing Authority. "We've had a lot of interest with over 25 families expressing interest in renting."

Hoffman agrees. "I think it is just wonderful that I can step out of my garage straight into my apartment and not have to worry about steps," she said. "There are a lot of us in town that are at that point where we have to take a step back and these apartments are just such a help."

This is the housing authority's first venture as property owners and came in response to low rental vacancy rates and aging housing stock in the town.

New Rockford Mayor Jim Belquist said there are a number of houses in such disrepair in the community that the city would soon be condemning them. He hoped that the Eddy County Housing project might spur other developments like it. "That will open up some lots so hopefully we can get some other new homes going in town," he said.

Henningsgard said they looked at three

things to make this project viable: controlling the costs, low-cost financing and low rents. "We looked at tax credits and other programs but those didn't work well with a small project like this," said Henningsgard.

Instead they used an Essential Function Bond through local lender Bank Forward, a U.S. Department of Housing and Urban Development HOME program loan from Eastern Dakota Housing Alliance, and cash contributions from Eddy County Housing and the New Rockford Area Betterment Corp. in addition to a \$50,000 Rural Housing Investment Incentive Program (RHIP) allocation from the North Dakota Housing Finance Agency (NDHFA).

"Without any of these, this would have been a dead project," Henningsgard said.

Rural Housing Investment Incentive

In 2009, the Industrial Commission approved a pilot program that it hoped would assist in overcoming these obstacles. The program supported the development of single- or multi-family housing, or the substantial rehab of existing structures in difficult to develop areas of the state by offering a dollar for dollar match for private sector investment.

The RHIP program was established as a pilot to help address the unique challenges to housing development in rural communities. NDHFA utilized \$400,000 of reserve

funds for the program which has been a resounding success leveraging more than \$6.6 million in housing activity in rural North Dakota.

In the New Rockford project, the RHIP award was matched with \$60,000 in equity investments. That had the effect of helping ease the \$225,000 projected appraisal gap on the project and lowering required rents by \$126 on average enabling affordable rents for low-income families.

NDHFA Director of Planning and Housing Development Jolene Kline said RHIP did just what it was supposed to. "New Rockford epitomizes the pilot," she said. "It addresses the valuation gap and affordability."

(Original article published June 2011.)

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Promise of Affordability

A pink rocking chair sways in the breeze on Miriam Shaw's front porch at ParkRidge Townhomes in Williston's new Harvest Hills subdivision as she stands at her stove tending to boiling pots. The spacious kitchen is the Jamaican native's favorite place in her new home and the comfort of knowing it will be affordable for years to come makes everything taste a little sweeter.

Shaw moved into her townhome with her two children shortly after the complex opened in October 2015. "It reminds us of our home back in Georgia," she said. "It is really nice. We really like it."

Shaw, a nurse at Mercy Medical Center's occupational health clinic in Williston, moved to town in 2014 following her daughter who had come, like many others, in search of opportunity. She appreciates what the community and state have to offer. "I like Williston. It is small, but I like the open spaces, places to walk and the scenery," she said. "And I love living here. It is really comfy and just cozy like our [previous] home was."

Shaw struggled to find a place to live when she first arrived in Williston and lived in several other apartment units which had space and cost challenges before moving into the townhouse community. ParkRidge Townhomes, developed by Mountain Plains Equity Group, includes 36 units with half of them targeted to Essential Service Workers like Shaw. Rent for the ESWs are restricted and tenants must be below income limits.



The units must remain at affordable levels for at least 15 years.

Shaw's townhome has an open-concept with all the amenities she was looking for including a heated attached garage. "That is so nice, to be able to pull in and throw the

In addition to medical staff, there are also law enforcement personnel, school employees and county workers who call ParkRidge home.

Shaw said while market rate rents in Williston have fluctuated due to changes in the oil industry, the assurance that her rent will remain affordable was a huge bonus.

"The promise that the price would remain affordable for 15 years is very nice," she said. "It just gives you comfort in your mind that it will remain. That really is a nice promise because we don't know what lies around the corner."

The stability of the rent in Shaw's unit at ParkRidge comes from its funding through the Housing Incentive Fund. The \$7.2 million project received just over \$2 million from HIF, administered by the North Dakota Housing Finance Agency.

grocery bags out," she said. "The layout is nice. We have so much storage; they utilized every inch."

Housing Incentive Fund (HIF)
Administered by North Dakota Housing Finance Agency (NDHFA), HIF supports the development of affordable units for low- and moderate-income households. The program was created during the 2011 Legislative Session. It was reauthorized during the 2013 and 2015 sessions. Since HIF's inception, NDHFA has allocated over \$80 million to projects, leveraging nearly \$380 million in construction financing.

She also appreciates its convenient location just blocks from the new Williston High School, where her son will attend. "I'm excited to be closer to the school... probably more than he is," she said. "I'm going to be so happy to have a shorter drive to his school events."

Shaw who lived and worked as a nurse in New York and Georgia before coming to North Dakota sees herself enjoying more evenings rocking in her pink chair which she hopes to make even more colorful or in her kitchen cooking unique Jamaican fare like jerked chicken and pork, rice and beans in coconut milk, curried goat and spicy fried fish dishes. "It is such a nice place," she said. "I feel like we are going to be here a while."

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FACES OF HOME

'Grateful for My Home'



When Jeri Fick first learned she would be able to move into the new North Sky Apartments in Fargo's Urban Plains neighborhood in the southwest part of town, she cried.

"I just get very emotional thinking about it because I am so appreciative," she said. "I don't know how people would be able to do it without assistance like this."

The first phase of North Sky Apartments opened in Fall 2014 and Jeri moved with her assistance dog, Molly, into her one-bedroom unit in January 2015 after living at another market-rate apartment complex in the community.

"It just got to be too expensive," she said. "I couldn't afford it anymore. It got to the point where I didn't know if I was going to be homeless."

That's what made her North Sky apartment so special to her. "I can actually have a life," she said. "I can afford my rent and still go to a movie if I want to now. Before, all of my money was going to pay rent."

She also appreciates the sense of community in the 55+ apartment complex. "I am meeting new friends and we're like a family; we watch out for each other," Fick said. "I enjoy baking brownies and things and taking them to my new neighbors. Everyone has just been so great."

And Fick says she is looking forward to the "family" extending. The second phase of

that population increases," said Beyond Shelter Inc. CEO Dan Madler. "Without multiple layers of support, our organization would not be able to keep a project's rents at such reasonable levels."

It is the reasonable rents that help Fick and other seniors like her. "I don't know how people would do it without

help like this," she said. "It makes me kind of sad that these buildings are all full because I know there are a lot of other people who need affordable apartments.

North Sky opened in September 2015 with a third phase breaking ground at the same time. In total, the project will have 84 units all targeted to seniors.

The \$11.65 million project was funded by a number of state and federal programs including the Neighborhood Stabilization Program, HOME Investment Partnerships Program, Low Income Housing Tax Credits and the North Dakota Housing Incentive Fund. In all, those programs brought \$10.1 million in funding. The Fargo Housing and Redevelopment Authority, which manages the project, also placed project-based rental assistance vouchers on some of the units in North Sky I and plans to do the same in the other phases.

"It is a challenge for Fargo seniors to find housing that is affordable and every year

Housing Incentive Fund (HIF)
Administered by North Dakota Housing Finance Agency (NDHFA), HIF supports the development of affordable units for low- and moderate-income households. The program was created during the 2011 Legislative Session. It was reauthorized during the 2013 and 2015 sessions. Since HIF's inception, NDHFA has allocated over \$84 million to projects, leveraging more than \$429.2 million in construction financing.

Where would they go if this wasn't here?"

Fick, while working part time at Sam's Club, relies almost entirely on her Social Security disability check. "When you have a disability, there is no way you could live anywhere on just Social Security," she said. "I am just so grateful

for my home. I can't express how grateful I am.

"I wake up in the mornings and just look around in amazement. It is gorgeous. Everything is new and I'm just so proud," she said. "It is a blessing from God - it truly is a blessing."

(Original article published Sept. 2015)

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FACES OF HOME

'Godsend To Our Police Department'

A year and a half ago, Hunter Easterling completed law enforcement training and moved from California to Dickinson, ND, to pursue a career as a police officer.

While settling in, Easterling found that finding a home in a growing oil boom town wasn't easy. He lived in an RV park, a hotel and an apartment that

was not quite ideal before Patterson Heights Apartments, a new affordable housing development, became available.

Patterson Heights is one of the first developments in North Dakota to set aside rental units specifically for law enforcement personnel.

"The place is outstanding; everything is new," said Easterling. "It was such a relief to find a place to live, truly a weight off my shoulders."

In recent years, Dickinson has experienced an influx of energy industry workers and, while new housing units are being added, finding affordable housing is a challenge.

Recruiting and retaining the personnel that provide essential public services is difficult due to increased housing costs and shortages.

Dave Wilkie, administrative captain at the Dickinson Police Department, has noticed significant growth in his home town. "Our department has grown over the last few years and we are adding more and more officers as needed," said Wilkie. "Many out-of-



Heights and the development has truly been a Godsend to our police department."

Patterson Heights is supported by North Dakota Housing Finance Agency's Housing Incentive Fund (HIF) and a Law Enforcement Pilot Program (LEPP). The programs are a means to create affordable rental units for essential services

state workers are hired because they are good candidates looking for a job and their own local police departments are slowing down."

The Dickinson Police Department is constantly in touch with real estate

agents and apartment managers about potential listings, rental openings or even basements for rent to aid their staff in finding places to live.

The city of Dickinson also has FEMA trailers

available for officers just until they can find something more permanent.

"Having affordable housing is really important to our community. There are many people who don't work in the oil fields and they can't afford the high rents," said Wilkie. "We currently have three officers living in Patterson

workers and households of limited means.

Created during North Dakota's 2011 legislative session, HIF provides developers of affordable rental units with low-cost financing. It is

The Law Enforcement Pilot Program was created to address the challenge of providing affordable rental housing for law enforcement personnel in energy-impacted areas of North Dakota. The program was funded by the approximately \$3 million that the State received through the Mortgage Servicer Settlement Fund which originated from a landmark settlement reached with the nation's five major mortgage servicers.

capitalized by contributions from state taxpayers. Contributors to the fund received a dollar-for-dollar state income tax credit for their support.

The North Dakota Industrial Commission asked NDHFA to develop LEPP. The program is targeted to creating housing for

law enforcement personnel in communities in energy-impacted areas.

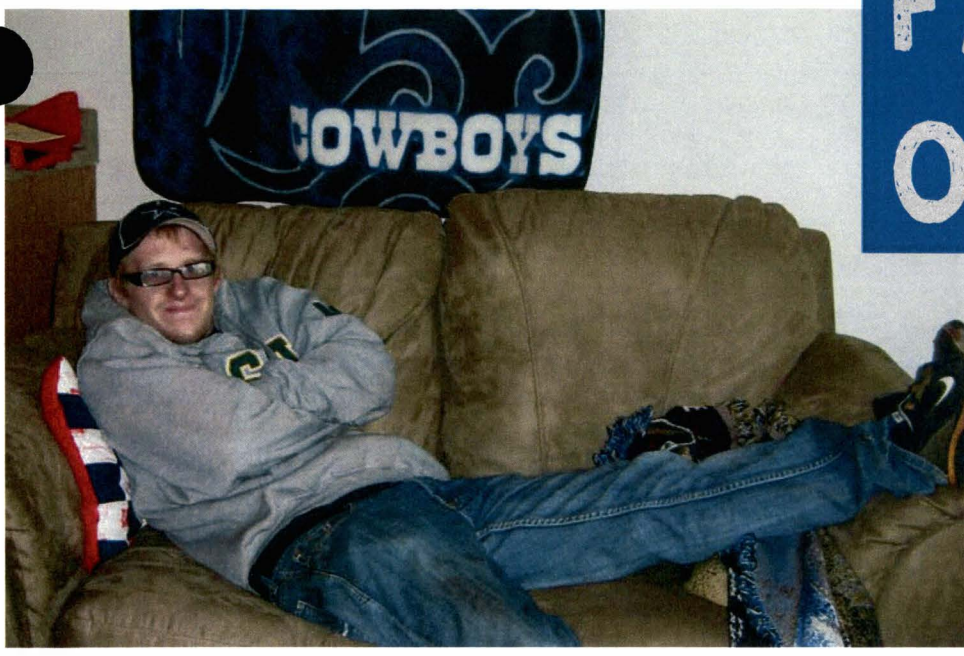
"I like Dickinson," said Easterling. "The city is growing, I like my new development and I really appreciate the housing I'm living in."

(Original article published in Oct. 2013.)

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Enjoying Life's Little Luxuries

FACES OF HOME



Bowman in 1985, the year ABLE opened the group home. Prior to that, Vogel, who is in his 70's, lived in Grafton, ND, at a state-run facility where most of North Dakota's developmentally disabled population was institutionalized before a landmark lawsuit in 1983 declared the practice to be a violation of their civil rights.

Carolynne Jones, director of satellite services for ABLE's Bowman and Hettinger properties, says that Vogel named himself 'Hoppy' after Hopalong Cassidy, a fictional cowboy hero. She believes that action saved his life. "He made a world for himself in order to live in the world he was put into," says Jones. Vogel enjoyed the little bit of freedom that living in the group home setting gave him. When asked if he wanted his own apartment, Jones says he was reluctant to make the change.

"I told Hoppy I'd have to sleep on a cot outside his door the first night because I was so worried," said Jones. "He told me to go, and the next morning he put his arm around me and said he was okay. Whew! When I asked if his new

Many of us take for granted the little luxuries that come from having a place of our own. Having our own kitchen where we can cook what we want to eat, having a spacious bed to sleep in at night, and having the freedom to entertain guests whenever we please.

Two North Dakota men who are supported by ABLE Inc., a private, nonprofit organization that provides residential and day support to people with intellectual and development disabilities, are enjoying these little luxuries for the first time.

George "Hoppy" Vogel and David Hippe moved into their own apartments at The Landing in Bowman, ND, in July. Prior to the move, they lived in the same community in a Transitional Community Living Facility, a place commonly known as a "group home."

"Such a situation can be ideal for people that need intense physical or emotional support," says Mary Anderson, ABLE Inc. executive director. "For Hoppy and David, independent living is a much better fit."

Nine of the 26 housing units at The Landing, which was developed by Lutheran Social Services Housing, are reserved for people that receive

supportive services from ABLE. Having the units in close proximity allows the organization to efficiently provide services. And, thanks to the support of North Dakota Housing Finance Agency's Housing Incentive Fund (HIF), the rent is affordable.

"For the people who needed a change in environment, moving from group settings to apartments, the HIF program has been a huge plus," says Anderson. "We could not have improved their quality of housing without the development assistance."

George "Hoppy" Vogel, moved to



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full-size bed was comfortable, he said sure and told me to quit worrying. Can you imagine your whole adult life in a twin-size bed?"

In his new independent living situation, Vogel is able to stock his own fridge and decide for himself what he wants to eat rather than participating in communal meals. Prior to the move, his medical team wanted him to gain some weight. Since moving into The Landing, Vogel has gained 7 pounds and everyone is pleased with how well he is doing living on his own.

Unlike Vogel, David Hippe longed for independence. He is in his mid-twenties and, like most young adults, he coveted a place of his own without roommates or restrictions on his decorating choices. He also wanted to be able to entertain friends at his home.



"David was rather lost and going down a destructive path in life when he moved to Bowman," said Jones. "He was embarrassed to live in the group home because he so wanted to be on his own yet knew he needed the structure and safety net ABLE provides."

Hippe adapted quickly to independent living. His new apartment is festooned with sports memorabilia from his favorite football team, the Dallas Cowboys. He enjoys inviting company over to watch a movie in the evening or come for coffee in the

morning. His Erickson's Meat Market co-workers are frequent guests.

Housing Incentive Fund

The Housing Incentive Fund (HIF) supports the development of affordable multifamily housing units for essential service workers, main street employees and fixed-income households. Approximately one-third of the 31 developments supported by HIF during the 2013-2015 biennium created housing for special needs households including disabled, homeless and elderly individuals and families.

"This move has made a huge difference in people's lives," says Jones. "At first, not having joint gathering spaces – a centralized kitchen or recreation space – was a concern, people pretty much stayed to themselves in their own apartments. After about a month we started to see people, if they wanted company, inviting guests to come into their home. It's on their terms, the way it should

be."

Including HIF, a program that supports the development of affordable multifamily housing, The Landing received more than \$2.4 million from the state of North Dakota to ensure the units occupied by people supported ABLE are affordable. The remaining units in the complex rent at market rate.

ABLE is dedicated to enhancing relationships, providing opportunities for growth and encouraging people to reach their personal dreams. The organization supports people in their homes, work and communities.

ABLE is currently working with Sullivan Properties in Dickinson, ND, to develop an apartment complex that will offer living arrangements similar to the set-up at The Landing.

(Original article published in Dec. 2014.)

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FACES OF HOME

Meeting a Need in the Community

Kris Fehr of AK Investments doesn't shy away from helping her community of Dickinson, North Dakota. She serves as an assisting minister and sings in the choir at St. John's Lutheran church; she is director of the Best Friends Mentoring Program; she's involved with Boy Scouts, is an active Rotarian, and serves as President of the school board. So when an opportunity came to further help residents of Dickinson, Fehr jumped right in.

Dickinson has become a hub for the oil and gas industry and many people have moved into the area for the economic opportunities. The current housing stock that is affordable for low- to moderate-income households has become limited with the high growth rates.

In 2011, Fehr read about the Housing Incentive Fund (HIF), administered by the North Dakota Housing Finance Agency. It was created during the legislative session that year to provide developers of affordable rental units with low cost financing.

"I was hearing heartbreaking stories," said Fehr. "Rents were increasing and some residents couldn't afford to stay here. I felt like we could make a difference and help address our community's affordable housing shortage."

Fehr put an application together and it was accepted in an early 2012 funding round. HIF was the perfect tool for Kris



and her husband, Alan, to convert 161 S Main, a 100-year-old property, into 10 units of affordable housing.

While the couple had acquired and owned rental property for many years, this would be the first project that they would be developing. Despite the challenges of finding a contractor, working through a myriad of details, coordinating city inspections, utilities, water, additional financing and dealing with a couple minor setbacks, the apartments were completed in September 2013.

"We didn't set out to be developers; we enjoyed meeting a need in the community," said Fehr. "HIF did what it was intended to do. Our units were nearly all rented in two months and our tenants are new residents of Dickinson – all ages and all ethnicities."

Through the process, Fehr developed a new admiration for developers.

"There is really so much involved and so much can go wrong, you really have to work as a team and depend on others to complete the project," said Fehr. "It was my goal to be open, honest and straightforward with what I'm doing

and to communicate. In the end it was really satisfying to know we could help others."

Since 2011, developers like Fehr have made more than 1,500 units in 57 developments in communities across the state possible by utilizing HIF.

Housing Incentive Fund (HIF)

Administered by North Dakota Housing Finance Agency (NDHFA), HIF supports the development of affordable units for low- and moderate-income households.

The program was created during the 2011 Legislative Session. It was reauthorized and expanded during the 2013 session.

Since HIF's inception, NDHFA has allocated over \$49 million to projects, leveraging more than \$240 million in construction financing.

Those projects provide much-needed housing for families, essential service workers and disabled and elderly households.

"These units are for people who are not making the big money, yet they are working as ambulance drivers, firefighters, grocery store clerks, mechanics, office

managers, dental hygienists. They are part of what makes our town great, progressive and productive. If we don't find ways to support them, they will leave," said Fehr. "Everyone deserves quality housing."

(Original article published April 2014.)

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House Appropriations Committee
House Bill No. 1014 Budget No. 475
North Dakota Mill & Elevator Association
January 10, 2019

Mr. Chairman and Representatives:

I am Vance Taylor, President and CEO, of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our CFO.

The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour mill and the 7th largest wheat milling company in the United States with sales approaching \$340 million per year.

Our milling complex includes 8 milling units with the capacity to produce 4,950,000 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 110,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 33,000,000 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 153 full time employees.

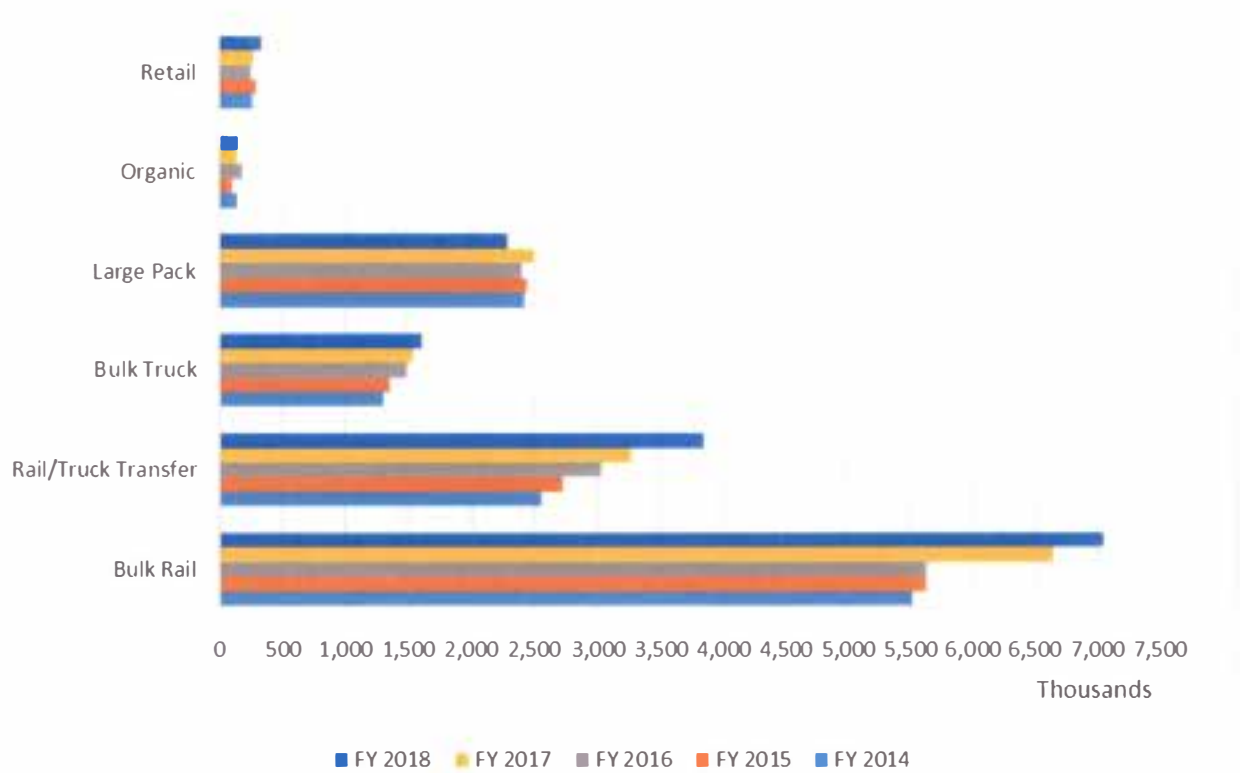
Our milling units process about 92% spring wheat and 8% durum. Approximately 80% of our products are shipped in bulk trucks or railcars and 20% is shipped in bags or totes. The Mill produces conventional and organic products. At present organic products make up about 1% of our total shipments.

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Flour Shipments in cwts.



Projects and Business Growth

In 2001 we had a milling capacity of 27,000 cwts of flour per day. Since that time we have completed multiple expansion projects listed below, including the recent start-up of our G Mill. These projects have grown our milling complex to a total of 49,500 cwts. of flour per day. Increasing our capacity has allowed us to service additional demand from current and new customers as well as improve profitability and increase the number of bushels purchased from North Dakota farmers.

- 2001 Renovation and Expansion Project \$19.5 million
- 2005 Whole Wheat Mill Expansion Project \$1.7 million
- 2007 C Mill Addition \$6.3 million
- 2009 E Mill Addition \$2.4 million
- 2010 D Mill Expansion \$2.4 million
- 2013 K Mill Renovation and Expansion \$8.4 million.
- G Mill Addition and Flour Storage \$38.7 million
- High Speed Truck and Rail Wheat Unloading System \$9.3 million
- Phase II Shuttle Track & Grain Storage \$24.7 million.

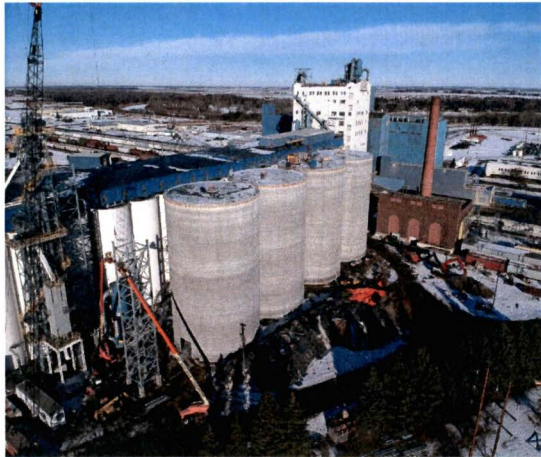
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Our need to expand has been driven by increasing demand from our current customers and the addition of new customers. The completion of these major projects has been vitally important for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State. Below are five potential projects that could be completed over the next five years to increase the North Dakota Mill's profitability and transfers to the General Fund.

- Increase Whole Wheat Milling Capacity \$2.5 million
- Increase Durum Milling Capacity \$5.1 million
- Flour and Millfeed Distribution System \$3.6 million
- Terminal Elevator Conveyors and Automation \$18.5 million
- H Mill Addition (to meet potential future demand) \$19.5 million

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Gain-Sharing Program Study

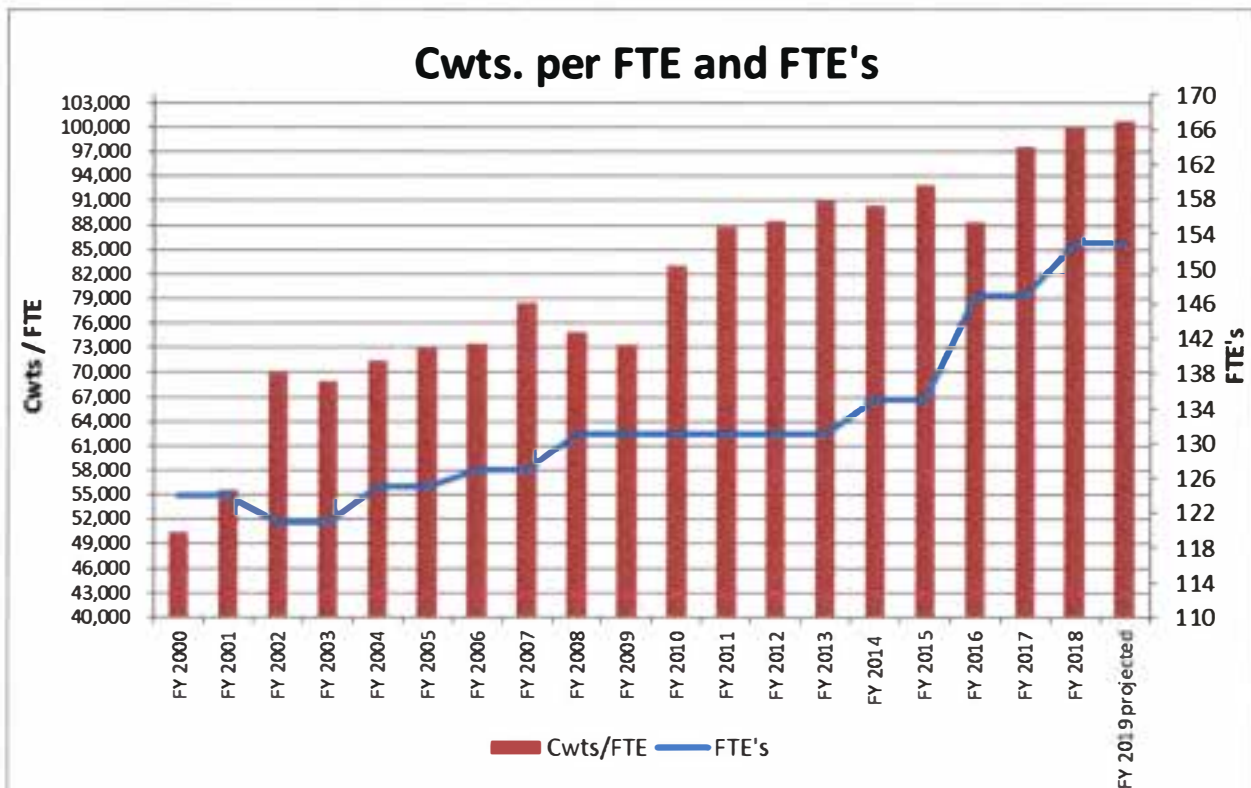
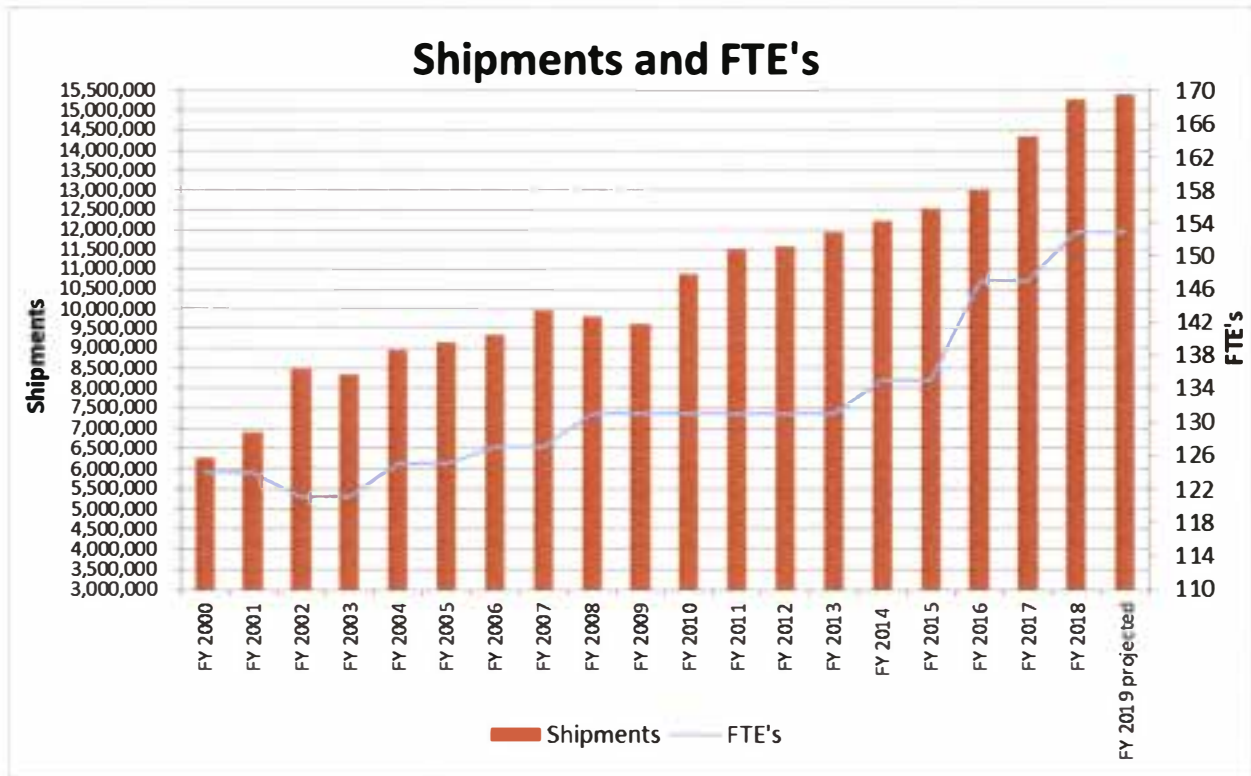
To satisfy the legislative intent of SB 2014 Section 30, a study was completed by Eide Bailly of the North Dakota Mill gain sharing program. This study was presented by Eide Bailly to the Government Finance Committee on June 7, 2018.

Findings of the Eide Bailly Study included:

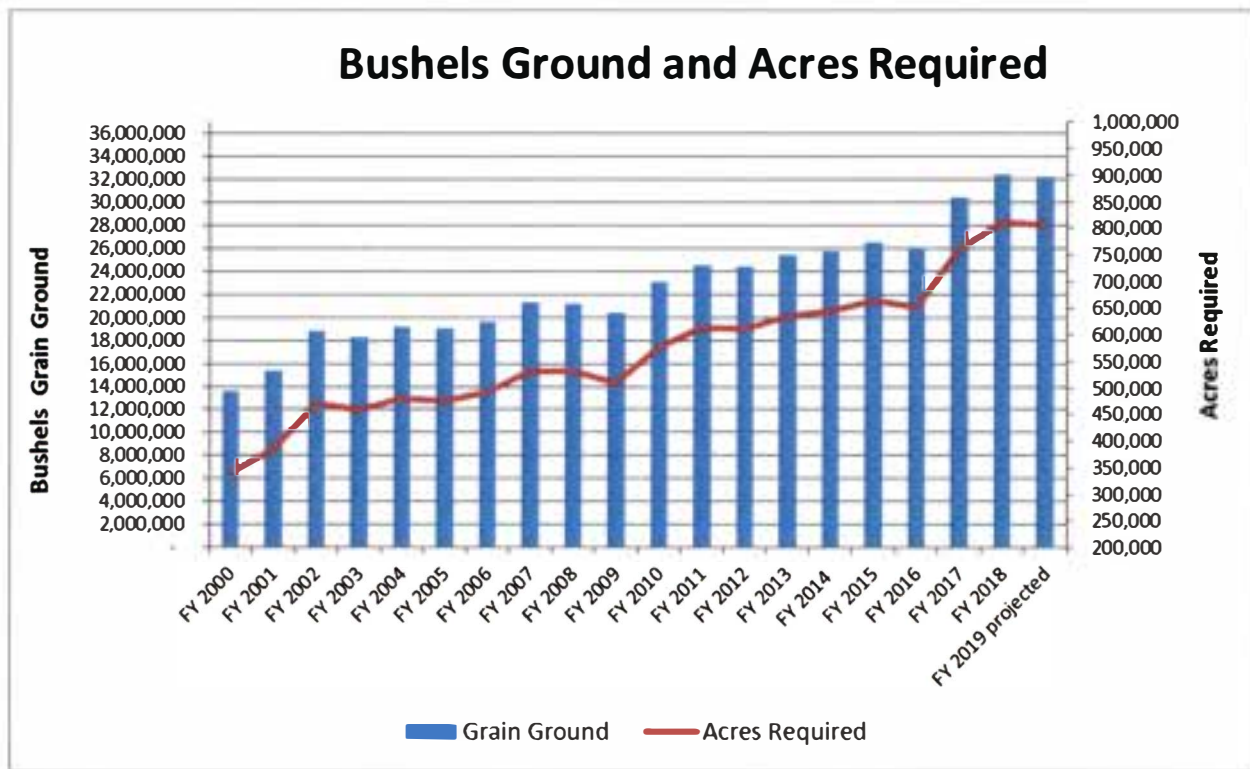
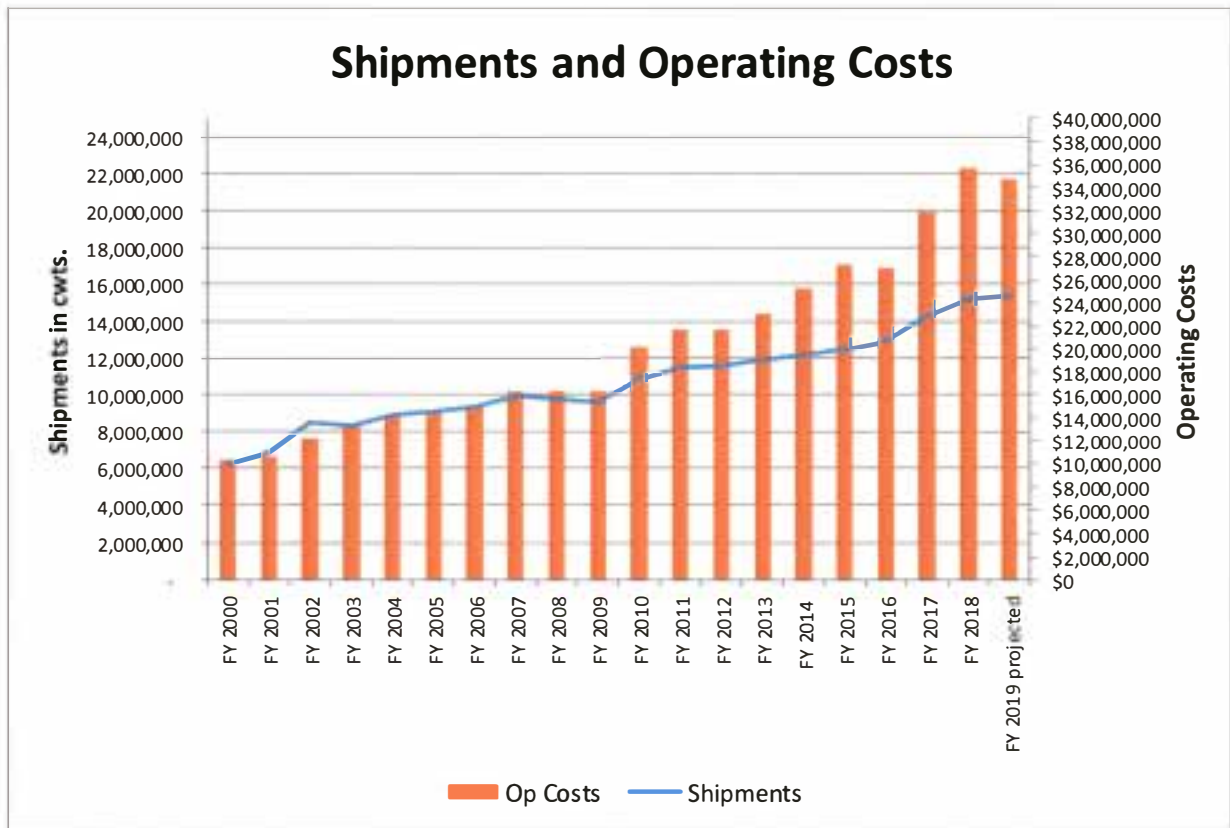
- Each flour mill responding to the Eide Bailly survey of milling competitors included a bonus or incentive program as a part of their employee compensation package.
- The study indicated the North Dakota Mill has favorable labor and benefits costs compared to similar entities.
- Local comparison of labor competition indicated the North Dakota Mill has lower or similar base pay scales.
- Employee survey responses consistently indicated that the gain-sharing program was effective to increase profits, improve safety and overall work performance.
- Eide Bailly concluded the gain-sharing program is financially feasible.

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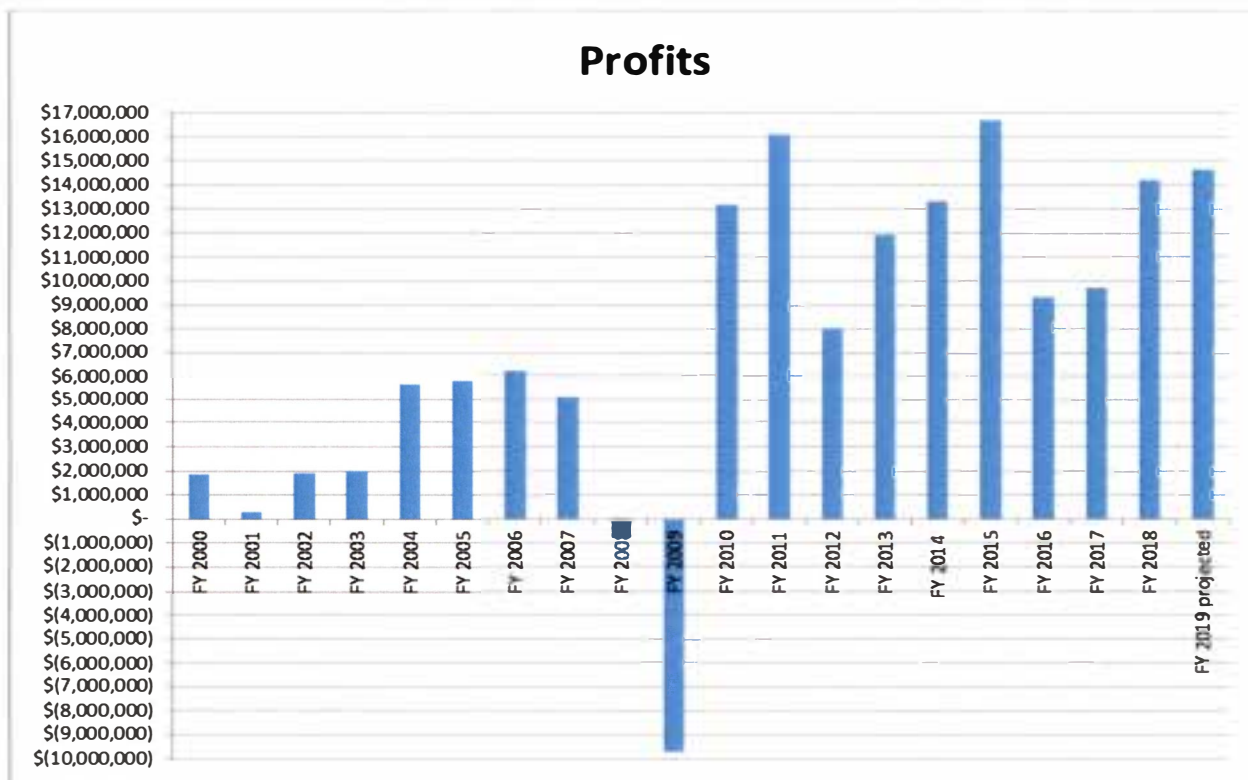
- The employee survey also indicated the potential need for additional scheduling options, including a possible four (4) shift operation. Starting a four (4) shift operation, in any department would create the need for more FTE's in that department.



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Markets and Competition

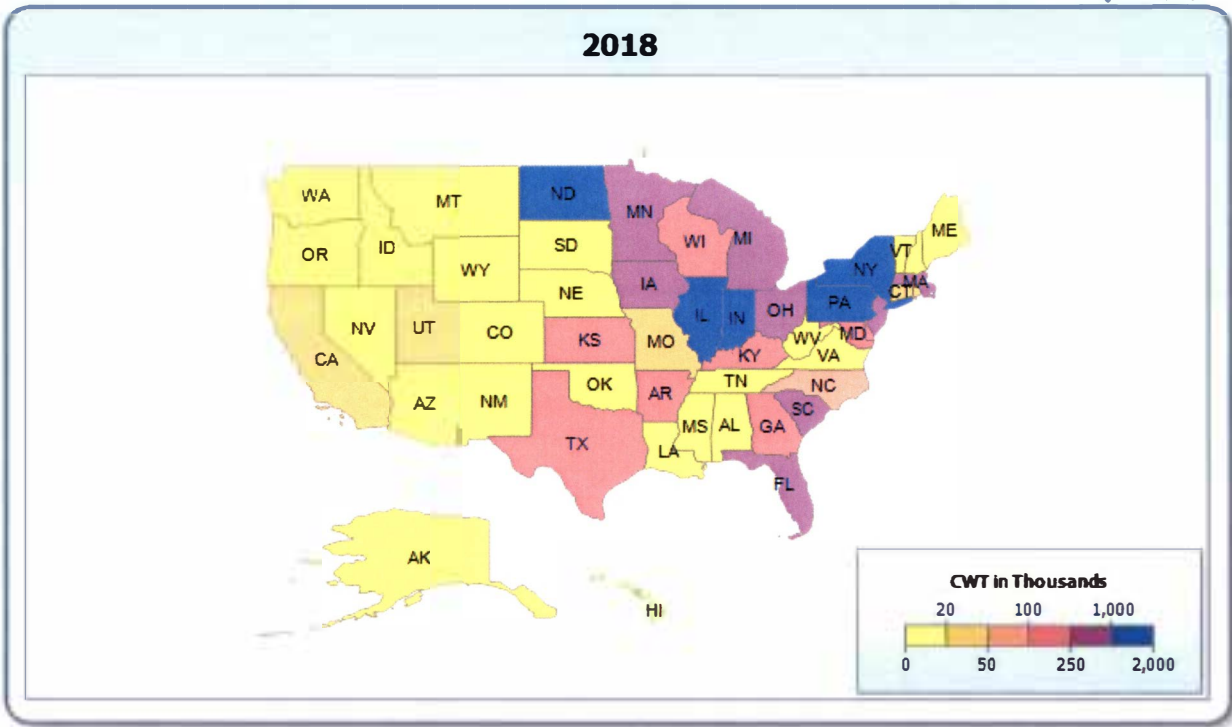
Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean Islands and Korea. Our customers include bakery flour distributors, retail distributors, large bakeries and pasta companies. Sales are made 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 FSSC 22000 certification.

Going forward, we intend to continue to increase flour shipments using the additional production capacity 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.

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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 2018, the Mill generated \$255,128,000 in direct economic activity resulting in an additional \$591,897,000 in secondary economic activity. This results in a total economic impact to the region of more than \$847,025,000 during the last fiscal year.

Strategic Plan 2019

Working with the UND Office of Work Force Development, the North Dakota Mill management team has developed the following strategic objectives for Fiscal Year 2019:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Maximize Profit Potential
- Grow our Customer Base
- Invest in our Employees

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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 are received from the State.

The Mill is requesting adjustments or enhancements to the base level budget found in House Bill 1014 to salaries and wages (including benefits) of \$7,371,412 and \$1,642,000 to operating expenses for a total increase of \$9,013,412. This increase results in a total appropriation of \$77,226,931 as reflected in the Governor's Executive Budget. This increase allows the Mill to continue to grow and meet customer demand for the flour produced at the mill as well as to increase profits and transfers to Agricultural Product Utilization Fund (APUF) and the General Fund.

We need four (4) new FTE's for the new biennium. The four FTE's will cost the mill \$588,089 over the biennium.

Two (2) of the positions are for Food Safety. There has been an increase in awareness of Food Safety and Security. Along with this awareness has come inspections that are more rigorous by customers and certifying boards. This requires more man-hours to meet the requirements for our FSSC 22000 certification and other inspections. These positions added \$319,142 to the salary and benefits expense.

We are adding two (2) utility workers to assist in Food Safety and Security and to assist in reducing the overtime by plant employees. The utility workers added \$268,947 to salary and benefits.

In the first year of the current biennium, the Mill spent \$17,972,765 on wages and benefits. This leaves a balance of \$21,335,754 for the current fiscal year. To achieve the high production and sales volumes the Mill had higher than budgeted overtime expense. Benefits are running less than anticipated. For the 2019-2021 Biennium we are requesting \$46,679,931 in salary and benefits which includes the salary and benefit expense for the four new FTE's.

In the first year of the current biennium, the Mill spent \$4,379,960 on utilities leaving \$6,680,040 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. The Mill expanded the grain storage capacity and with this new capacity there are additional power requirements. We budgeted \$11,767,000 for utilities for the 2019-2021 Biennium.

In the first year of the current biennium, the Mill spent \$3,077,956 on repairs leaving \$3,272,044 for the current fiscal year. With our growth and expansion over the past several years, we have increased the amount of equipment at the Mill, which requires maintenance and repairs. We anticipate this expense to be \$6,650,000 in the 2019-2021 Biennium.

In the first year of the current biennium, the Mill spent \$1,031,450 on insurance which leaves \$1,568,550 for the current fiscal year. The insurance market has been soft and we have been

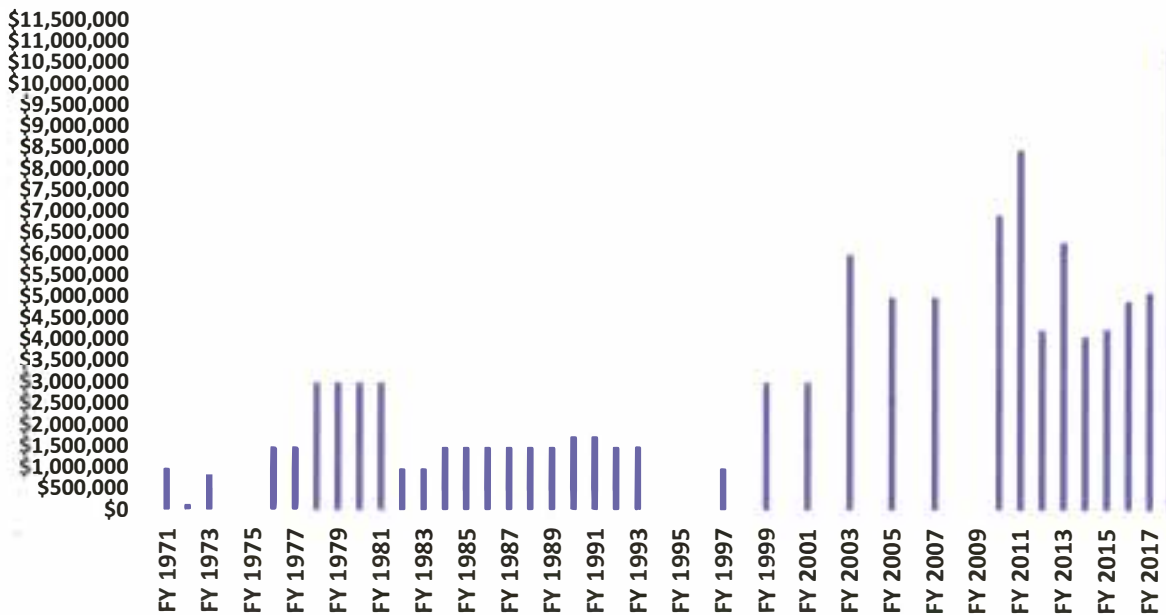
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able to obtain better than expected rates. This may not continue into the future and insurance rates are expected to climb. As we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values. We will also have additional rail cars and new mill buildings and a new high speed grain unloading system to insure for the biennium. We anticipate our insurance costs to be \$2,850,000 in the next biennium.

Four items, wages and benefits, utility expense, repair and demurrage expense, and insurance expense reflect the increase of \$7,843,678 in our requested appropriations or 95% of the request. The volume of production and sales at the Mill drives a large share of these expenses. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2018 reaching 15,289,777 cwts., a 6.4% increase over the previous fiscal year. This represents grinding more than 32,500,000 bushels of spring wheat and durum.

The Mill currently transfers 5% of profits to the APUF and a portion of the remaining profits to the General Fund. In fiscal year 2018, the Mill transferred \$709,414 (5% of profits) to the APUF and \$10,109,147 (75% of remaining profits) to the General Fund. Continued transfers to the General Fund at this level will result in higher debt levels resulting in reductions in capital spending and reduced profits and transfers. We respectfully request that the General Fund Transfer amount be set at a maximum of 50% of the remaining profits. In the past nine (9) years, due to business growth and increased profits, the Mill has transferred as much money to the General Fund as it had transferred in the previous thirty six (36) years (\$55,014,000 compared to \$55,500,000).

Transfer to General Fund & APUF



Thank you for your time and consideration of our budget request. I will be happy to answer any questions.



INDUSTRIAL COMMISSION OF NORTH DAKOTA
OIL AND GAS RESEARCH COUNCIL

Brent Brannan, Director
E-Mail: brentbrannan@gmail.com

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Att. A6
Governor
Doug Burgum
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").

Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 92 projects and studies totaling approximately \$38 million. 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

Ron Day
Vicky Sund

Daryl Dukart, Vice Chairman
Ron Ness

Darren Schmidt

Steve Holen
Lynn Helms

Ryan Kopseng, Chairman
Ed Murphy

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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 2017-2019 biennium has been set up to direct 78.25% of its funds for research and 13.5% for education with the remaining funds used for the Pipeline Authority (3.25%) and for administration/legislative directed study (5%).

Projects of Interest

“intelligent Pipeline Integrity Program (iPIPE)” - Statoil Pipelines LLC, Hess Corporation and Oasis Midstream Partners with the Energy and Environmental Research Center managing the project. This R&D program is focused on the advancement of emerging technology to prevent and detect pipeline leaks. The proposed work will lead to development and application of new tools that will assist industry's ongoing efforts to continuously improve pipeline integrity, thus reducing leaks and spills.

Multiple field demonstrations of emerging technologies on working pipelines will simultaneously assist technology providers in refining designs, pave a path toward full commercialization in the North Dakota market, prepare pipeline operators for adoption of the new tools, and effectively decrease the number and volume of spills experienced in North Dakota. With demonstrated success, additional consortium members (pipeline operators) will join the effort, thus enabling field testing of more technologies and further proliferating new technology among all pipeline operators.

The goal of this intelligent Pipeline Integrity Program (iPIPE) is to develop and demonstrate cutting-edge technology that can prevent and/or detect gathering pipeline leaks. This goal will be supported by accomplishment of the following objectives:

- Select the most promising emerging (near-commercial) technologies for demonstration
- Demonstrate multiple technologies on working gathering pipelines
- Document results of technology demonstrations
- Facilitate adoption of technologies into North Dakota pipeline operations

Total project costs are \$3,714,000 with the Oil and Gas Research Fund providing \$1,600,000.

“Solar Powered Electrokinetic Soil Desalinization” - Terran Corporation & Oasis Petroleum

The objective of this project is to demonstrate the viability and cost effectiveness of using direct current (DC) power to reduce the sodium and chloride mass contamination in soil and groundwater from brine releases. Typical releases may be from leaking pipelines or storage pit. A secondary objective is to integrate an electrokinetic (EK) remediation system with solar power. Since the EK process relies on DC power to induce migration of chloride and sodium ions (as well as other soluble ions) to emplaced electrode wells, solar panel arrays that generally provide 24-48 volts, could prove to be the ideal power source at remote sites, or eventually any site. This project will include the design, installation and operation of solar powered EK soil desalinization system along with soil monitoring and reports showing the efficacy of the process and comparison to previous traditional remediation efforts. Soil near the Schmitz pad site near Williston, North Dakota became contaminated due to a leaky flange in a brine pipeline. Oasis Petroleum and Terran Corporation found the site to be suitable for the electrokinetic soil desalinization (EKSD) process to extract the salt contamination from the soil using a proprietary extraction system based on electromigration techniques.

The EKSD process is an effective and economical alternative to conventional excavation or pump and treat. The goal is to remove as much chloride and sodium mass as practical. This project will

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demonstrate the ability to operate the system using solar power at remote sites where line power is not available, and generators are not economically viable. Total project costs are \$346,120 with the Oil and Gas Research Fund providing \$149,960.

Unitized Legacy Oil Fields: Prototypes for Revitalizing Conventional Oil Field in North Dakota - Eagle Energy Partners, LLC and the Energy and Environmental Research Center.

The objective of this project is to investigate waterflood optimization as a precursor for CO₂ EOR and development pathways for the revitalization of conventional oil fields in North Dakota. Objectives to be accomplished to meet the stated goal are 1) evaluate waterflood optimization and CO₂ EOR potential and implementation approaches; 2) develop cost-effective operational strategies that address key technical challenges, optimize current facilities, and systematically consider necessary new facilities; and 3) frame the results and experiences from this project as a prototype for revitalizing Tyler and Madison conventional oil fields in North Dakota.

Information generated in this project will positively affect ultimate recovery from North Dakota's existing conventional oil pools and will lead to additional projects, processes, ideas, and activities to facilitate implementation of oil exploration and production technologies presently not used in the state. The potential to revitalize conventional oil fields and increase ultimate recovery will bring new oil companies and industry investment to North Dakota, resulting in the growth of oil and gas jobs, wealth, and tax revenues for North Dakota. Total project costs \$6,000,000 with the Oil and Gas Research Fund providing \$3,000,000.

Oil and Gas Research Council Members

The Oil and Gas Research Council is a volunteer, citizen, industry, and government group appointed by the Governor which provides advice to the Commission on policies and recommends research for funding under the Program.

- Ron Day (North Dakota Petroleum Council)*
- Daryl Dukart (county commissioner from an oil-producing county)*
- Steve Holen (representing oil and gas producing counties)*
- Ryan Kopseng (North Dakota Petroleum Council)*
- Darren Schmidt (North Dakota Petroleum Council)*
- Vicky Sund (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

- 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. Information on each project funded and updates on the projects are available on the Oil and Gas Research Program website at <https://www.dmr.nd.gov/ogr/>

ANALYSIS OF THE OIL AND GAS RESEARCH FUND
N.D.C.C. 57-51.1
Continuing Appropriation

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	<u>2017-2019 Biennium</u>	<u>2019-2021 Biennium</u>
Beginning Balance		
Add transfers and estimated revenues ²	\$6,516,235 ¹	\$5,306,635
Transfer by State Treasurer from oil and gas taxes	\$10,000,000	\$10,000,000
Estimated applicant contributions	\$ 3,000	\$ 3,000
Estimated Interest Income	\$ 20,000	\$ 20,000
Total Available	\$16,539,235	\$15,329,635
Less estimated expenditures and commitments ³		
Estimated Project Expenditures & Commitments	\$ 10,095,000	\$ 12,000,000
Estimated Project Expenditures on Legislative study	\$ 500,000	\$ 0
Administrative and Technical Services Costs	\$ 312,600	\$ 350,000
Transfer to the North Dakota Pipeline Authority	\$ 325,000	\$ 350,000 ⁵
Total estimated expenditures	\$11,232,600	\$12,700,000
Estimated ending balance	<u>\$ 5,306,635⁴</u>	<u>\$ 2,629,635</u>

⁽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 to \$1,300,000 by the 2005 Legislature, \$3,000,000 by the 2007 Legislature and \$4,000,000 by the 2009 Legislature. In 2013 it was increased to \$10,000,000 where it has remained for the 2013-2015 and 2015-2017 biennia. 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 up to \$10,000,000 a biennium.

⁽²⁾ Revenues under the 2017-2019 biennium reflect the transfer of \$10,000,000 from the State Treasurer. Estimated interest income includes actual interest income of \$12,880 through November, 2018 and an estimate of the interest income through June 30, 2019. Estimated applicant contributions reflect actual applicant contributions of \$2,500 through November, 2018 with an estimate for the remainder of the biennium.

⁽³⁾ Since 2003 through 2018 the Commission has committed funding for 92 projects or studies totaling \$38,620,435 of OGRP funding. This is exclusive of the three projects directed by the Legislature. Total project costs are approximately \$350,000,000. This includes 7 projects approved so far during the 2017-2019 biennium with funding to be provided during the 2017-2019 and subsequent biennia. Actual project payments during the 2017-2019 biennium through November, 2018 total \$3,442,492 with an estimate for the remainder of the biennium. Actual administrative and technical services costs through November, 2018 total \$186,220 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium.

⁽⁴⁾ This funding is needed for payments of approved projects that will be completed in subsequent biennia. Outstanding commitments as of January, 2019 are approximately \$11,600,000.

⁽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 \$350,000 will be needed during the next biennium for the Pipeline Authority.



INDUSTRIAL COMMISSION OF NORTH DAKOTA

OUTDOOR HERITAGE FUND

HB 1014
1-10-19
ATT 4.7
Governor
Doug Burgum
Attorney General
Wayne Stenejem
Agriculture Commissioner
Doug Goehring

Executive Director/Secretary
Karlene Fine

Background - The Outdoor Heritage Fund (OHF) was created by the Legislature in 2013 to provide grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations, with higher priority given to projects that enhance conservation practices in this state for four directives that are outlined below, along with a sampling of projects that have been funded under each directive.

Directive A - Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen.

- Schatz Point Fishing Pier – This project will assist with the installation of a handicap accessible fishing pier at Lake Tschida that will offer the public opportunities to access depths of 18' regardless of abilities or financial means. OHF is providing \$42,500 of the \$57,598 total project costs.

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.

- North Central Soil Health & Habitat – This project will work with 10-20 growers over 3 years to impact 3,250 grower designated salt impacted acres from annual crop production and establish deep rooted salt tolerant perennial vegetation. The use of cover crops on adjacent acres will be an additional practice to further promote soil health and salinity management. Workshops will also be held. OHF is providing \$52,500 of the \$288,625 total project costs.

Directive C - Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands.

- North Dakota Hen House Project II – This project includes the installation of 200 hen houses in the Woodworth and Carrington region. Delta Waterfowl biologists estimate that over 16,000 mallard ducklings will hatch in these hen houses over the next 10 years. The houses will be monitored and maintained for the next 10 years. OHF is providing \$26,300 of the \$60,900 total project costs.

Directive D - Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

- Sheyenne River Water Trail Development – This project will improve accessibility and informational materials for canoeing, kayaking, fishing, camping, and hunting access opportunities on Sheyenne River. The Sheyenne River has multiple scattered parcels of public lands that have limited or no access by road due to private land and therefore see minimal public use. This project will improve 4 main access points including a trailhead and provide the public with information including a map, camping opportunities, safety concerns, and rules. OHF is providing \$8,700 of the \$16,300 total project costs.

During the 2017-2019 biennium, the OHF is capped at \$10 million, after which it will be capped at \$40 million per biennium. To date, \$41,020,082 has been approved for funding. It

Randy Bina	Joshua DeMorrett	Tyler Dokken	Jay Elkin	Carolyn Godfread	Tom Hutchens
Robert Kuylen	Daryl Lies	Jim Melchior, Chairman	Wade Moser	Kent Reiersen	Patricia Stockdill
Ex-officio:	Melissa Baker	Tom Claeys	Terry Steinwand	Rhonda Vetsch	



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is governed by the Industrial Commission consisting of Governor Doug Burgum, Chairman, Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring. A 16-member advisory board (12 voting members) reviews applications from eligible organizations.

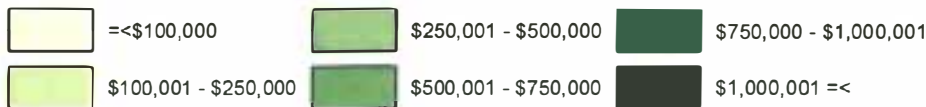
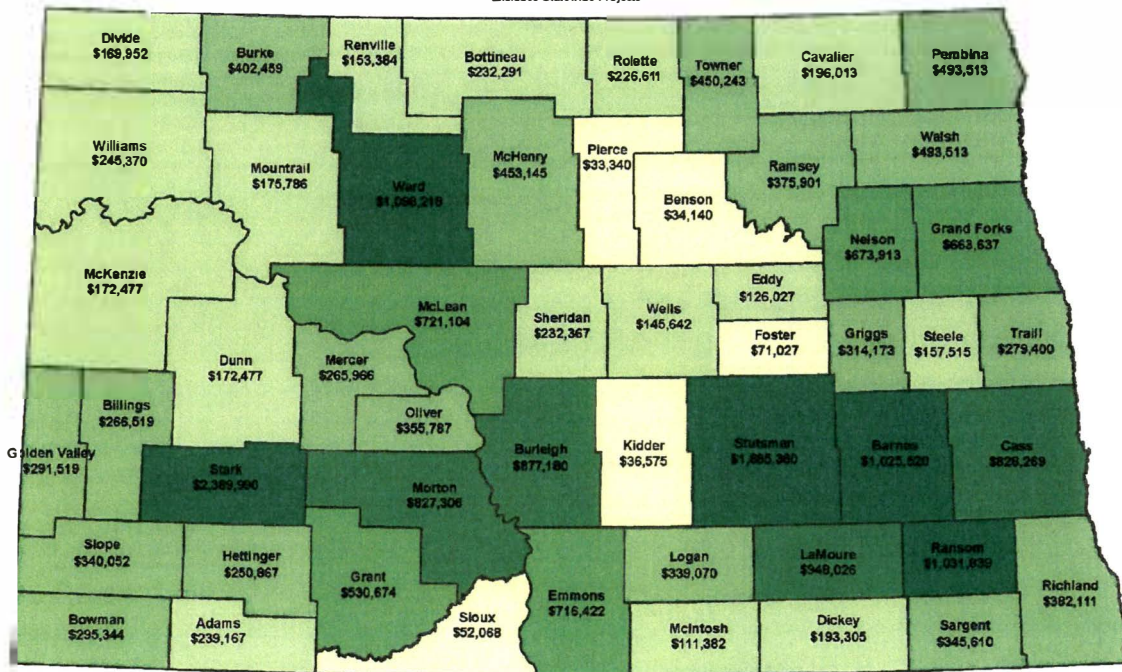
Funding Guidelines - A 25% match is required. Except for extenuating circumstances, the Commission cannot consider funding for projects already completed; feasibility or research studies; maintenance costs; paving projects for roads and parking lots; swimming pools or aquatic parks, and personal property that is not affixed to the land. Funding for playground equipment is limited to 25% of the cost of the equipment up to \$10,000 per project. Funding for staffing or outside consultants for the design and implementation of the project (based on documented need) may not exceed 5% of the grant if the grant exceeds \$250,000 and may not exceed 10% if the grant is \$250,000 or less. By policy, the Industrial Commission has stated that unless there is a finding of exceptional circumstances, the following projects are not eligible: construction or refurbishment of indoor/outdoor ice rinks, construction or refurbishment of indoor/outdoor athletic courts and sports fields, and infrastructure that is not part of a comprehensive conservation plan. The goal of the Industrial Commission is that at a minimum, 15% of the funding received for a biennium will be given priority for recreation projects that meet Directive D.

Projects can be specific to certain locations, or statewide. The density map below shows the amount of project specific funding per county.

North Dakota Outdoor Heritage Fund

Awards by County, Grant Rounds 1-13

*Excludes Statewide Projects



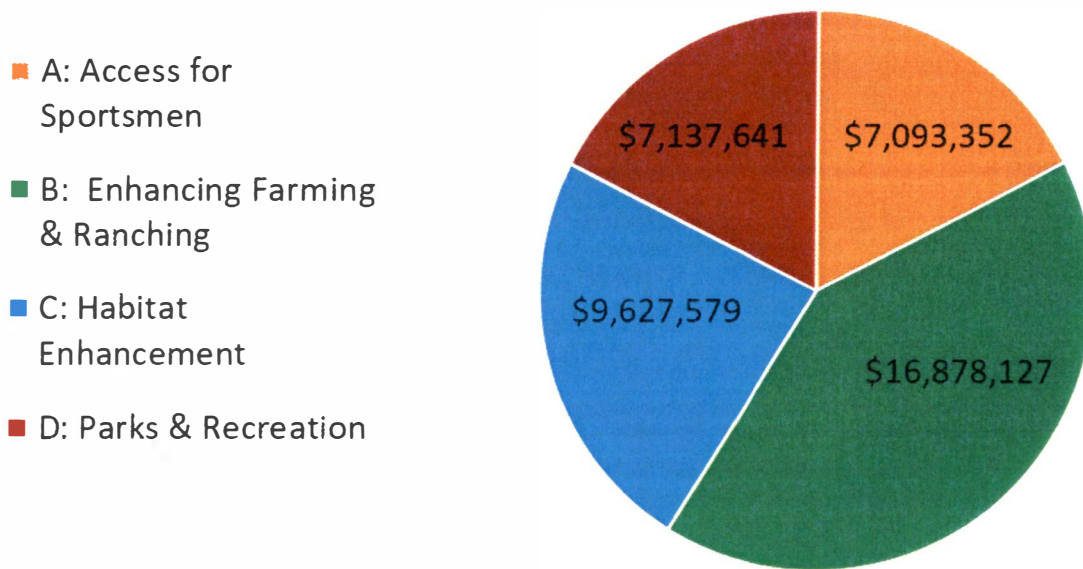
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There have been many statewide projects funded as well. These projects include a variety of activities including tree planting, agricultural best management practices, habitat establishment, and access for sportsmen. Below is a breakout of statewide vs. site specific awards:

- Amount awarded for site specific projects: \$23,789,587 (58%)
- Amount awarded for statewide projects: \$17,230,495 (42%)
- Total amount awarded: \$41,020,082

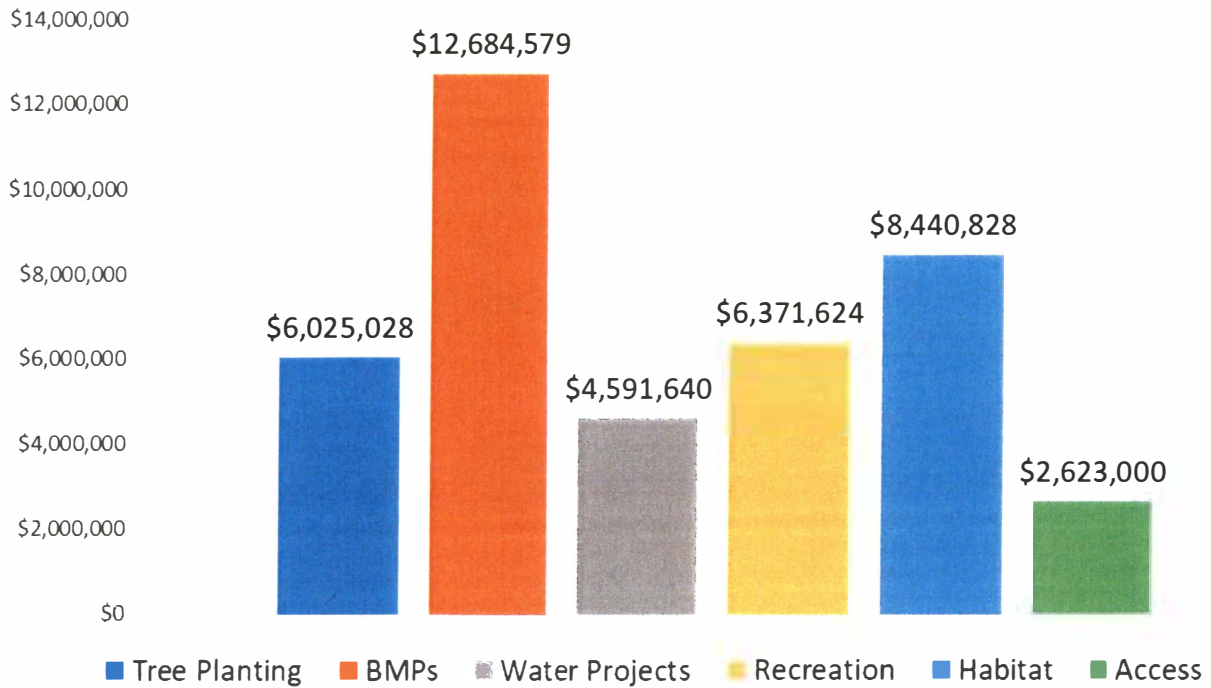
The following charts demonstrate OHF awards by directive and activity type.

OHF Funds Awarded By Directive



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OHF Funds Awarded by Activity



**While the total approved award amount total is \$41,020,082, projects that were approved and subsequently withdrawn by the recipient(s) are not included in the above charts. Tree planting occurs in small amounts in other activities. Examples of Best Management Practices (BMPs) include: perimeter fencing, cross fencing, wells, tanks, pipelines, cover crops, and grass planting.*

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ANALYSIS OF THE OUTDOOR HERITAGE FUND
N.D.C.C. 54-17.8-02 & 57-51-15
Continuing Appropriation

	<u>2017-2019 Biennium</u>	<u>2019-2021 Biennium</u>
Beginning Balance	\$26,787,636	\$23,991,313
Add transfers and estimated revenues ¹		
Oil and gas gross production tax collections	\$10,799,177	\$30,200,000 ³
Estimated Interest Income	\$ 54,500	\$ 50,000
Total Available	<u>\$37,641,313</u>	<u>\$54,241,313</u>
Less estimated expenditures and commitments ²		
Grant Award Expenditures and Commitments	\$12,500,000	\$25,000,000
Administrative Costs	\$ 150,000	\$ 200,000
Total estimated expenditures	<u>\$13,650,000</u>	<u>\$25,200,000</u>
Estimated ending balance	<u>\$23,991,313</u>	<u>\$29,041,313</u>

⁽¹⁾ The Outdoor Heritage Fund was established in 2013 and received revenues of \$18,641,973 during the 2013-2015 biennium and \$19,958,440 during the 2015-2017 biennium from oil and gas gross production tax collections. The law allowed up to \$40,000,000 a biennium. For the 2017-2019 biennium the law was changed to limit receipts to \$10,000,000 for the period September 1, 2017 and ending August 31, 2019, and that amount was reached in May, 2018. After August 31, 2019 the law re-establishes the limit at \$40,000,000 a biennium. Estimated interest income includes actual interest income of \$34,926 through November, 2018 and an estimate of the interest income through June 30, 2019.

⁽²⁾ Since 2013 the total awarded amount is \$41,020,082, and of that amount \$9,672,959 has been awarded during the 2017-2019 biennium with one more grant round scheduled for May, 2019. The majority of the awards are for multi-year projects and payments are made based on actual costs. Payments made during the 2017-2019 biennium through November 30, 2018 totaled \$5,135,289 with an estimate through June 30, 2019. Outstanding commitments as of November 30, 2018 were \$22,315,428. Actual administrative costs through November 30, 2018 total \$96,550 with an estimate for the remainder of the biennium. As of December 31, 2018 there is \$9,900,000 available in the Fund for future grant awards.

⁽³⁾ This amount reflects the estimate based on the forecast in the Governor's Executive Budget for 2019-2021 biennium to be transferred from the oil and gas production tax collections. By law the amount transferred cannot exceed \$40 million a biennium.



INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PIPELINE AUTHORITY

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Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring
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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 will 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 \$325,000 during the 2017-2019 biennium from the Oil and Gas Research Fund to the Pipeline Authority Fund. The Industrial Commission has named Justin Kringstad, an engineering 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/Secretary 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. This work identified the need for additional investment in all segments of the oil and natural gas pipeline industries. Evolving technology and dynamic pricing make the Pipeline Authority’s production forecasting efforts an ongoing process. Mr. Kringstad also served as an advisor for the EmPower Commission, Department of Transportation Freight Advisory Committee, Office of Management and Budget, and Department of Commerce.

The Pipeline Authority website is updated on a regular basis so you should add this website to your “favorites.” We are hopeful this website will be a good tool for keeping policy makers, citizens, and the industry informed of what is happening with the development of pipelines in North Dakota.



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ANALYSIS OF THE PIPELINE AUTHORITY FUND
N.D.C.C. 54-17.7-11
Continuing Appropriation

	<u>2017-2019 Biennium</u>	<u>2019-2021 Biennium</u>
Beginning Balance	\$ 51,705	\$ 46,905
Add transfers and estimated revenues ¹		
Transfer from Oil and Gas Research Fund	\$ 325,000	\$ 350,000 ³
Estimated Interest Income	\$ 200	\$ 100
Total Available	<u>\$376,905</u>	<u>\$397,005</u>
Less estimated expenditures and commitments ²		
Administrative & Study Costs	\$ 36,240	\$ 40,000
Consultant Costs	\$ 293,760	\$ 310,000
Total estimated expenditures	<u>\$330,000</u>	<u>\$350,000</u>
Estimated ending balance	<u>\$ 46,905</u>	<u>\$ 47,005</u>

⁽¹⁾ Revenues reflect a transfer of \$325,000 from the Oil and Gas Research Fund for the 2017-19 biennium. Estimated interest income includes actual interest income of \$120.13 through November, 2018 and an estimate of the interest income through June 30, 2019.

⁽²⁾ Actual administrative costs through November, 2018 total \$5,780.68 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2018 total \$174,018.07 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.

Industrial Commission
of North Dakota

Doug Burgum
GOVERNOR

Wayne Stenehjem
ATTORNEY GENERAL

Doug Goehring
AGRICULTURE COMMISSIONER



North Dakota Public Finance Authority

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House Bill 1014
House Appropriations Committee
Testimony of DeAnn Ament
North Dakota Public Finance Authority
January 10, 2019

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority (PFA). The PFA 2017-2019 appropriation was \$791,567. I am providing this testimony in support of the Industrial Commission's requested appropriation which includes optional requests approved in the Governor's budget for the Public Finance Authority for the 2019-2021 biennium in the amount of \$813,283. The requested biennial appropriation is \$21,716 or 3% more than the current biennial appropriation. The 2019-2021 budget includes the recommended salary and benefit adjustments outlined in the Governor's budget. Salaries and benefits are approximately 77% of the budget. The overall budget increase is due to salary increases included in the Governor's budget which were in part offset by operating expense reductions to meet the Governor's 90% budget request which included reductions to travel, telecommunications, supplies and professional development; the optional request to restore \$20,000 professional fees was approved.

Expenditures for the first 18 months of the biennium total approximately \$402,467 or 51% of the 2017-2019 appropriation. It is anticipated that total 2017-2019 biennium expenditures will be approximately \$552,850 or 70% 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.** 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 2017-2019 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 2019-2021 biennium while we assess the demand for our services under existing programs as well as any potential new programs.

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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.

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 \$194,163,000 and funded draws of \$28,509,037 for the Clean Water State Revolving Loan Fund; the largest dollar amount of loans approved in a year in the history of the program. Clean Water projects financed recently include \$146,729,000 for regionalization of the wastewater treatment plant in Fargo, \$215,000 for storm sewer improvements in Arthur and \$9,000,000 for UV disinfection and a connector pipeline in Grand Forks. The Drinking Water State Revolving Loan Fund had approvals of \$52,282,500 and funded loan draws of \$85,703,297; the largest year in the history of the Drinking Water program. Projects financed under the Drinking Water program include \$1,734,000 to Minot for flood protection utility relocation, \$285,000 to replace a raw water pipe under a slough in Rugby, and \$1,700,000 for Cass Rural Water District to provide water supply to the City of Leonard.

These State Revolving Fund programs continue to require many changes for documenting, funding and reporting purposes. Congress passed amendments to the Drinking Water State Revolving Loan Fund which has resulted in an increased workload as we work to implement fiscal sustainability plans, new fee guidance and affordability criteria. These new requirements in addition to administering American Iron and Steel, Davis-Bacon wages, 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 Munich issued \$1,360,000 of special assessment debt to finance street improvements in 2018. 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 2018 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, 2012, 2015 and 2016 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, 2018, the Public Finance Authority has made \$260,448,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is \$151,395,000. 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. These loans assisted political subdivisions until federal and state money was available or aided 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 \$276,098 were outstanding as of December 31, 2018.

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

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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, \$220,247,688 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2018. Through December 31, 2018, 301 loans totaling \$844,011,241 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2019 includes over \$381,805,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, \$207,530,767 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2018. Through December 31, 2018, 248 loans totaling \$642,775,930 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2019 includes approximately \$639,314,000 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 1.5% 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. The PFA obtained an additional rating for the North Dakota SRF Program bonds from Standard & Poor's Ratings Services which assigned their highest rating, "AAA," on June 29, 2015.

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.

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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 "A+" 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 borrower. 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.

FEATURED PROJECTS

CWSRF FEATURED PROJECT



Aerial view of the city of Fargo's Wastewater Treatment Facility (Courtesy of AE2S)

FARGO WASTEWATER TREATMENT FACILITY IMPROVEMENTS

Fargo's Wastewater Treatment Facility is approaching its design capacity, and the city has recently agreed to accept wastewater from the cities of West Fargo and Horace. Furthermore, portions of the existing facility have been found to be deficient due to the physical condition or age of the components. Failure to perform the recommended rehabilitation and expansion may result in a discharge of wastewater that exceeds the city's discharge permit requirements. These improvements will ensure that the city of Fargo is able to reliably treat wastewater for communities in the region and satisfy regulatory requirements.

Fargo's Waste Water Treatment Facility improvements began in 2018, and construction is expected to be completed in 2022. The CWSRF Program is the sole funding source for the project with a total of \$146,729,000 loaned at a 2 percent interest rate with 30-year terms.

DID YOU KNOW?

STORMWATER SYSTEM PROJECTS ARE ELIGIBLE FOR FUNDING

Stormwater system projects are eligible for CWSRF funding. These include projects that prevent flooding in streets and protect the sanitary sewer system, as well as lift stations and drainage channels to prevent urban flooding. Green infrastructure projects to reduce stormwater flows or provide treatment are also eligible. Stormwater projects must have a water quality benefit. Please contact the CWSRF Program Manager if you would like more information about funding stormwater system projects.



Stormwater Inlet (Courtesy of <http://www.grandforksgov.com/government/engineering/land-development/stormwater-information>)

DWSRF FEATURED PROJECT



Connection of Rugby's new and old water main (Courtesy of Interstate Engineering)

RUGBY RAW WATER MAIN REPAIR

The city of Rugby owns two raw water mains that connect several municipal wells to its water treatment plant. One of the mains was constructed of asbestos cement and was in poor condition. This pipe had broken several times beneath a slough and required significant maintenance over the years. The city of Rugby came to the DWSRF Program for a \$285,000 loan at a 2 percent interest rate with 30-year terms to replace 2,100 feet of this pipe.

Following North Dakota Department of Health requirements, the city decided to abandon the asbestos cement pipe beneath the slough and connect the new 2,100 feet of fusible PVC with the existing pipe. Construction was completed in October, and the city now has a more reliable drinking water system.

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***North Dakota Public
Finance Authority***

2018
Annual Report

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

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Industrial Commission of North Dakota

Doug Burgum
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Keith Lund
Grand Forks

Linda Svihovec
Bismarck

Vacant

Staff

DeAnn Ament
Executive Director

Lisa Froelich
Business Manager

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NORTH DAKOTA
PUBLIC FINANCE AUTHORITY

2018 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

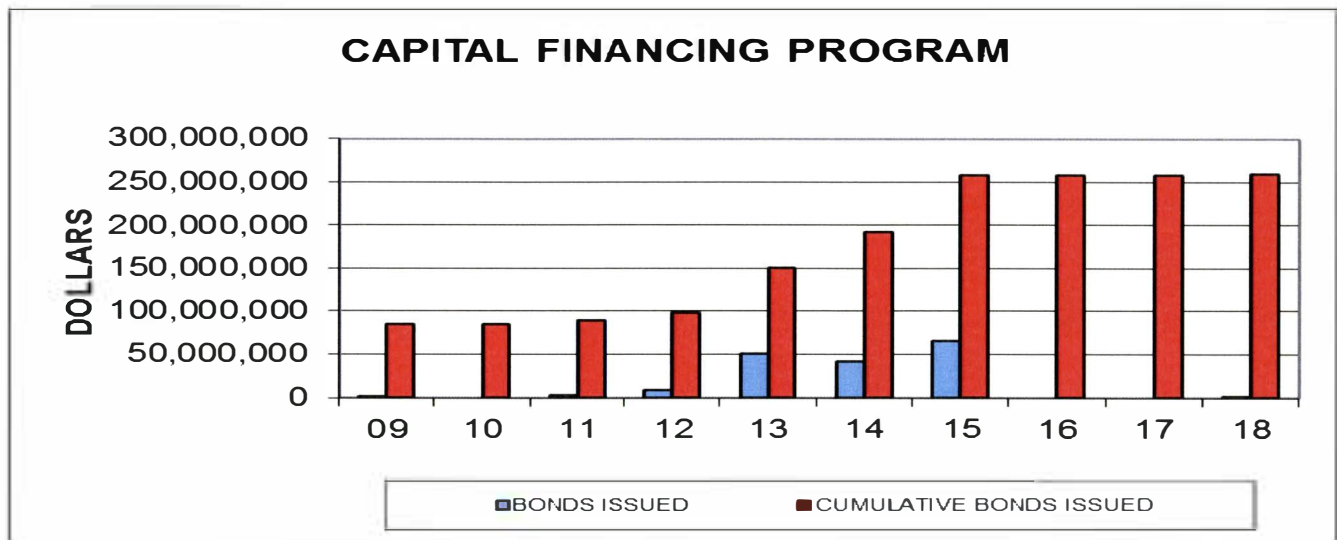
A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority’s (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as 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.

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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 September 26, 2018 the Capital Financing Program was upgraded from a rating of “A+” to “AA-” by Standard & Poor’s Ratings Group.

The PFA issued \$1,360,000 of CFP Bonds in 2018. The proceeds of the 2018 CFP Bonds were used to fund a loan to the City of Munich.

The total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2018, was \$26,924,698. 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).

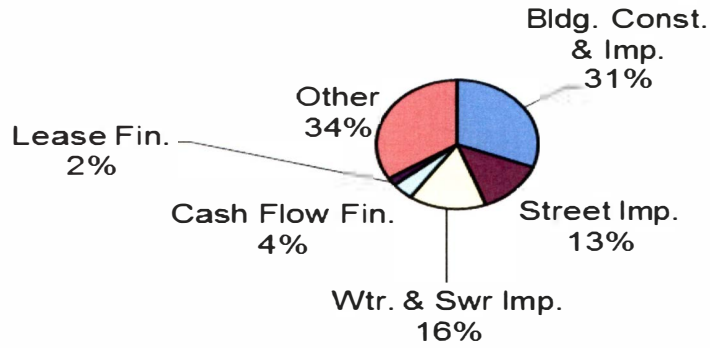
As of December 31, 2018, the total cumulative amount of bonds issued under the CFP General Bond Resolution was \$259,480,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was \$151,395,000.

Part F of Attachment 1 beginning on page 1-6 of this Report contains a complete list, as of December 31, 2018, 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.

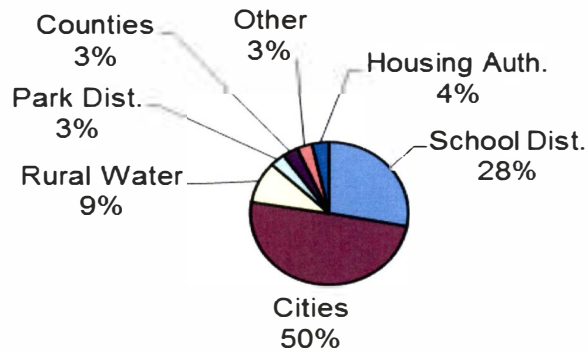
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Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2018, of all series of Capital Financing Bonds issued under the CFP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of CFP Bonds.

Capital Financing Program Loans



Capital Financing Program Borrowers



CAPITAL FINANCING DISASTER LOAN PROGRAM

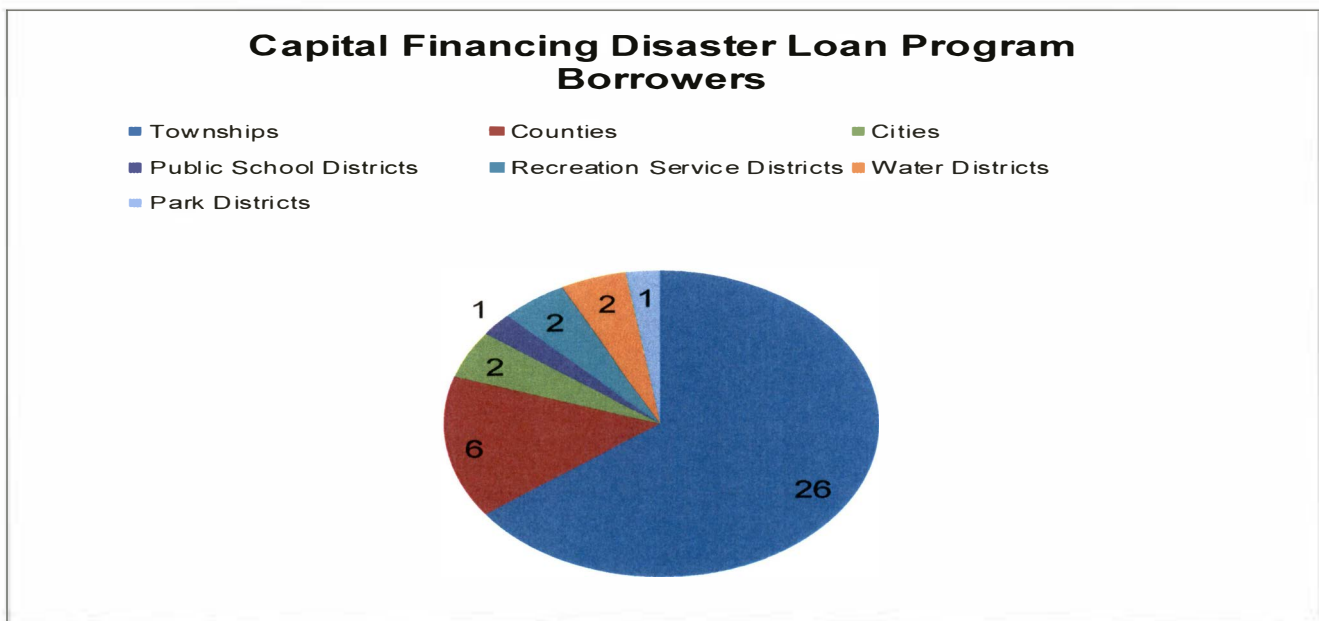
On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events. Under its Capital Financing Disaster Loan Program, the PFA makes loans for the purpose of providing disaster assistance 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%.

There were no Disaster Financing loans approved in 2018. Loans approved under this program total \$71,531,546 and \$276,098 were outstanding as of December 31, 2018. Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2018, 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 proceeds of the CFP Disaster Bonds have historically been used to make loans to political subdivisions approved for financing under the Disaster Loan Program. The PFA did not sell any CFP Disaster Bonds to Bank of North Dakota in 2018. As of December 31, 2018, the total cumulative amount of bonds issued under the Disaster Loan Program was \$14,405,612 and there are no bonds outstanding under the Disaster Loan Program.

Part G of Attachment 2 on page 2-2 of this Report contains a complete list, as of December 31, 2018, 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.



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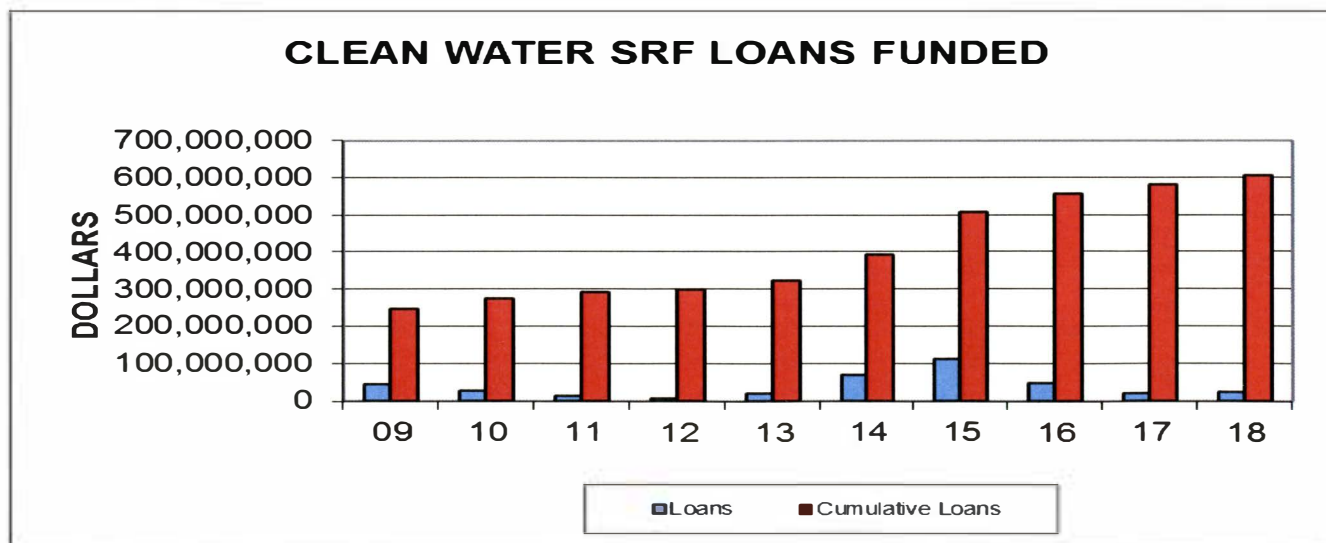
STATE REVOLVING FUND PROGRAM

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. In 2015, the PFA obtained an additional rating for the North Dakota SRF Program bonds from Standard & Poor's Ratings Services which assigned their highest rating, "AAA," on June 29, 2015.

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 1.0% and/or have a loan forgiveness component.

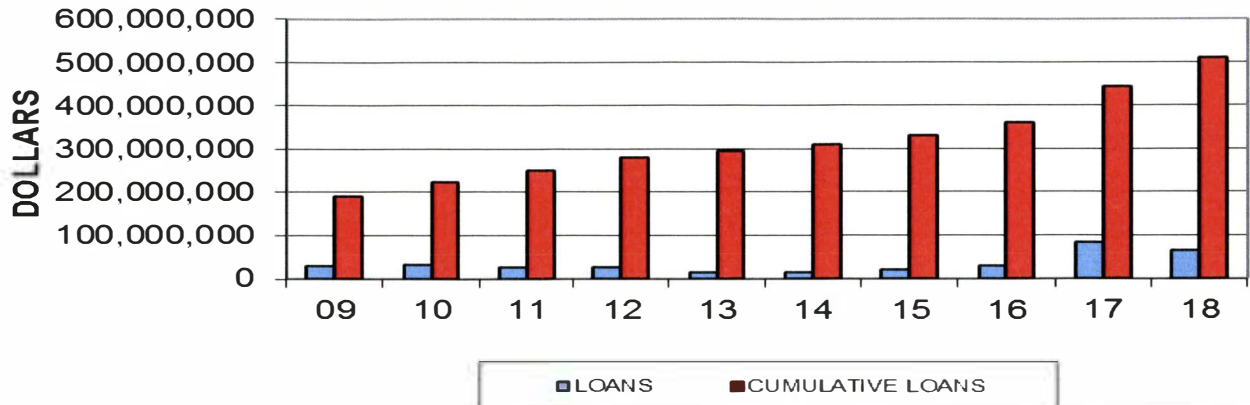
The PFA approved \$193,860,583 of Clean Water SRF Program loans to 16 political subdivisions in 2018. Subpart 27 of Part G of Attachment 1 on page 1-18 of this Report contains a list of all approved Clean Water SRF Program loans for 2018, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2018.



The PFA approved \$51,965,469 of Drinking Water SRF Program loans to 26 political subdivisions in 2018. Subpart 20 of Part H of Attachment 1 on page 1-25 of this Report contains a list of loans made under the Drinking Water SRF Program during 2018, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2018.

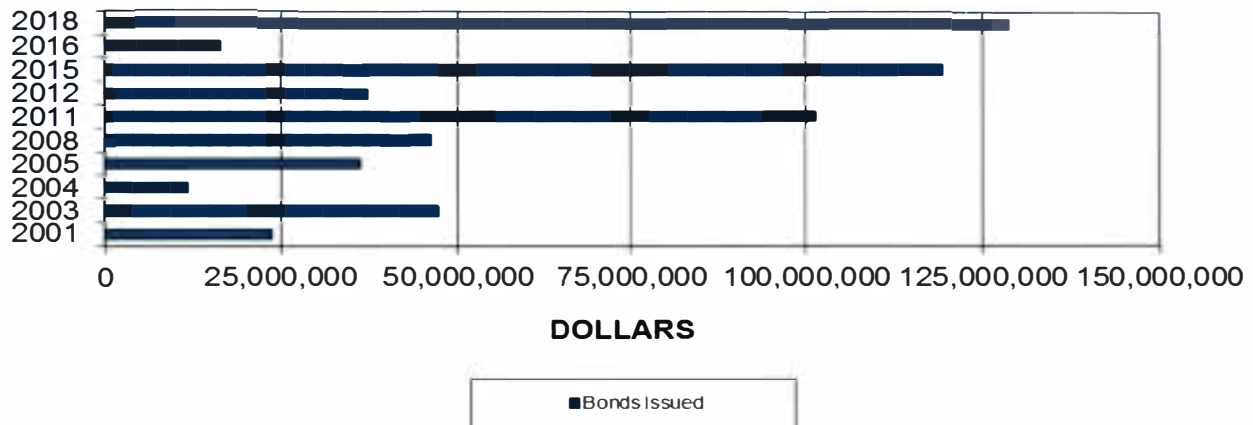
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DRINKING WATER LOANS FUNDED



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is \$683,365,000. This total includes \$151,085,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003A, 2003B, 2004, 2005 and 2008 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.

SRF PROGRAM BONDS ISSUED



As of December 31, 2018, the total amount of SRF Program Bonds outstanding was \$344,255,000, and the total outstanding amount of SRF Program loans was \$673,305,492. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2018, was \$5,359,684, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part H of attachment 2 on page 2-3 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.

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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 borrower 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 September 26, 2018 the Industrial Development Bond Program was upgraded from a rating of "A+" to "AA-" by Standard & Poor's Ratings Group. The PFA did not issue IDBP Bonds in 2018.

Part I of Attachment 1 beginning on page 1-27 of this Report contains a complete list, as of December 31, 2018, 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 2-3 of this Report contains a complete list, as of December 31, 2018, 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, 2018 was \$436,230. 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.

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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 2019-2021 biennium is \$26,192,863, and the debt service requirement for the outstanding SRF Program Bonds for the 2019-2021 biennium is \$70,959,712. The outstanding IDBP debt service requirement for 2019-2021 is \$416,700.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2019-2021 biennium is \$97,569,275.

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**NORTH DAKOTA PUBLIC FINANCE AUTHORITY
LOANS MADE 1977 THROUGH 2018**

Part A

Subpart 1

\$15,000,000 1977 Series A Bonds

Borrower

Alexander PSD	Kensal PSD	Rock Lake PSD
Alexander	Kinloss PSD	Rolla
Almont	Kinyon PSD	Rutland
Ashley	Kulm	Sawyer PSD
Barney	LaMoure PSD	Scotia PSD
Bell PSD	LaMoure	Scranton
Beulah	Lawton	Sharon
Bismarck	Leeds	Sharon PSD
Bismarck Park District	Lehr	Sherwood
Butte PSD	Leonard PSD	Sheyenne PSD
Buxton	Leonard	Solen PSD
Carrington PSD	Lidgerwood	South Heart PSD
Cass County	Lignite	South Bend PSD
Casselton	Lincoln PSD	Southern PSD
Center	Linton	Southwest Fargo
Courtenay Special PSD	Linton PSD	Stanley
Drake	Maddock	Stanton
Edinburg PSD	Mandan	Steele
Edmore PSD	Mayville	Streeter PSD
Elgin	McVile	Sutton PSD
Ellendale PSD	Michigan	Thompson
Emerado	Minnewauken PSD	Tioga PSD
Enderlin	Napoleon	Tolna
Esmond	Nedrose PSD	Traill County District
Esmond PSD	Nesson PSD	Turtle Lake
Fingal PSD	New Salem	Valley City
Finley	New Leipzig Fire District	Velva
Fordville	New Rockford	Verona
Gackle PSD	New Leipzig PSD	Walcott
Galt PSD	New Leipzig	Walhalla
Garrison	New Rockford	Washburn
Glen Ullin PSD	North Sargent PSD	Watford City
Gwinner	Park River	Westhope
Halliday	Parshall	Wildrose PSD
Hampden PSD	Pembina	Wilton
Hazleton Moffitt PSD	Portland	Wishek PSD
Hazen	Reeder PSD	Wishek
Jamestown	Regent PSD	Woodworth PSD
Juzeler PSD	Reynolds	Yellowstone Irrigation District
Kathryn PSD	Robinson PSD	Zeeland PSD

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Subpart 2

\$16,590,000 1979 Series A Bonds

Borrower

Anita Fire Protection District	Hazen	Richardson PSD
Ashley PSD	Hazen PSD	Rock Lake
Beulah	Hebron	Rolla
Beulah PSD	Hettinger	Scranton
Center PSD	Hope	Sherwood Fire Protection District
Edgeley	Hunter	Stanley
Edinburg	Linton	Stanton
Edmore	Lisbon	Strasburg
Enderlin	Mandan	Streeter
Finley	Mayville	Thompson
Gackle	Medina	West Fargo PSD
Garrison	Mott	Wilton
Glen Ullin	Napoleon	Wishek
Grand Forks Park District	New Rockford	Zap
Halliday	New Rockford Park District	
Harwood	Park River	
Hazelton	Portland	

Subpart 3

\$11,600,000 1983 Series A Bonds

Borrower

Anamoose	Grafton PSD	New Leipzig
Antler	Gwinner	Osnabrock
Binford	Hankinson Rural Fire District	Pembina
Bismarck Rural Fire District	Horace	Pingree PSD
Bowbells PSD	Killdeer	Rhame
Carrington	Lakota PSD	Richardton
Cass Richland Drainage District	Larimore	Rolette
Casselton	Leonard	Stanley
Crosby	Linton	Strasburg
Dodge	Mandan	Towner
Edgeley PSD	Manning PSD	Velva
Elgin PSD	Mapleton	Westhope
Enderlin	Medina	Wildrose
Finley	Michigan PSD	Zap PSD
Flasher PSD	Milnor	
Gladstone	New England	

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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 Disaster Loan Program

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Part E

<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
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	4,300
Logan County	6,000,000	265,000
Dickey County	5,000,000	0
Rolling Green Township, Ward County	460,742	6,798
Cameron Township, Ward County	495,000	0
Otis Township, McLean County	35,000	0
Normanna Township, Cass County	40,000	0
Casselton Township, Cass County	83,000	0
Ward County	10,000,000	0
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	0
Valley Springs Township, Stutsman County	904,483	0
Lowery Township, Stutsman County	600,000	0
Wadsworth Township, Stutsman County	26,000	0
St Paul Township, Stutsman County	278,500	0
Ashland Township, Stutsman County	5,741	0
Woodbury Township, Stutsman County	150,000	0
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	0
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	276,098
Subpart 2	2012	
Newman Township, Ward County	40,000	0
Griffin Township, Stutsman County	1,030,530	0
Minot Park District	7,000,000	0
Rice Lake Recreation Service District	672,600	0
	8,743,130	0

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Borrower

Subpart 3

2013

	<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
Gray Township, Stutsman County	\$ 30,000	\$ 0
Minnewaukan	6,637,509	0
German Township, Dickey County	360,000	0
Chicago Township, Stutsman County	200,000	0
	<u>7,227,509</u>	<u>0</u>
Total Capital Financing Disaster Program Loans	\$ <u>71,531,546</u>	\$ <u>276,098</u>

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Capital Financing Program

Part F

<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Borrower</u>	<u>Original Loan Amount</u>
Subpart 1 1990		Subpart 3 1992	
Morton County	\$ 400,000	Mandan PSD	\$ 2,500,000
Linton	185,000	New England	75,000
Mandan	95,000	Cavalier	75,000
Hankinson	155,000	Lidgerwood	75,000
Fargo Park District	680,000	Kindred PSD	1,545,000
Trails County Water Resource Dist	100,000	Edinburg	120,000
Dickinson Recreation Building Auth.	250,000	Milnor	205,000
Rolla	220,000	West Fargo PSD	2,500,000
Morton County Water Resource Brd.	230,000	Lisbon PSD	800,000
North Valley Rural Water Assoc.	140,000	Emerado PSD	100,000
Milnor	85,000	Milnor	190,000
Bismarck Parks & Recreation Dist.	770,000	Pembina PSD	195,000
Twin Buttes School District	70,000	Eight Mile PSD	200,000
Hettinger Park District	35,000	Briarwood	40,000
Mandan Parks & Recreation Dist.	335,000	Buxton	40,000
	3,750,000	Missouri Hills Interactive Cons.	455,000
Subpart 2 1991		Grand Forks PSD	2,500,000
Burleigh County Housing Auth.	225,000	Mercer County Housing Auth.	435,000
Bismarck Parks & Recreation Dist.	1,300,000	Nelson County	100,000
Bismarck Parks & Recreation Dist.	410,000		12,150,000
Mandan Parks & Recreation Dist.	560,000	Subpart 4 1993	
Richardton	165,000	Lake Metigoshe RSD	150,000
Kindred	25,000	Glenburn PSD	880,000
Montefiore PSD	75,000	Fargo PSD	1,975,000
Pembina PSD	195,000	Fargo PSD	525,000
Eight Mile PSD	150,000	Thompson PSD	900,000
Lake Agassiz Regional Council	180,000	Souris	40,000
North Valley Water Association	200,000	Marion PSD	115,000
Finley	875,000	Pembina PSD	180,000
Wyndmere	65,000	Eight Mile PSD	150,000
Ward County	85,000	Sims PSD	60,000
Oakes Municipal Airport Authority	45,000	Oakes	120,000
Devils Lake PSD	1,810,000	McVile	230,000
Greater Richland Ed. Comm. Cons.	250,000	Milnor	195,000
Cass County	400,000	Emerado PSD	60,000
	7,015,000	Grand Forks PSD	2,000,000
		Burleigh County Housing Auth.	325,000
			7,905,000

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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	<u>50,000</u>
	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	<u>75,000</u>
	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	<u>230,000</u>
	3,365,000

Borrower

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	<u>1,550,000</u>
	15,345,000

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<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
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	0
West Fargo PSD	1,000,000	0
Sims PSD	50,000	0
Park River	450,000	35,000
	<u>3,010,000</u>	<u>35,000</u>
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	100,000
	<u>4,530,000</u>	<u>100,000</u>
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
	<u>4,215,000</u>	<u>0</u>
Subpart 12	2001	
Frontier	735,000	0
	<u>735,000</u>	<u>0</u>
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
	<u>1,600,000</u>	<u>0</u>

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<u>Borrower</u>		<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 14	2003		
Langdon Rural Water District		\$ 1,495,000	\$ 0
Subpart 15	2004		
Traill Rural Water		300,000	0
Surrey		500,000	0
Mercer County Housing		80,000	0
		<u>880,000</u>	<u>0</u>
Subpart 16	2006		
Rolette County Housing Authority		235,000	160,000
Belcourt Public School District		1,045,000	0
Enderlin		105,000	0
		<u>1,385,000</u>	<u>160,000</u>
Subpart 17	2009		
West Fargo		530,000	440,000
Tri-County Water District		1,415,000	915,000
Emerado		180,000	120,000
		<u>2,125,000</u>	<u>1,475,000</u>
Subpart 18	2011		
Drayton		405,000	296,000
Drayton		350,000	255,000
McVille		2,357,000	1,975,000
McVille		618,000	249,000
		<u>3,730,000</u>	<u>2,775,000</u>
Subpart 19	2012		
McVille		150,000	95,000
Kulm		85,000	30,000
All Seasons Water Users District		820,000	615,000
Forman Housing Authority		935,000	750,000
Forman		505,000	435,000
Forman		1,090,000	760,000
Hankinson		1,930,000	1,610,000
Mayville		1,430,000	1,105,000
Tri-County Water District		1,405,000	1,205,000
Gackle		1,285,000	1,020,000
		<u>9,635,000</u>	<u>7,625,000</u>
Subpart 20	2013		
Fargo		<u>51,375,000</u>	<u>41,940,000</u>

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<u>Borrower</u>		<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 22	2015		
Minot		1,945,000	1,565,000
Forman		1,965,000	1,670,000
Watford City		23,655,000	21,360,000
Watford City		35,550,000	33,745,000
Rugby		465,000	345,000
Zap		<u>2,265,000</u>	<u>2,035,000</u>
		<u>65,845,000</u>	<u>60,720,000</u>
Subpart 23	2018		
Munich		<u>1,360,000</u>	<u>1,360,000</u>
Total Capital Financing Program Loans		<u>\$ 260,448,016</u>	<u>\$ 151,395,000</u>

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Part G

<u>Borrower</u>	<u>Approved and Funded Loan Amount</u>	<u>Borrower</u>	<u>Approved and Funded Loan Amount</u>
Subpart 1	1990	Subpart 4 Cont.	1995
Enderlin	\$ 490,000	Buffalo	38,248
Fargo	3,561,559	Hettinger	156,001
Minot	<u>879,386</u>	Davenport	176,339
	4,930,945	Ellendale	220,990
		Cando	113,006
Subpart 2	1993	Cooperstown	<u>300,000</u>
Fargo	7,770,000		8,009,687
Jamestown	1,581,406	Subpart 5	1996
Minot	665,000	Jamestown	16,300,000
Northwood	1,150,000	Cooperstown	1,174,952
Wahpeton	1,062,366	Park River	72,312
West Fargo	175,000	Portland	82,368
Lake Metigoshe	296,263	Medina	67,255
New Town	132,050	Mayville	105,433
Jamestown	1,289,702	Manvel	478,416
Williston	<u>252,835</u>	Oriska	21,531
	14,374,622	Bottineau	100,000
Subpart 3	1994	Arthur	132,963
Minot	443,522	Cando	254,052
Burlington	165,037	Kindred	124,498
Devils Lake	1,076,423	Page	47,738
Grafton	410,000	Argusville	213,061
Casselton	<u>112,000</u>	Bottineau	104,500
	2,206,982	Grand Forks	13,700,000
Subpart 4	1995	Bank of North Dakota	<u>1,101,444</u>
Fargo	2,850,429		34,080,523
Max	74,912		
Cooperstown	55,000		
Northwood	225,837		
Colfax	36,297		
Edmore	62,256		
Ellendale	196,826		
Minot	400,000		
Williston	291,881		
Lisbon	100,000		
Napoleon	133,851		
Park River	498,279		
Carrington	835,000		
Mott	211,157		
Harvey	478,556		
Beach	226,241		
Williston	328,581		

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 6	1997		
Grand Forks	3,940,000	3,940,000	0
Casselton	1,589,652	1,589,652	0
Christine	385,273	385,273	0
Mapleton	152,864	152,864	0
Horace	225,330	225,330	0
Carrington	805,000	805,000	0
Mandan	5,191,929	5,191,929	325,000
Berthold	82,875	82,875	0
Cooperstown	123,067	123,067	0
Jamestown	2,277,487	2,277,487	0
Lakota	1,933,969	1,933,969	0
Minnewauken	218,000	218,000	0
	<u>16,925,446</u>	<u>16,925,446</u>	<u>325,000</u>

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	15,000
Southeast Cass	214,000	214,000	0
Casselton	108,261	108,261	0
Sanborn	76,195	76,195	0
Frontier	98,603	98,603	0
Abercrombie	300,875	300,875	0
Grandin	97,042	97,042	0
Taylor	59,872	59,872	0
Fargo	10,723,277	10,723,277	0
Grand Forks	2,650,804	2,650,804	0
	<u>16,595,054</u>	<u>16,595,054</u>	<u>15,000</u>

Subpart 8	1999		
Fargo	\$ 210,000	\$ 210,000	\$ 0
Gackle	118,020	118,020	0
Hillsboro	360,000	360,000	0
Kindred	1,113,522	1,113,522	70,000
Wimbledon	74,738	74,738	5,000
Jamestown	747,990	747,990	0
Lisbon	87,025	87,025	6,000
Stanley	102,413	102,413	0
Buffalo	213,667	213,667	13,000
Buxton	77,000	77,000	0
Hankinson	88,000	88,000	6,000
Jamestown	454,641	454,641	0
	<u>3,647,016</u>	<u>3,647,016</u>	<u>100,000</u>

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Subpart 9 2000

Abercrombie	20,064	20,064	0
Hankinson	84,999	84,999	10,000
Fargo	1,816,295	1,816,295	220,000
Lidgerwood	89,405	89,405	12,000
Enderlin	1,189,549	1,189,549	0
Hunter	158,395	158,395	10,000
Cogswell	81,960	81,960	5,000
Mayville	1,075,000	1,075,000	0
Ward County Water Resource District	797,375	797,375	100,000
Emerado	406,207	406,207	0
	<u>5,719,249</u>	<u>5,719,249</u>	<u>357,000</u>

Subpart 10 2001

Jamestown	370,120	370,120	0
Mayville	1,169,393	1,169,393	135,000
Forman	135,172	135,172	18,000
Lisbon	716,436	716,436	90,000
Amenia	141,489	141,489	18,000
Grand Forks	13,781,500	13,781,500	2,525,000
Kulm	678,640	678,640	130,000
Tower City	503,123	503,123	90,000
Lake Metigoshe Recreation Service District	485,400	485,400	65,000
Williston	1,124,000	1,124,000	205,000
Rolette	102,000	102,000	18,500
Hebron	122,890	122,890	23,000
Hankinson	1,457,760	1,457,760	265,000
Harvey	69,281	69,281	12,800
Oakes	106,076	106,076	0
	<u>20,963,280</u>	<u>20,963,280</u>	<u>3,595,300</u>

Subpart 11 2002

Sanborn	\$ 30,694	\$ 30,694	\$ 0
Williston	1,190,559	1,190,559	290,000
Grand Forks	1,580,755	1,580,755	306,000
Grand Forks	2,274,164	2,274,164	390,000
Grand Forks	6,546,560	6,546,560	1,275,000
Linton	95,770	95,770	24,000
Mayville	3,073,811	3,073,811	315,000
Morton County Water Resource District	258,000	258,000	62,000
Wildrose	86,405	86,405	0
Mapleton	80,790	80,790	0
Wahpeton	374,065	374,065	110,000
	<u>15,591,573</u>	<u>15,591,573</u>	<u>2,772,000</u>

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Subpart 12 2003

Hunter	41,930	41,930	12,600
Oakes	746,350	746,350	187,000
Harvey	244,615	244,615	75,000
Hankinson	133,790	133,790	40,000
Mantador	50,000	50,000	15,100
Litchville	236,381	236,381	72,000
Courtenay	49,444	49,444	0
Jamestown	1,309,568	1,309,568	480,000
	<u>2,812,078</u>	<u>2,812,078</u>	<u>881,700</u>

Subpart 13 2004

Oakes	601,500	601,500	190,000
Portland	291,164	291,164	90,000
Lidgerwood	84,416	84,416	30,000
Lincoln	397,944	397,944	0
Hillsboro	186,336	186,336	0
Warwick	32,775	32,775	12,000
West River Water and Sewer	338,007	338,007	0
	<u>1,932,142</u>	<u>1,932,142</u>	<u>322,000</u>

Subpart 14 2005

Mapleton	335,000	335,000	120,000
Hazen	276,120	276,120	105,000
Enderlin	184,307	184,307	63,000
Rutland	180,841	180,841	0
Grand Forks	4,500,000	4,500,000	1,835,000
	<u>5,476,268</u>	<u>5,476,268</u>	<u>2,123,000</u>

Subpart 15 2006

Jamestown	\$ 1,475,346	\$ 1,475,346	\$ 683,000
Rice Lake Recreation Service District	2,813,537	2,813,537	1,194,000
Fargo	2,631,739	2,631,739	0
Gackle	77,824	77,824	0
Tower City	121,502	121,502	56,000
Bank of North Dakota	2,398,556	1,722,501	60,944
Portland	30,236	30,236	14,500
Wyndmere	188,146	188,146	0
Oakes	950,000	950,000	445,000
	<u>10,686,886</u>	<u>10,010,831</u>	<u>2,453,444</u>

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<u>Borrower</u>	<u>2007</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 16	2007			
Bismarck		20,000,000	20,000,000	10,415,000
Southeast Cass Water Resource District		738,299	738,299	310,000
Lakota		414,948	414,948	102,000
Leonard		255,000	255,000	130,000
Argusville		634,606	634,606	334,000
Mayville		345,725	345,725	160,000
McVille		81,677	81,677	40,000
Jamestown		1,467,998	1,467,998	623,000
Hope		757,963	757,963	336,000
Portland		46,937	46,937	25,000
Cass Rural Water District		15,326,652	15,326,652	9,615,652
Willow City		148,174	148,174	76,000
Oakes		258,747	258,747	127,000
Nome		16,011	16,011	0
		<u>40,492,737</u>	<u>40,492,737</u>	<u>22,293,652</u>

Subpart 17	2008			
Lisbon		1,174,092	1,174,092	655,000
Harvey		210,952	210,952	78,000
Hunter		138,580	138,580	80,000
Fargo		63,657,409	63,657,409	42,260,000
Flasher		121,414	121,414	33,000
Hankinson		100,000	100,000	57,000
Ellendale		734,842	734,842	414,000
Fargo		1,640,000	1,640,000	1,010,000
Watford City		808,588	808,588	450,000
		<u>68,585,877</u>	<u>68,585,877</u>	<u>45,037,000</u>

Subpart 18	2009			
Tappen		\$ 179,761	\$ 179,761	\$ 102,000
Casselton		1,931,688	1,931,688	1,195,000
Mandan		1,679,763	1,679,763	960,000
Mandan		1,000,000	1,000,000	570,000
Stutsman Rural Water District		4,603,386	4,603,386	2,540,000
Lisbon		1,247,424	1,247,424	315,000
Cavalier		487,315	487,315	260,000
Lake Metigoshe Recreation Service District		517,400	517,400	0
Velva		346,601	346,601	0
Hazen		246,919	246,919	15,000
Enderlin		799,172	799,172	190,000
Glenburn		784,378	784,378	250,000
Davenport		389,832	389,832	110,000
Munich		1,200,120	1,200,120	0
Edgeley		1,644,845	1,644,845	235,000
Valley City		345,241	345,241	185,000
Strasburg		1,404,743	1,404,743	215,000
		<u>18,808,588</u>	<u>18,808,588</u>	<u>7,142,000</u>

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<u>Borrower</u>		<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 19	2010			
Hillsboro		127,849	127,849	80,000
Drayton		1,677,066	1,677,066	85,000
Michigan		1,606,506	1,606,506	315,000
Northwood		2,306,303	2,306,303	635,000
Fargo		822,348	822,348	455,000
Wishek		185,547	185,547	114,000
Mapleton		610,964	610,964	370,000
Hankinson		569,833	569,833	360,000
Fargo		4,061,075	4,061,075	2,760,000
Hunter		143,032	143,032	100,000
Dickinson		569,354	569,354	0
Langdon		157,454	157,454	0
Kulm		54,409	54,409	38,000
		<u>12,891,740</u>	<u>12,891,740</u>	<u>5,312,000</u>
Subpart 20	2011			
Jamestown		1,140,023	1,140,023	760,000
Pembina		217,329	217,329	155,000
Wyndmere		1,664,897	1,664,897	1,185,000
Devils Lake		2,500,000	2,500,000	1,735,000
Minto		1,177,115	1,177,115	835,000
Fingal		519,245	519,245	270,000
Southeast Cass WRD		591,777	591,777	300,000
Forman		750,935	750,935	315,000
Hazen		178,494	178,494	126,000
		<u>8,739,815</u>	<u>8,739,815</u>	<u>5,681,000</u>
Subpart 21	2012			
Velva		\$ 210,408	\$ 210,408	\$ 140,000
Kathryn		68,006	68,006	50,000
Maddock		1,284,300	1,284,300	320,000
Casselton		765,923	765,923	411,700
Dunn Center		200,000	200,000	145,000
Des Lacs		97,403	97,403	73,000
Clifford		46,228	46,228	34,000
Medina		238,028	238,028	128,000
		<u>2,910,296</u>	<u>2,910,296</u>	<u>1,301,700</u>
Subpart 22	2013			
Burleigh County WRD		244,653	244,653	181,000
Rolla		1,755,604	1,755,604	1,350,000
Lisbon		469,752	469,752	365,000
Ray		2,533,536	2,533,536	1,385,000
Wyndmere		205,773	205,773	0
Jamestown		822,306	822,306	650,000
Dickinson		38,924,961	38,924,961	30,385,000
Casselton		3,246,585	3,246,585	2,555,000
Lehr		219,482	219,482	81,000
Mandan		2,066,118	2,066,118	1,630,000
		<u>50,488,770</u>	<u>50,488,770</u>	<u>38,582,000</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 23	2014		
Douglas	67,866	67,866	52,000
Jamestown	11,100,950	11,100,950	9,295,000
Berthold	1,248,288	1,248,288	640,000
Bowbells	685,005	685,005	415,000
Noonan	237,000	237,000	195,000
Enderlin	365,500	365,500	305,000
Page	182,867	182,867	155,000
Beulah	586,800	586,800	485,000
Washburn	2,922,696	2,922,696	2,435,000
Mandan	1,681,280	1,681,280	1,365,000
Dickinson	42,108,000	37,252,730	30,829,730
Grenora	416,147	416,147	294,000
Williston	125,600,000	111,763,405	98,383,405
Ryder	189,109	189,109	151,000
	<u>187,391,508</u>	<u>168,699,643</u>	<u>145,000,135</u>

Subpart 24	2015		
Watford City	\$ 18,718,523	\$ 18,718,523	\$ 17,395,000
Mandan	4,481,824	4,481,824	3,910,000
Tioga	2,500,000	2,500,000	1,755,000
Marion	97,732	97,732	80,000
Harvey	830,477	830,477	725,000
Ward County WRD	2,755,128	2,755,128	2,440,000
Granville	139,939	139,939	120,000
Grafton	497,760	497,760	494,760
Watford City	10,407,619	10,407,619	9,850,000
	<u>40,429,002</u>	<u>40,429,002</u>	<u>36,769,760</u>

Subpart 25	2016		
Oberon	191,552	191,552	177,000
Jamestown	522,119	522,119	480,000
Dwight	50,700	50,700	48,000
Makoti	57,450	57,450	53,000
LaMoure	1,425,000	1,213,659	784,562
Hebron	911,000	911,000	820,000
Arnegard	380,000	380,000	0
	<u>3,537,821</u>	<u>3,326,480</u>	<u>2,362,562</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 26	2017		
Horace	1,340,000	937,955	882,955
Colfax	519,633	519,633	499,633
Beulah	441,097	441,097	405,000
Gardner	26,710	26,710	22,000
Noonan	646,716	646,716	415,000
Oakes	1,005,000	1,005,000	975,000
Larimore	9,360,000	538,258	376,780
Oakes	365,000	210,429	201,429
Cavalier	998,000	839,754	587,827
Horace	3,192,000	1,606,497	1,474,497
Mayville	1,556,000	1,556,000	1,505,000
	<u>19,450,156</u>	<u>8,328,049</u>	<u>7,345,121</u>
Subpart 27	2018		
Carrington	339,000	304,032	296,032
Lidgerwood	100,000	42,467	38,467
Wahpeton	1,046,000	581,273	550,273
Pick City	329,000	275,522	184,865
Petersburg	905,000	770,811	770,811
Jamestown	4,800,000	1,174,794	974,794
Garrison Diversion Conservancy District	5,000,000	914,312	914,312
Argusville	775,000	471,232	471,232
Beulah	345,000	38,216	38,216
Jamestown	597,583	597,583	597,583
Lisbon	2,000,000	689,494	689,494
Arnegard	2,298,000	202,717	202,717
Minot	6,678,000	4,285,700	4,285,700
Minot	12,282,000	1,917,895	1,917,895
Horace	422,000	129,407	129,407
Grand Forks	9,000,000	4,284,772	4,284,772
Fargo	20,229,000	2,992,305	2,992,305
Arthur	215,000	19,993	19,993
Fargo	126,500,000	1,545,675	1,545,675
	<u>193,860,583</u>	<u>21,238,200</u>	<u>20,904,543</u>
Total	\$ <u>811,538,644</u>	\$ <u>608,214,893</u>	\$ <u>350,675,917</u>

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Part H

<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 1	1999		
Wahpeton	\$ 345,715	\$ 345,715	\$ 0
Park River	261,000	261,000	0
New Rockford	281,102	281,102	0
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	720,000
St. John	399,388	399,388	46,000
	8,368,540	8,368,540	766,000
Subpart 2	2000		
Grand Forks	11,542,236	11,542,236	1,420,000
Lisbon	912,115	912,115	110,000
Stutsman Rural Water Users	666,168	666,168	0
State Water Commission	1,500,000	1,500,000	0
Cooperstown	300,000	300,000	38,000
Harwood	866,514	866,514	160,000
Mayville	1,025,000	1,025,000	160,000
	16,812,033	16,812,033	1,888,000
Subpart 3	2001		
Hankinson	405,000	405,000	70,000
Finley	2,479,994	2,479,994	446,400
Enderlin	195,000	195,000	20,000
Valley City	1,444,139	1,444,139	265,000
Grand Forks	10,050,000	10,050,000	0
Oxbow	475,657	475,657	90,000
Lisbon	460,381	460,381	90,000
Nome	22,465	22,465	0
Southeast Water Users	60,000	60,000	10,500
	15,592,636	15,592,636	991,900

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 4	2002		
Lisbon	\$ 413,522	\$ 413,522	\$ 100,000
Harvey	427,076	427,076	100,000
Grafton	285,616	285,616	70,000
Mandan	4,197,565	4,197,565	810,000
Ramsey County WRD	3,482,000	3,482,000	0
Enderlin	87,500	87,500	22,000
Linton	563,063	563,063	140,000
Cleveland	206,406	206,406	45,000
Langdon	522,796	522,796	0
Drayton	132,362	132,362	0
Larimore	1,991,805	1,991,805	470,000
Wahpeton	1,890,000	1,890,000	602,000
Grafton	1,130,229	1,130,229	352,000
	<u>15,329,940</u>	<u>15,329,940</u>	<u>2,711,000</u>
Subpart 5	2003		
Southeast Water District	1,446,906	1,446,906	0
Grand Forks - Traill Water District	3,991,780	3,991,780	0
North Valley Water District	4,138,000	4,138,000	0
Williston	3,693,344	3,693,344	1,100,000
Barnes Rural Water District	816,000	816,000	245,000
Argusville	360,718	360,718	110,000
Casselton	1,272,000	1,272,000	190,000
Aneta	171,340	171,340	52,700
Stutsman Rural Water District	201,651	201,651	0
	<u>16,091,739</u>	<u>16,091,739</u>	<u>1,697,700</u>
Subpart 6	2004		
Oakes	147,652	147,652	47,000
Cass Rural Water District	1,890,923	1,890,923	740,000
Leeds	179,000	179,000	50,000
Hazen	1,000,000	1,000,000	350,000
Tioga	418,727	418,727	70,000
Lincoln	307,681	307,681	119,000
Lincoln	447,000	447,000	0
Abercrombie	244,002	244,002	88,000
Lisbon	410,000	410,000	136,000
Williston	5,000,000	5,000,000	0
Harvey	676,556	676,556	220,000
Noonan	39,602	39,602	16,000
Williams County Rural Water	1,500,000	1,500,000	560,000
Williston	17,593,143	17,593,143	8,120,000
Jamestown	2,534,604	2,534,604	1,020,000
	<u>32,388,890</u>	<u>32,388,890</u>	<u>11,536,000</u>

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<u>Borrower</u>		<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 7	2005			
Argusville	\$	217,304	\$ 217,304	79,000
Park River		746,100	746,100	314,000
Mapleton		83,754	83,754	0
Bottineau		750,000	750,000	301,000
Southeast Water Users District		808,411	808,411	335,000
		<u>2,605,569</u>	<u>2,605,569</u>	<u>1,029,000</u>

Subpart 8	2006			
Walcott		159,112	159,112	69,000
Stutsman Rural Water District		1,164,020	1,164,020	445,000
Wildrose		52,291	52,291	21,000
Velva		1,616,123	1,616,123	245,000
Cooperstown		309,634	309,634	120,000
Riverdale		762,138	762,138	278,000
Pick City		223,328	223,328	101,000
Braddock		16,610	16,610	0
Center		358,800	358,800	150,000
Page		95,975	95,975	45,000
Harvey		91,581	91,581	42,000
Hillsboro		1,151,563	1,151,563	279,000
Washburn		1,870,633	1,870,633	795,000
Southeast Water Users District		4,655,000	4,655,000	2,142,000
Portal		50,000	50,000	0
Park River		517,600	517,600	255,000
Central Plains Water District		1,661,967	1,661,967	763,000
Columbus		57,000	57,000	0
Southeast Water Users District		186,902	186,902	85,000
		<u>15,000,277</u>	<u>15,000,277</u>	<u>5,835,000</u>

Subpart 9	2007			
McLean-Sheridan Rural Water		519,104	519,104	265,000
Walsh Rural Water District		1,796,902	1,796,902	0
North Prairie Water District		5,700,000	5,700,000	2,890,000
Mayville		324,341	324,341	150,000
Southeast Water Users District		5,418,000	5,418,000	1,460,000
South Central Regional Water		8,000,000	8,000,000	4,087,000
Jamestown		2,076,816	2,076,816	990,000
Devils Lake		3,800,000	3,800,000	0
North Valley Water District		2,617,000	2,617,000	0
Christine		219,015	219,015	116,000
Grand Forks Traill Water District		1,200,000	1,200,000	575,000
All Seasons Water Users District		211,950	211,950	107,000
		<u>31,883,128</u>	<u>31,883,128</u>	<u>10,640,000</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 10	2008		
Southeast Water Users District	\$ 595,000	\$ 595,000	\$ 305,000
Hazleton	245,120	245,120	84,000
Lisbon	757,220	757,220	385,000
Mapleton	1,149,088	1,149,088	0
Mandan	4,511,900	4,511,900	2,560,000
Fargo	2,500,000	2,500,000	1,345,000
Cass Rural Water District	1,376,605	1,376,605	785,000
Fargo	14,110,422	14,110,422	6,435,000
Tri-County Water District	363,289	363,289	199,000
Lakota	199,802	199,802	0
Crosby	551,488	551,488	0
Hankinson	95,000	95,000	54,000
Hannaford	53,748	53,748	29,000
South Central Regional Water	4,000,000	4,000,000	2,280,000
Ray	1,452,760	1,452,760	320,000
Parshall	3,610,500	3,610,500	2,465,000
Mandan	7,972,283	7,972,283	4,620,000
Leeds	37,076	37,076	20,000
	<u>43,581,301</u>	<u>43,581,301</u>	<u>21,886,000</u>

Subpart 11	2009		
Traill Rural Water District	3,396,880	3,396,880	0
Carrington	240,117	240,117	136,000
Lisbon	305,787	305,787	170,000
Watford City	347,464	347,464	199,000
Bismarck	16,320,000	16,320,000	9,930,000
Lisbon	1,613,726	1,613,726	975,000
Ray	864,000	864,000	0
Southeast Water Users District	1,128,358	1,128,358	705,000
Southeast Water Users District	841,774	841,774	560,000
Barnes Rural Water District	2,050,000	2,050,000	1,090,000
Velva	373,579	373,579	225,000
All Seasons Water Users District	154,433	154,433	90,000
Wimbledon	258,353	258,353	150,000
Hope	175,000	175,000	95,000
Enderlin	2,196,790	2,196,790	1,290,000
Garrison	158,222	158,222	0
Wildrose	1,503,094	1,503,094	0
Karlsruhe	791,415	791,415	85,000
Strasburg	2,060,678	2,060,678	225,000
	<u>34,779,670</u>	<u>34,779,670</u>	<u>15,925,000</u>

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<u>Borrower</u>		<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 12	2010			
Hillsboro	\$	289,376	\$ 289,376	175,000
Washburn		4,023,646	4,023,646	1,135,000
South Central Regional WD		4,600,000	4,600,000	3,065,000
BDW Water Systems		2,309,158	2,309,158	0
State Line Water Coop		147,781	147,781	14,000
Valley City		4,646,000	4,646,000	1,165,000
Hillsboro		1,310,679	1,310,679	645,000
Mandan		6,923,867	6,923,867	4,655,000
Kenmare		403,579	403,579	235,000
Buffalo		98,922	98,922	65,000
Jamestown		5,525,008	5,525,008	3,335,000
Kulm		25,300	25,300	17,000
		<u>30,303,316</u>	<u>30,303,316</u>	<u>14,506,000</u>
Subpart 13	2011			
Pembina		1,743,743	1,743,743	1,300,000
Linton		224,800	224,800	160,000
Page		90,597	90,597	64,000
Cooperstown		700,235	700,235	475,000
Sawyer		308,708	308,708	220,000
Bowbells		2,145,000	2,145,000	835,000
McKenzie County WRD		8,200,000	8,200,000	4,360,000
Kenmare		892,039	892,039	605,000
		<u>14,305,122</u>	<u>14,305,122</u>	<u>8,019,000</u>
Subpart 14	2012			
Ray		2,500,000	2,500,000	745,000
Minnewaukan		1,535,189	1,535,189	0
R & T Water Supply Commerce		9,349,789	9,349,789	6,025,000
Garrison Rural Water District		720,000	720,000	520,000
Southeast Water Users District		1,603,656	1,603,656	605,000
Sherwood		82,475	82,475	62,000
Granville		209,990	209,990	145,000
		<u>16,001,099</u>	<u>16,001,099</u>	<u>8,102,000</u>
Subpart 15	2013			
Hillsboro		2,623,344	2,623,344	1,395,000
Ross		1,740,267	1,740,267	595,000
Max		292,062	292,062	240,000
Fargo		98,000,000	92,849,840	92,849,840
Cooperstown		314,393	314,393	240,000
		<u>102,970,066</u>	<u>97,819,906</u>	<u>95,319,840</u>

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<u>Borrower</u>		<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 16	2014			
Westhope	\$	926,447	\$ 926,447	350,000
Grafton		2,200,757	2,200,757	1,750,000
Cooperstown		200,733	200,733	113,000
Stutsman Rural Water District		7,630,004	7,630,004	4,928,288
McLean-Sheridan Rural Water		1,350,000	1,280,158	1,190,158
Mandan		641,683	641,683	510,000
Fairmount		121,759	121,759	101,000
Noonan		282,130	282,130	235,000
Leeds		317,106	317,106	265,000
Columbus		387,828	387,828	129,000
Washburn		1,391,331	1,391,331	1,175,000
Jamestown		3,572,603	3,572,603	2,945,000
Grenora		383,853	383,853	259,000
Carrington		1,459,704	1,459,704	1,225,000
Ray		1,670,000	1,670,000	565,000
Barnes Rural Water District		2,063,033	2,063,033	1,810,000
		<u>24,598,971</u>	<u>24,529,129</u>	<u>17,550,446</u>
Subpart 17	2015			
Cass Rural Water District		3,000,000	3,000,000	2,740,000
Jamestown		794,159	794,159	655,000
Garrison		1,821,023	1,821,023	1,590,000
Gwinner		3,050,000	2,882,111	1,544,000
Sheyenne		77,362	77,362	68,000
Lehr		79,065	79,065	27,500
		<u>8,821,609</u>	<u>8,653,720</u>	<u>6,624,500</u>
Subpart 18	2016			
Tri-County Water District		727,655	727,655	440,000
New Rockford		270,000	270,000	238,000
Enderlin		340,000	340,000	295,000
Cooperstown		369,283	369,283	330,000
Robinson		129,723	129,723	30,000
South Central Regional WD		3,125,000	3,109,375	2,964,375
New Town		5,000,000	5,000,000	3,665,000
Hebron		2,834,223	2,834,223	1,775,000
Stutsman Rural Water District		1,706,000	1,198,883	1,117,883
Flaxton		95,000	95,000	0
North Prairie Water District		1,126,000	676,114	625,114
		<u>15,722,884</u>	<u>14,750,256</u>	<u>11,480,372</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 19	2017		
Pick City	1,032,980	1,032,980	385,692
Southeast Water Users District	4,709,000	4,134,568	4,134,568
Makoti	362,450	106,272	66,624
Grand Forks	66,000,000	33,007,722	33,002,722
Gardner	244,374	244,374	228,000
Jamestown	1,123,587	1,123,587	1,030,000
Jamestown	539,511	539,511	470,000
Maxbass	437,973	437,973	137,000
Williams Rural Water District	5,000,000	5,000,000	4,390,000
Northeast Regional Water District	3,175,000	2,940,929	2,461,929
Sherwood	126,587	126,587	114,587
R & T Water Supply Commerce Auth	5,000,000	5,000,000	4,390,000
Horace	479,216	479,216	460,000
Traill Rural Water District	3,206,464	3,206,464	3,081,464
Oakes	4,043,000	4,043,000	3,885,000
Ross	947,758	947,758	231,939
Aneta	80,000	80,000	77,000
Kindred	600,000	352,064	337,064
Mandan	1,363,000	992,715	934,715
Mayville	720,000	720,000	700,000
	<u>99,190,900</u>	<u>64,515,720</u>	<u>60,518,304</u>

Subpart 20	2018		
Beulah	530,000	207,774	187,774
Mandan	820,281	820,281	785,000
Wahpeton	452,000	263,643	262,643
North Prairie RWD	175,000	9,815	5,815
Argusville	275,000	205,641	205,641
Casselton	1,210,000	82,073	82,073
Mohall	610,000	321,829	296,829
Lisbon	130,866	130,866	130,866
Towner	80,822	80,822	80,822
Fessenden	1,100,000	578,002	578,002
North Prairie RWD	450,000	205,251	205,251
Walsh RWD	565,000	220,222	220,222
Cass RWD	1,700,000	1,615,000	824,919
Central Plains WD	4,925,000	4,925,000	4,925,000
Arnegard	1,753,000	826,466	826,466
Barnes	2,052,000	2,052,000	2,052,000
Minot	1,734,000	191,024	191,024
Northeast RWD	3,000,000	167,014	167,014
Northeast RWD	2,460,000	2,460,000	2,460,000
McLean-Sheridan WD	1,074,000	489,030	489,030
Mercer	1,693,000	445,610	111,403
Tri-County Water District	1,050,000	182,832	182,832
Rugby	285,000	246,956	246,956
Larimore	119,500	43,767	43,767
Cando	2,044,000	2,044,000	2,044,000
WAWSA	16,500,000	5,641,468	5,641,468

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 20 Continued	2018		
Mandan	1,889,000	271,827	271,827
Jamestown	1,538,000	1,316,465	1,316,465
East Central RWD	1,750,000	768,404	768,404
	<u>51,965,469</u>	<u>26,813,082</u>	<u>25,603,513</u>
Total	\$ 596,313,159	\$ 530,125,073	\$ 322,629,575

Industrial Development Bond Program Loans

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Part I

<u>Borrower</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 1 2006		
Prairie Gold Real Estate, LLC	\$ <u>1,360,000</u>	\$ <u>875,833</u>
Subpart 2 2008		
ND Natural Beef, LLC	<u>2,000,000</u>	<u>0</u>
Subpart 3 2009		
Giant Snacks Inc.	1,500,000	1,120,833
ND Natural Beef, LLC	<u>65,269</u>	<u>0</u>
	<u>1,565,269</u>	<u>1,120,833</u>
Total	\$ <u>4,925,269</u>	\$ <u>1,996,666</u>

Direct Loans

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Part J

<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Borrower</u>	<u>Original Loan Amount</u>
Subpart 1 1992		Subpart 9 2001	
Ft. Clark Irrigation	\$ 20,750	Fort Pembina Airport Authority	\$ 117,000
		Sims PSD	<u>100,000</u>
Subpart 2 1993			217,000
Solen	<u>9,000</u>	Subpart 10 2002	
		Kulm	21,360
Subpart 3 1995		Southeast Water Users	640,000
Plaza PSD	16,000	Solen PSD	<u>200,000</u>
Mooreton	30,000		861,360
Garrison PSD	110,000	Subpart 11 2003	
Beulah Airport Authority	<u>35,000</u>	Solen PSD	200,000
	191,000	Trail County Rural Water Users	50,000
Subpart 4 1996		St. John	<u>85,000</u>
Christine	27,000		335,000
McHenry	24,000	Subpart 12 2004	
Sims PSD	<u>17,000</u>	Solen PSD	200,000
	68,000	New Town PSD	<u>60,000</u>
Subpart 5 1997			260,000
Ward County	80,000	Subpart 13 2005	
Trail County Rural Water Users	40,000	Enderlin	92,000
Christine	17,500	Columbus	57,000
Manvel	<u>28,000</u>	Solen PSD	200,000
	165,500	Gackle	75,000
Subpart 6 1998		Portal	185,000
Berthold	45,000	Surrey Township	<u>42,500</u>
Page	60,000		651,500
Ransom Sargent Water Users	87,000	Subpart 14 2006	
Upper Souris Water Users Association	75,000	Solen PSD	<u>200,000</u>
Hannaford	<u>20,000</u>		
	287,000	Subpart 15 2007	
Subpart 7 1999		Emerado	<u>186,288</u>
Forest River	<u>50,000</u>		
		Subpart 16 2008	
Subpart 8 2000		Sterling PSD	100,000
New Town PSD	500,000	Cass Rural Water District	330,000
Sanborn	13,500	Watford City	405,000
Havana	<u>120,000</u>	Casselton	<u>685,000</u>
	633,500		1,520,000

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Borrower **Original
Loan
Amount**

Subpart 17 2009

Northwood PSD	\$ 1,500,000
Hazen	215,000
Solen PSD	<u>390,000</u>
	2,105,000

Subpart 18 2010

Drayton	405,000
Drayton	<u>278,000</u>
	683,000

Subpart 19 2012

Fessenden	44,000
Rolla	265,000
Sheldon	<u>63,413</u>
	372,413

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<u>Borrower</u>		<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 20	2013		
Noonan		\$ 115,290	\$ 0
Noonan		400,000	0
Rolla		190,000	0
Benedict		126,500	94,000
McHenry County		<u>1,777,500</u>	<u>0</u>
		2,609,290	94,000
Subpart 21	2014		
Traill Rural Water District		200,500	42,000
Berthold		450,000	140,000
Leeds		70,000	0
Colfax		<u>40,000</u>	<u>8,000</u>
		760,500	190,000
Subpart 22	2015		
Grafton		<u>150,000</u>	<u>60,000</u>
Subpart 23	2017		
Rolla		750,000	433,530
Wing		<u>120,000</u>	<u>43,084</u>
		870,000	476,614
Subpart 24	2018		
Jamestown Regional Airport Authority		700,000	604,596
Jamestown Regional Airport Authority		<u>126,500</u>	<u>125,877</u>
		826,500	730,473
Total Direct Loans		<u>\$ 14,032,601</u>	<u>\$ 1,551,087</u>

**NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BONDS ISSUED 1977 THROUGH 2018**

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Part A 1997 General Bond Resolution

Part F Cont.

	<u>Initial Bond Amount</u>
1977 Series A	\$ 15,000,000
1979 Series A	16,590,000
1983 Series A	<u>11,600,000</u>
Subtotal	43,190,000

Part B Local Government Assistance Program

1985 Series A	<u>35,290,000</u>
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Part C Insured Water Revenue Bonds

1989 Series A	11,650,000
1989 Series B	<u>1,410,000</u>
Subtotal	13,060,000

Part D Government Assistance Program

1990 Series A	765,000
1990 Series B	<u>1,241,704</u>
Subtotal	2,006,704

Part E Taxable Insured Water System Refunding Bonds

1999 Series A	8,875,000
1999 Series B	<u>1,410,000</u>
Subtotal	10,285,000

Part F Capital Financing Program

1990 Series A	400,000
1990 Series B	185,000
1990 Series C	95,000
1990 Series D	155,000
1990 Series E	680,000
1990 Series F	100,000
1990 Series G	250,000
1990 Series H	220,000
1990 Series I	230,000
1990 Series J	140,000
1990 Series K	85,000
1990 Series L	770,000
1990 Series M	70,000
1990 Series N	35,000
1990 Series O	335,000

1991 Series A	225,000
1991 Series B	1,300,000
1991 Series C	410,000
1991 Series D	560,000
1991 Series E	265,000
1991 Series F	345,000
1991 Series G	380,000
1991 Series H	280,000
1991 Series I	2,460,000
1992 Series A	565,000
1992 Series B	820,000
1992 Series C	2,650,000
1992 Series D	115,000
1992 Series E	1,870,000
1992 Series F	3,260,000
1992 Series G	290,000
1992 Series H	395,000
1992 Series I	535,000
1992 Series J	2,500,000
1992 Series K	535,000
1993 Series A	150,000
1993 Series B	880,000
1993 Series C	1,975,000
1993 Series D	1,465,000
1993 Series E	505,000
1993 Series F	2,930,000
1994 Series A	5,335,000
1994 Series B	525,000
1994 Series C	445,000
1995 Series A	1,700,000
1995 Series B	425,000
1995 Series C	380,000
1996 Series A	500,000
1996 Series B	930,000
1996 Series C	1,585,000
1996 Series D	350,000
1997 Series A	540,000
1997 Series B	3,350,000
1997 Series C	300,000
1997 Series D	1,750,000
1997 Series E	4,705,000
1997 Series F	375,000
1997 Series G	1,050,000
1997 Series H	3,275,000
1998 Series A	945,000
1998 Series B	6,685,000

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Part F Cont.	Initial Bond Amount	Outstanding Bond Amount
1998 Series C	\$ 565,000	\$ 0
1998 Series D	1,050,000	0
1998 Series E	450,000	35,000
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	100,000
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	0
2006 Series A	1,385,000	160,000
2009 Series A	2,125,000	1,475,000
2011 Series A	3,730,000	2,775,000
2012 Series A	9,635,000	7,625,000
2013 Series A	51,375,000	41,940,000
2014 Series A	32,840,000	27,560,000
2014 Series B	9,000,000	7,645,000
2015 Series A	1,945,000	1,565,000
2015 Series B	25,620,000	23,030,000
2015 Series C	38,280,000	36,125,000
2018 Series A	1,360,000	1,360,000
Subtotal	259,480,000	151,395,000

Part G Capital Financing Disaster Loan Program

2011 Series A	9,141,832	0
2012 Series A	2,892,780	0
2013 Series A	1,696,000	0
2014 Series A	675,000	0
Subtotal	14,405,612	0

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**Initial
Bond
Amount** **Outstanding
Bond
Amount**

Part H State Revolving Fund Program

1990 Series A		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	0
1998 Series A	^{5,6}	35,965,000	2,620,000
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	700,000
2008 Series A	¹⁰	46,100,000	0
2011 Series A		101,210,000	70,325,000
2012 Series A		19,705,000	14,235,000
2012 Series B		17,900,000	3,650,000
2015 Series A		119,195,000	107,695,000
2016 Series A		16,405,000	16,405,000
2018 Series A		<u>128,625,000</u>	<u>128,625,000</u>
Subtotal		683,365,000	344,255,000

- 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 the 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.
- ¹⁰ The proceeds of the 2016 Series A SRF Bonds was used to defease and refund the 2008 Series A SRF Bonds.

Part I Industrial Development Bond Program

2006 Series A		1,360,000	905,000
2008 Series A		2,000,000	0
2009 Series A		<u>1,500,000</u>	<u>1,150,000</u>
Subtotal		4,860,000	2,055,000
Total All Bonds	\$	<u><u>1,066,022,316</u></u>	\$ <u><u>497,705,000</u></u>

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Doug Burgum
Governor
Chairman

Wayne Stenejem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Keith Lund
Grand Forks

Linda Svihovec
Watford City

Vacant

Staff

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

RENEWABLE ENERGY PROGRAM

HB 1014
1-10-19
Governor **Doug Burgum**
Att. A, 12
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 are currently established to be February 1, and August 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. The Commission may award multi-grants for different phases of a project, provided appropriate benchmarks are in place and earlier phases have been deemed successful by the Council and the Commission.

Projects designated by the Council to meet a “commercialization ready and technology deployment” status may receive a cooperative grant in which the recipient would pay back the award once certain measures of success have been met as defined further in the policies. If the company moves out of state or sells the technology developed with Renewable Energy Program funding to an out-of-state entity, the entire amount of the funding must be repaid at the time of the awardee’s relocation or the sale of the technology along with an additional 4% of the funds received.

Funded Projects

The Commission has approved the funding of 49 projects including 1 project that was funded from the Biomass Incentive Research Fund. The total amount of Renewable Energy Program funding committed to the 48 approved projects as of December 31, 2018 is \$14,130,363. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over \$48 million. Some of the projects approved in the 17-19 biennium include:

- **Integrated Carbon Capture and Storage for ND Ethanol Production - Phase III**

The third phase of a five-phase project, this project will build on prior phases investigating the feasibility and process for integrating carbon capture and storage (CCS) of CO2 emissions from Red Trail Energy to reduce net CO2 emissions associated with ethanol production. This project could help ND ethanol plants capitalize on national low-carbon fuel markets. It will assist in defining the regulatory pathway for Class VI well permitting and provide greater understanding of LCF programs and how they integrate with ND primacy.

- **Barley Protein Concentrate**

The objective of this project is to conduct preliminary studies regarding using North Dakota barley to produce a high value protein concentrate designed for aquaculture and a low carbon advanced biofuel at Dakota Spirit AgEnergy. The project would scale up technology developed and owned by Montana Microbial Products and integrate it into Dakota Spirit AgEnergy. This first phase of the project will provide a market analysis of protein feed ingredients in aquaculture, conduct and analysis of barley availability as a feedstock in North Dakota, complete Front End Engineering and Design (FEED) and integration opportunities, and develop an understanding of the regulatory requirements necessary to move forward with construction.

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Commerce Commissioner - by law the Commissioner serves as Chairman

David Douglas, 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 (recently resigned)

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ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND
N.D.C.C. 54-63-04
Continuing Appropriation

	<u>2017-2019 Biennium</u>	<u>2019-2021 Biennium</u>
Beginning Balance	\$4,287,158 ¹	\$3,798,358
Add estimated revenues ²		
Resources Trust Fund	\$3,000,000	\$3,000,000
Interest Income (estimated)	\$ 10,000	\$ 5,000
Applicant contribution (estimated)	\$ 1,200	\$ 1,000
Total Available	<u>\$7,298,358</u>	<u>\$6,804,358</u>
Less estimated project expenditures and commitments		
Project Expenditures & Commitments ³	\$3,400,000	\$4,865,000
Administrative Costs	\$ 100,000	\$ 135,000
Total estimated expenditures	<u>\$3,500,000</u>	<u>\$5,000,000</u>
Estimated ending balance	<u>\$3,798,358</u>	<u>\$1,804,358</u>

⁽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 and \$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 five percent of the Resources Trust Fund not to exceed \$3,000,000 per biennium so \$3,000,000 was received during the 2013-2015 and 2015-2017 biennia.

⁽²⁾ Revenues under the 2017-2019 biennium reflect the continuing appropriation of \$3,000,000. Other estimated revenues include actual interest income of \$6,522 and application contribution income of \$900 through November, 2018 with estimated revenues for the remainder of the biennium.

⁽³⁾ Actual project expenditures for the 2017-2019 biennium through November, 2018 totaled \$1,580,454. There are outstanding commitments of \$2,304,012 for 12 projects and one additional grant round scheduled for February 1, 2019 (estimate \$500,000 in applications). Actual administrative and technical costs through November, 2018 total \$55,686.79 with an estimate for the remainder of the biennium.



INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA TRANSMISSION AUTHORITY

H131014
1-10-19
Governor **A.H.A.13**
Doug Burgum
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/Secretary 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 observation and achieving a high level of understanding of regional transmission planning. To accomplish this task, the Authority closely monitors and interacts with regional transmission organizations (RTOs) that represent North Dakota transmission developers. These include the Midcontinent Independent System Operator (MISO), and the Southwest Power Pool (SPP). The Authority also works with the Organization of MISO States, the Public Service Commission, 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 bring multiple values to transmission across the MISO footprint. This includes transmission under development through the CapX 2020 effort. Such lines with regional benefit will be eligible for cost allocation across the MISO footprint. Of particular importance to North Dakota are the Big Stone South to Ellendale, Big Stone South to Brookings, and Brookings to Twin Cities lines identified by MISO as having regional benefits. The Brookings to Twin Cities line was placed into service in 2015. The Big Stone South to Ellendale remains on-schedule for 2019.



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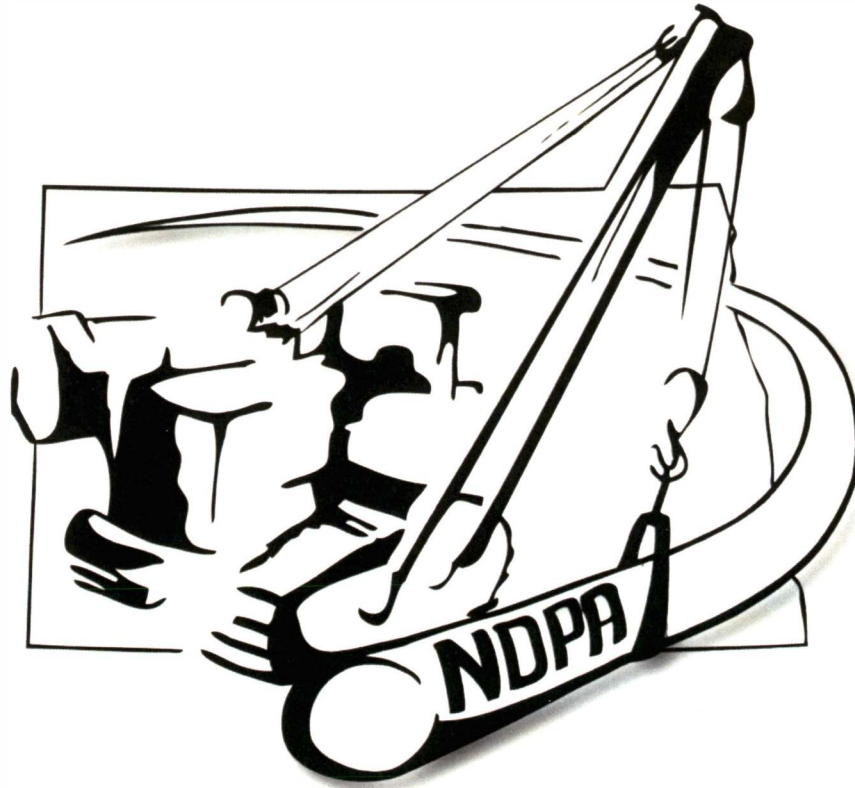
In October 2015, Basin Electric and Western Area Power Administration (Western) officially joined the SPP, another regional transmission organization similar to MISO but with a different footprint. Similar planning and transmission line development will be supported by their power pool as is done by MISO for its members. The two RTOs are currently conducting a joint study to look at the newly created Integrated System "seam" between their markets in the Upper Midwest (primarily North Dakota, South Dakota, and Iowa). Seam issues are generally trading barriers that can arise when there are differences between market rules and designs that can affect the efficiency and reliability of transmission where two RTOs border each other.

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.

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North Dakota Pipeline Authority



Annual Report

July 1, 2017 – June 30, 2018

Industrial Commission of North Dakota

Governor Doug Burgum, Chairman

Attorney General Wayne Stenehjem

Agriculture Commissioner Doug Goehring

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**North Dakota Pipeline Authority
Annual Report
July 1, 2017 – June 30, 2018**

Overview

At the request of the North Dakota Industrial Commission, the Sixtieth Legislature passed House Bill 1128 authorizing the North Dakota Pipeline Authority. It was signed into law on April 11, 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.

By law, the Pipeline Authority membership is comprised of the members of the North Dakota Industrial Commission. Upon the recommendation of the Oil and Gas Research Council, the Industrial Commission authorized the expenditure of up to \$325,000 during the 2017-2019 biennium for the Pipeline Authority with funding being made available from the Oil and Gas Research Fund. On August 1, 2008 the Industrial Commission named Justin J. Kringstad, an engineering consultant, to serve as Director of the North Dakota Pipeline Authority. The North Dakota Pipeline Authority Director works closely with Lynn Helms, Department of Mineral Resources Director, Ron Ness, North Dakota Petroleum Council President and Karlene Fine, Industrial Commission Executive Director. 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.

Statutory Authority

Statutory authority for the Pipeline Authority is found in Chapter 54-17.7 of the North Dakota Century Code (N.D.C.C.). Section 54-17.7-04 N.D.C.C. delineates the powers of the Pipeline Authority including: 1) making grants or loans or to borrow money; 2) to issue up to \$800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, purchase, lease, rent and dispose of pipeline facilities or the right to capacity in any pipeline system or systems within or without the State of North Dakota; 5) enter into contracts to construct, maintain and operate pipeline facilities; 6) investigate, plan, prioritize and propose transportation corridors; and 7) participate in regional pipeline organizations.

Before the Pipeline Authority may exercise its power to construct pipeline facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Pipeline Authority must publish a notice describing the need for the pipeline project. Entities interested in

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constructing the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Pipeline Authority receives a notice of intent from an interested entity, it may not exercise its powers to construct unless the Pipeline Authority makes a finding that doing so would be in the public interest. In making such a finding, the Pipeline Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

North Dakota Pipeline Regulatory Programs

The Pipeline Authority does not serve in any capacity as a regulatory agency for the pipeline industry. North Dakota's pipeline industry is regulated by several state and federal agencies. Roles of each regulatory entity are complex and the Pipeline Authority urges all interested parties to please contact the agencies below for more information on their jurisdiction of the pipeline industry.

- North Dakota Department of Emergency Services
- North Dakota Department of Health
- North Dakota Department of Environmental Quality
- North Dakota Public Service Commission
- North Dakota Industrial Commission-Department of Mineral Resources-Oil and Gas Division
- Environmental Protection Agency
- Federal Energy Regulatory Commission
- U.S. Department of Transportation-Pipeline and Hazardous Materials Safety Administration-Office of Pipeline Safety

Summary of Activities

After bottoming out in the second quarter of 2016, petroleum related activity in North Dakota has continued to increase. With prices above \$60/barrel and higher levels of producer activity, the midstream industry is working to position itself to meet current production levels, and continue to plan for further expansion in the long term. More efficient operations and further advances in drilling and completion techniques allowed North Dakota oil and natural gas production to reach record high levels in 2018. During the past year, the Pipeline Authority has been fully engaged in continuing efforts to convert production and development information into oil and natural gas transportation solutions. Working alongside industry to produce crude oil and natural gas production forecasts to quantify future pipeline needs and time frames continues to be one of the principle tasks of the Pipeline Authority. Pipeline companies are conservative by nature and these forecasting exercises proved to be very beneficial in providing the confidence needed to move forward with expansion project planning.

During the fiscal year the Pipeline Authority contacted, met with, and shared information with numerous interested parties, including the following:

Enbridge Pipeline	Hess Corporation
TransCanada	Tesoro/Andeavor
MDU/WBI Energy	True Companies
ONEOK	Crestwood
Alliance Pipeline	BNSF Railway
Northern Border Pipeline	Citi Bank
Basin Electric	Gtuit
KLJ Engineering	Plains All American
Loenbro	Sequent Energy
Badlands NGLs	Barr Engineering
Whiting	Pembina Pipeline
Enable Midstream	Moody's Analytics
Energy Transfer Partners	Harris Corporation
GA Group	Parsons Brinkerhoff
Oasis Petroleum	Marathon
Aurora Energy	Elevate Midstream
Petro Nerds	Tallgrass Pipeline
Meridian Energy Group	Robert W. Baird & Co.
Steel Reef Infrastructure	Liberty Midstream
Global Innovative Solutions	Thrive Energy
Phillips 66	

In addition, the Pipeline Authority worked with a number of state and federal agencies to gather information and provide expertise on pipeline issues. Those agencies and entities included:

North Dakota Public Service Commission	North Dakota Department of Commerce
North Dakota Transmission Authority	Energy and Environmental Research Center
North Dakota Oil and Gas Division	North Dakota Department of Transportation
North Dakota Governor's Office	Federal Railroad Administration
North Dakota Department of Trust Lands	North Dakota Tax Department
North Dakota State University	Wyoming Pipeline Authority
Bank of North Dakota	EmPower North Dakota Commission
US Energy Information Administration	North Dakota State Water Commission
North Dakota Oil & Gas Research Program	Upper Great Plains Transportation Institute
MHA Energy	Federal Transportation Safety Administration
North Dakota Office of Management and Budget	

The Director of the Pipeline Authority also worked with the following trade associations/groups:

- North Dakota Petroleum Council
- North Dakota Petroleum Marketers Association
- Western Dakota Energy Association
- North Dakota Building Trades Union
- American Petroleum Institute
- Landman’s Association of North Dakota
- Minot Chamber of Commerce

As noted above, the Pipeline Authority has been facilitating discussions between governmental agencies and companies interested in expanding North Dakota’s midstream infrastructure.

In addition, the Director of the Pipeline Authority provided information to citizens and news media on issues related to pipelines.

Crude Oil and Natural Gas Production Forecasting

The Pipeline Authority continued to develop and maintain crude oil and natural gas production forecasts for North Dakota and the United States portion of the Williston Basin. These forecasts are widely used throughout both public and private organizations. Two assumption scenarios are forecasted for the purpose of communicating the production impacts of different price and activity levels. Figure 1 is a long term oil production forecast for North Dakota. Figure 2 shows a longer term natural gas production forecast using the two different activity scenarios for North Dakota.

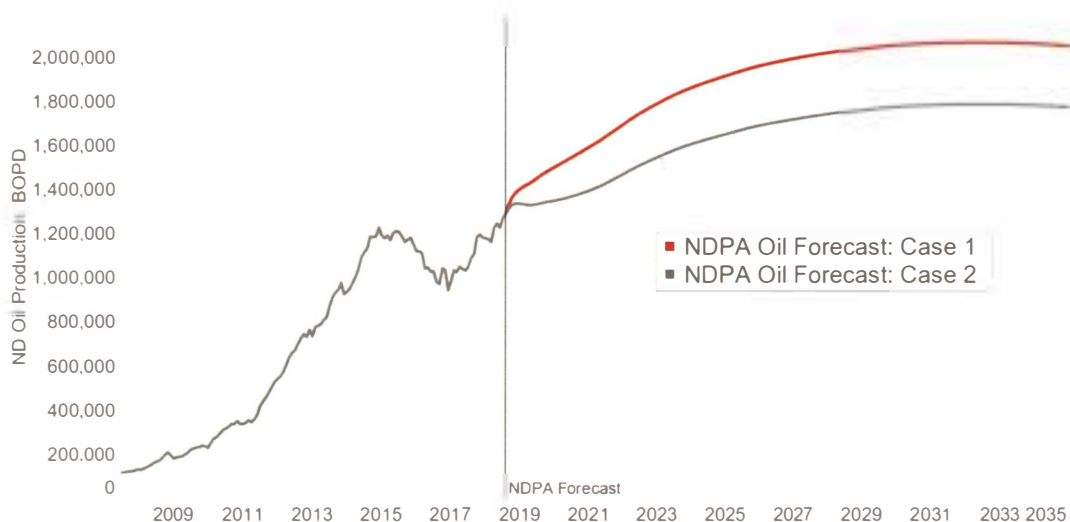


Figure 1. Long term crude oil production forecast for North Dakota starting in Aug. 2018

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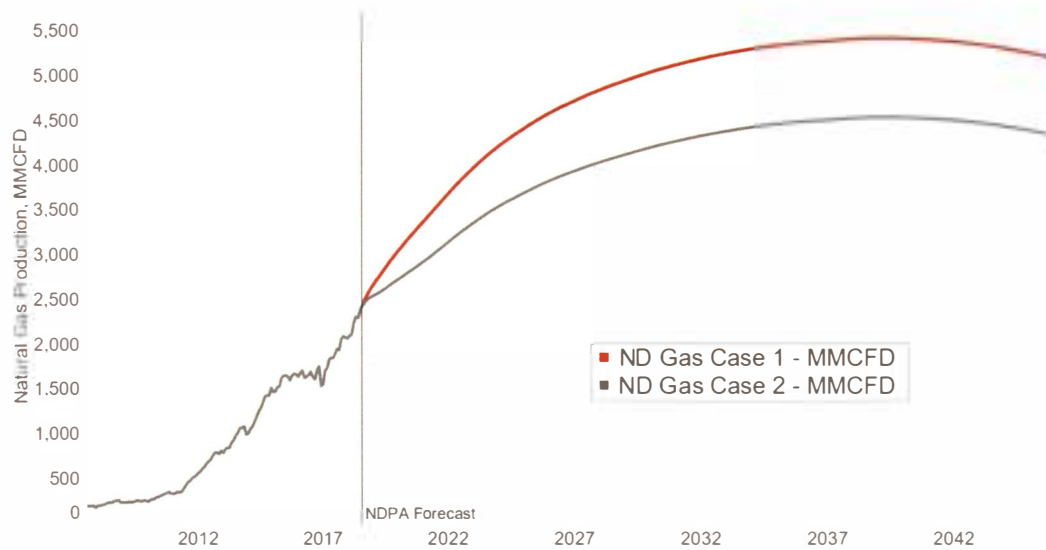


Figure 2. North Dakota natural gas production forecast starting in Aug. 2018

Natural Gas Liquids

The Pipeline Authority continued to focus considerable attention in 2017-2018 to the topic of natural gas liquids (NGLs). Natural gas produced from the Bakken and Three Forks Formations is very high in NGLs such as ethane, propane, and butane. Forecast models created by the Pipeline Authority were updated to better understand the production potential and required transportation infrastructure going forward.

The forecast in Figure 3 shows two potential production cases based on different activity level assumptions. In either case, a significant shortfall of gross pipeline capacity exists until the Elk Creek Pipeline goes into service in late 2019. It is expected that NGL production will exceed pipeline capacity again in 2020 until further system expansions take place or a new market option is developed. Further complicating the NGL transportation dynamics is the fact that not all NGL pipelines can handle the same types of NGL products. In addition, natural gas plants around the region produce either purity products or unfractionated product, known as Y-grade.

There are several options going forward to address the growing volume of NGLs in North Dakota. One option would be to build, expand, or repurpose existing pipeline systems. A second option would be the development of value-added industries that would use NGL products as feedstock. Another potential use for NGLs is enhanced oil recovery (EOR) in the Williston Basin as fields continue to mature. The use of NGLs as a working EOR fluid is still in the research phase with early lab results appearing promising.

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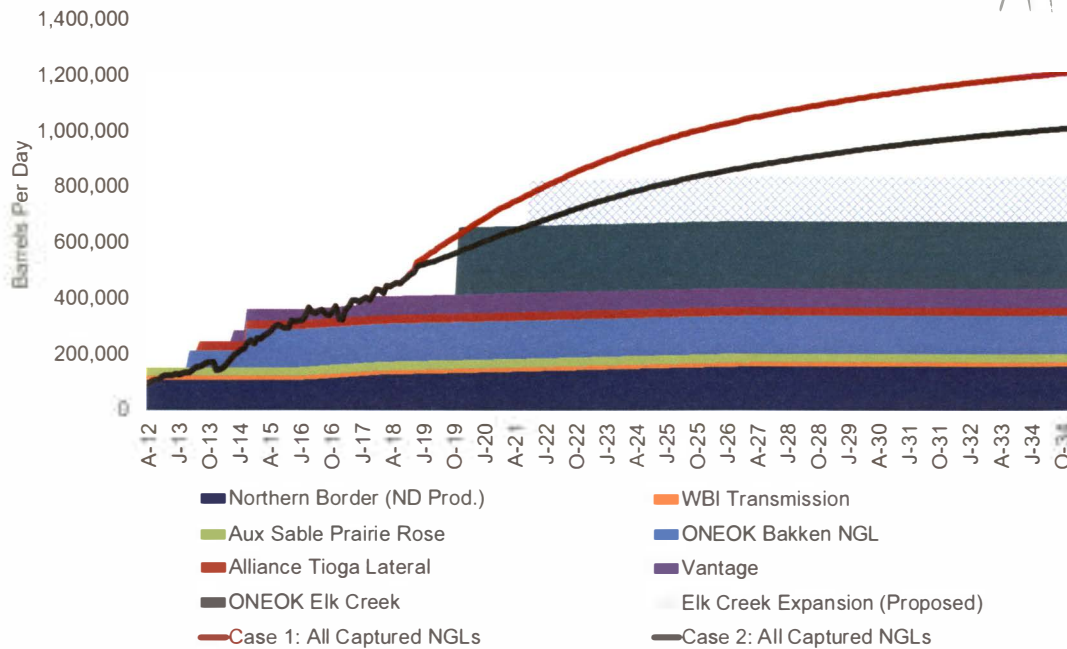


Figure 3. Forecasted North Dakota NGL production and transportation options starting in Aug. 2018

State Rail Plan

The Pipeline Authority and a number of other partners worked alongside the North Dakota Department of Transportation in its efforts to publish a 2017 update to the *North Dakota State Rail Plan*.

Along with the hired consultant agency, Parsons Brinckerhoff, the Department of Transportation partnered with the following agencies to conduct the study:

- North Dakota Public Service Commission
- North Dakota Department of Commerce
- North Dakota Department of Emergency Services
- North Dakota Pipeline Authority
- Upper Great Plains Transportation Institute

The updated North Dakota State Rail Plan is focused on the following key areas:

- Ensuring safe rail transportation
- Providing consistently reliable, diverse Class I, short line and passenger rail service
- Rail service expansion and economic development opportunities
- Funding future rail improvements
- Understanding and defining the role of the State of North Dakota in rail transportation

The final State Rail Plan report was released in late 2017 and is available on the Department of Transportation website.

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Natural Gas Flaring

While not a regulatory agency, the Pipeline Authority does play a very active support role in helping the state reduce the amount of flared natural gas. The Pipeline Authority continually monitors and reports flaring statistics and provides analysis on current and future developments to industry participants, regulators, policy makers, and the public.

Several significant actions were taken by the ND Industrial Commission in recent years that have had a positive impact on reducing natural gas flaring. The first was the requirement for operating companies to submit a natural gas capture plan to the Oil & Gas Division to outline how produced natural gas would be sold or utilized on location. The second action was an Industrial Commission order on July 1, 2014 that provided flaring reduction targets to the year 2020 and provided a means of enforcement at the Oil & Gas Division through the use of production and permitting restrictions.

In April 2018, the Industrial Commission updated the 2015 natural gas capture regulations for Bakken and Three Forks production. More details on the April update can be found on the Oil & Gas Division website.

The current North Dakota gas capture target rates are as follows:

- 74% Capture – Q4 2014
- 77% Capture – Q1 2015
- 80% Capture – Q2 2016
- 85% Capture – Q4 2016
- 88% Capture – Q4 2018
- 91% Capture – Q4 2020

The natural gas gross capture rate for Bakken production was 84% in June 2018. In order for the industry to continue to meet or exceed future gas capture targets, additional investments in gas gathering, processing, and transmission will be required in the short and long term.

Industry and Public Communications Activities

Pipeline Publication

During the 2017-2018 fiscal year, three *Pipeline Publication* newsletters were created in order to keep interested parties updated on midstream activities in the region. All three newsletters can be found in Appendix A. In addition to the newsletters, the Pipeline Authority used monthly reports, website content, press conferences, and presentations to share updates on production and transportation dynamics in the Williston Basin (additional details below).

Pipeline Authority Websites

In an effort to provide industry and public users with the most timely and complete set of information, the Pipeline Authority continues to update the agency websites as new information becomes available.

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The websites allow the Pipeline Authority to provide users with current Williston Basin oil production data, maps, news, publications, basic pipeline information, pipeline safety information, and links to pipeline mapping systems.

Monthly Updates

During the 2017-2018 fiscal year, the Pipeline Authority produced monthly transportation and production reports to allow interested parties a quick view of how much crude oil and natural gas was produced each month and how each commodity was shipped and/or processed. Information contained in the reports is presented during monthly media events in conjunction with the ND Oil & Gas Division. Monthly reports are placed on the Pipeline Authority website and an email distribution list has been created to circulate the update to interested parties.

North Dakota Drilling Economics

In order to assist the midstream industry in understanding current and future petroleum activity levels, the Pipeline Authority routinely publishes information exploring the economics of drilling in North Dakota’s Bakken/Three Forks Formations. The research takes a detailed look at where drilling in North Dakota has been most successful in the past and then predicts where drilling may be concentrated during periods of fluctuating oil prices.

Figure 4 was generated during the drilling economics research to represent the expected after-tax rate of return using three different drilling and completion costs. While assuming \$63/barrel at the wellhead, it was discovered that wells drilled in North Dakota could consistently receive a 10%-20% rate of return if they were producing at least an average of 400 barrels of oil per day during the well’s peak production month. Maps were generated to show where the wells in Figure 4 are located. These maps are contained in various presentations on the Pipeline Authority website.

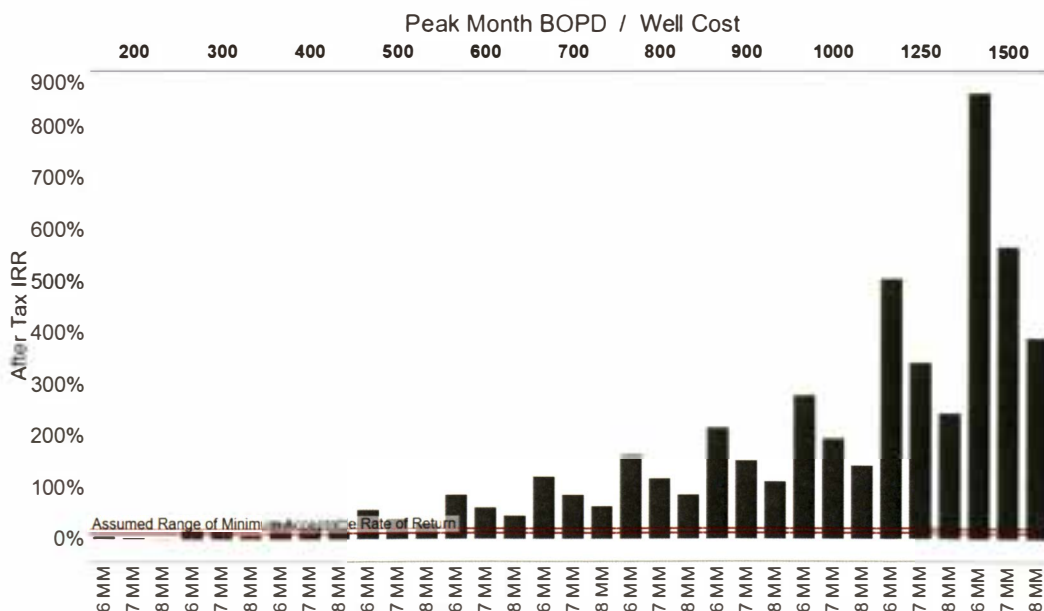


Figure 4. North Dakota drilling economics summary (Assumes \$63/bbl at the wellhead)

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Pipeline Presentations

The Pipeline Authority has had the opportunity to make presentations at a variety of legislative, industry, and public events during the past fiscal year. Presentation topics were typically focused on North Dakota's transportation dynamics and did contain additional material on drilling economics and production techniques. Slides from many of the major events are placed on the Pipeline Authority website as content is updated.

Drilling Inventory Analysis

During the first half of 2018, the Pipeline Authority conducted extensive research to better understand how long the first phase of drilling and completing Bakken/Three Forks wells may last in North Dakota.

The research revealed the following points of interest:

- Bakken/Three Forks development is price sensitive, with higher price levels equating to more economically viable drilling locations in the state.
- A high level of uncertainty exists surrounding full development of the lower Three Forks formation "benches".
- Three Forks development was broken into a three tier system using information from Tim Nesheim at the North Dakota Geological Survey.
- It is estimated that between 34,000 and 98,000 wells will be developed during the first phase of Bakken/Three Forks development.
- Assuming a pace of 100 new wells drilled and completed per month, North Dakota's first phase of Bakken/Three Forks development could continue for 28-81 years.

Full details of the drilling inventory work can be found on the "Presentations" page of the Pipeline Authority website.

Williston Basin Pipeline Infrastructure

For reference, a series of North Dakota pipeline maps can be found in Appendix B

Pipeline Mileage

North Dakota's pipeline industry added 996 miles of new oil, gas, and produced water pipelines in 2017. The significant decrease in pipeline construction in 2016 and 2017 (Fig. 5) was proportional to the slowdown in well completions during those same periods. A general trend in North Dakota has been approximately 1-1.5 miles of new pipeline added for every well completion. Data from the Federal Department of Transportation and North Dakota Oil & Gas Division indicates that North Dakota has over 27,000 miles of gathering and transmission pipelines. Further details about North Dakota's pipeline network can be found on the Pipeline Authority website.

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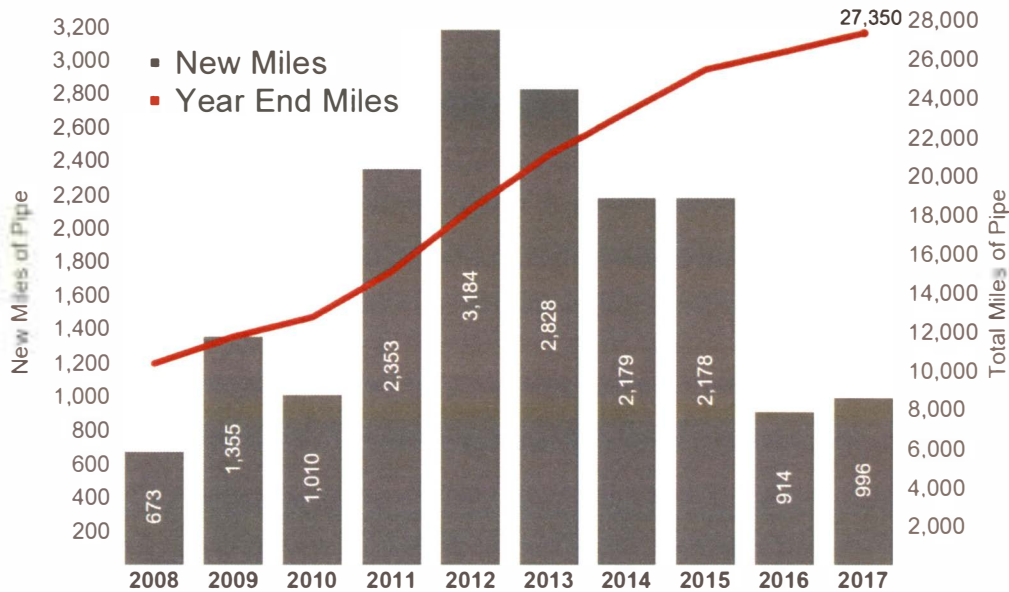


Figure 5. Estimated oil transportation by mode

Crude Oil Pipelines, Refining, and Rail Transportation

Enbridge Pipelines North Dakota: Having completed several expansion projects over the past number of years, Enbridge now has the capacity to move 355,000 BOPD on its pipeline system to Clearbrook, MN. Enbridge completed their work to expand north bound capacity of 145,000 BOPD in early 2013 for the larger scale “Bakken Expansion Project”. Oil using the northbound route navigates the Enbridge Saskatchewan system to an interconnect with the Enbridge Mainline at Cromer, MB. Once on the Mainline system, the Williston Basin oil quickly reenters the United States and meets east bound Enbridge oil at Clearbrook, MN.

Enbridge’s plans to construct the 225,000 BOPD “Sandpiper” system were deferred during the third quarter of 2016 due to unexpected market conditions in the near-term planning horizon. Enbridge plans to monitor market conditions and will reevaluate the Sandpiper project in the future.

Bridger, Belle Fourche, and Butte Pipelines: Bridger and Belle Fourche Pipelines operate as intra-basin pipeline systems moving oil to several pipeline interconnects or rail facilities in the Williston Basin. One such pipeline interconnect is with the Butte Pipeline near Baker, MT. The Butte Pipeline currently has the capacity to move 260,000 BOPD to Guernsey, WY. In Guernsey, WY, the oil is transported to Wood River, IL on the Platte Pipeline, Cushing, OK on the White Cliffs Pipeline, or loaded into rail cars for further transport.

BakkenLink: After announcing plans in 2010 to offer a pipeline system connecting the Williston Basin to the Keystone XL Pipeline in Eastern Montana, BakkenLink has altered their current project scope. Now in service, the BakkenLink system collects crude oil from various locations along its route south of Lake Sakakawea and delivers the oil to a unit train rail facility located near Fryburg, ND. In late 2015, Andeavor

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(formerly Tesoro Corporation) purchased the BakkenLink pipeline and rail facility from Great Northern Midstream.

In February 2018, Andeavor sought, and was granted, approval from the North Dakota Public Service Commission to add NGL service to the existing BakkenLink crude oil system. Scheduled to be complete by the end of 2018, the additional NGL service to Fryburg, ND will be accomplished using three new line segments on the north and south ends of the BakkenLink system.

Energy Transfer Partners: In early 2014, Energy Transfer Partners (ETP) held an open season to solicit interest in a new 30" pipeline from North Dakota to Patoka, IL. In June 2014, ETP announced that they had secured sufficient shipper support to move forward with the project. The "Dakota Access" pipeline collects oil north and south of Lake Sakakawea and has the ability to transport up to 520,000 BOPD. The project began construction in May 2016 and was placed into commercial service on June 1, 2017.

In 2018, two formal open seasons were held for additional service on the Dakota Access pipeline. Results of the open season have not been made public, but if additional shipper interest exists, the pipeline could be expanded to carry a total of at least 570,000 BOPD.

Plains All American Pipeline: In November 2010, Plains All American Pipeline (Plains) announced plans to construct a new 103 mile, 12 inch, pipeline from Trenton, ND to an interconnect with the existing Wascana Pipeline at the United States-Canada border in northeast Montana. The "Bakken North" pipeline went into service in May 2014, with an initial capacity of 40,000 BOPD, expandable to 75,000 BOPD.

TransCanada Bakken Marketlink: On September 13, 2010, TransCanada launched a successful open season for Bakken producers interested in accessing TransCanada's proposed Keystone XL pipeline project in eastern Montana. The proposed 100,000 BOPD interconnect would be located near Baker, MT and would require new pumps and tanks to accommodate the Bakken oil. Third party shippers would be necessary to move the crude to the Baker, MT facility from North Dakota.

In November 2015, President Obama announced that the Keystone XL Pipeline was not in the national interest of the United States and that a required Presidential Permit would not be granted. In March 2017, President Trump reversed the White House decision and granted the Presidential Permit to TransCanada for the Keystone XL Pipeline. An updated timeline for the Keystone XL Pipeline and Bakken Marketlink has not been made public.

Marathon Petroleum Mandan Refinery (Formerly Andeavor/Tesoro): Expanded by 10,000 BOPD in 2012, Marathon Petroleum operates a 68,000 BOPD refinery in Mandan, ND. The refinery receives its light sweet feedstock through a network of pipelines in the Williston Basin. Products generated at the refinery are distributed directly from a truck rack at the facility or through the NuStar North Pipeline to Eastern North Dakota and Minnesota.

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In 2017, Tesoro Corporation changed its name to Andeavor. In the second half of 2018, Andeavor merged with Marathon Petroleum and will operate under the Marathon Petroleum name.

Marathon Petroleum Dakota Prairie Refinery: In late June 2016, Tesoro Corporation purchased the Dakota Prairie Refinery from MDU Resources Group and Calumet Specialty Products Partners. The Dakota Prairie Refinery, began processing 20,000 BOPD at its facility just west of Dickinson, ND in May 2015. The “diesel topping” refinery produces around 7,000 BPD of diesel fuel for consumption, while the remaining product is transported for further processing or use.

In 2018, a decision was made to convert the refinery to produce renewable diesel fuel by late 2019. After 2019, the facility will no longer use crude oil as a feedstock. Renewable diesel fuel is likely to be shipped by rail and marketed in California.

In 2017, Tesoro Corporation changed its name to Andeavor. In the second half of 2018, Andeavor merged with Marathon Petroleum and will operate under the Marathon Petroleum name.

Davis Refinery: Meridian Energy Group is planning to construct a crude oil refinery in Billings County, east of the Fryburg Rail Facility in Belfield. The refinery is designed with an inlet oil capacity of 49,500 BPD. All refined products are expected to be marketed regionally with transportation taking place by truck and/or rail. Site preparation began in July 2018 with plant completion expected in 2020.

A map of North Dakota crude oil gathering systems can be found in Appendix C

Rail Loading Facilities: The transportation of crude oil by rail car has played a key role in moving growing volumes of crude oil from the Williston Basin to markets around the United States and Canada. Figure 6 shows the estimated Williston Basin market share percentages for rail, pipeline, and local refining. Figure 7 shows the estimated volume of oil moved by rail out of North Dakota. Maps, capacities, and additional information on the various facilities can be found on the Pipeline Authority websites.

A significant decrease in crude by rail volumes can be identified during the 2015-2017 timeframe in Figures 6 & 7. The 2015-2017 volume decrease can be attributed to production declining in North Dakota and reduced market incentives to utilize crude by rail. In 2018, the downward trend reversed as production reached record levels and market pricing at coastal refining centers incentivized the use of crude by rail from North Dakota. The Pipeline Authority estimates eleven of the twenty-plus rail facilities are still active, with the most active facilities being those with unit train loading capabilities and inbound/outbound marketing options.

The future of crude by rail utilization in North Dakota will be driven by oil production volumes, market pricing, pipeline capacity, and regulatory oversight.

A map of North Dakota oil rail loading facilities can be found in Appendix D

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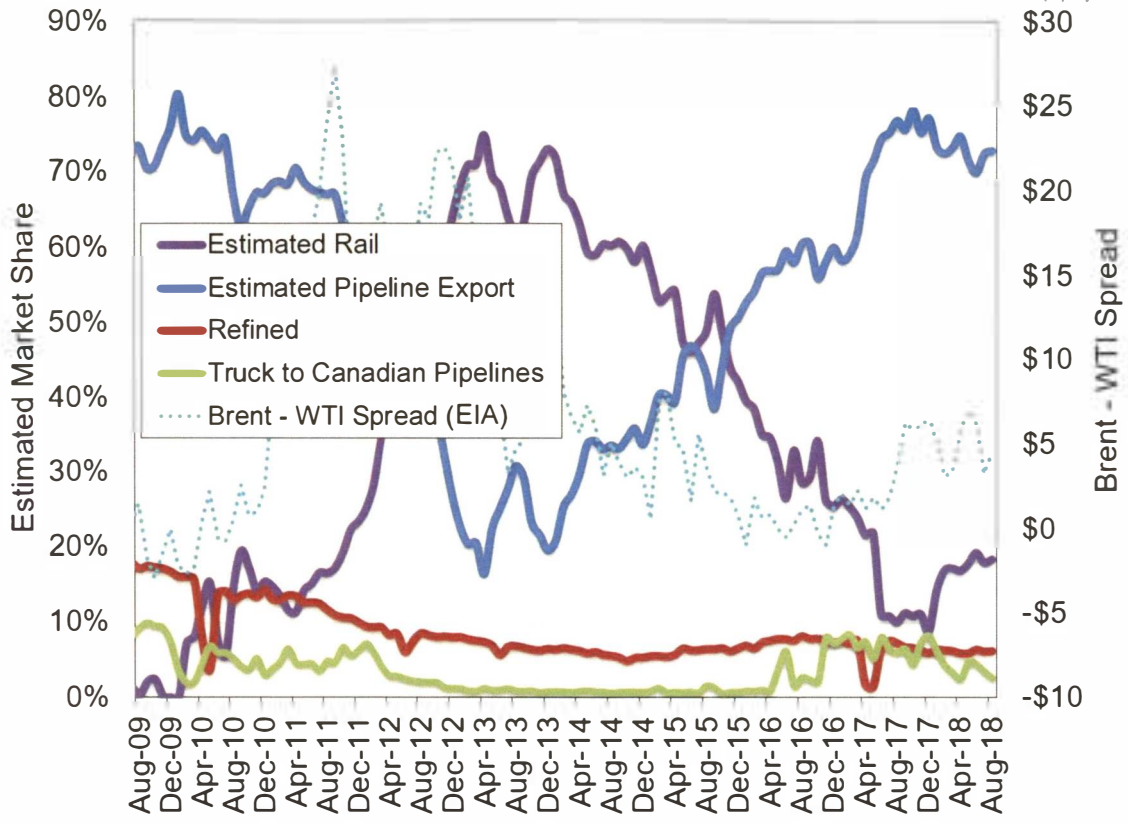


Figure 6. Estimated oil transportation by mode (Aug. 2018 data)

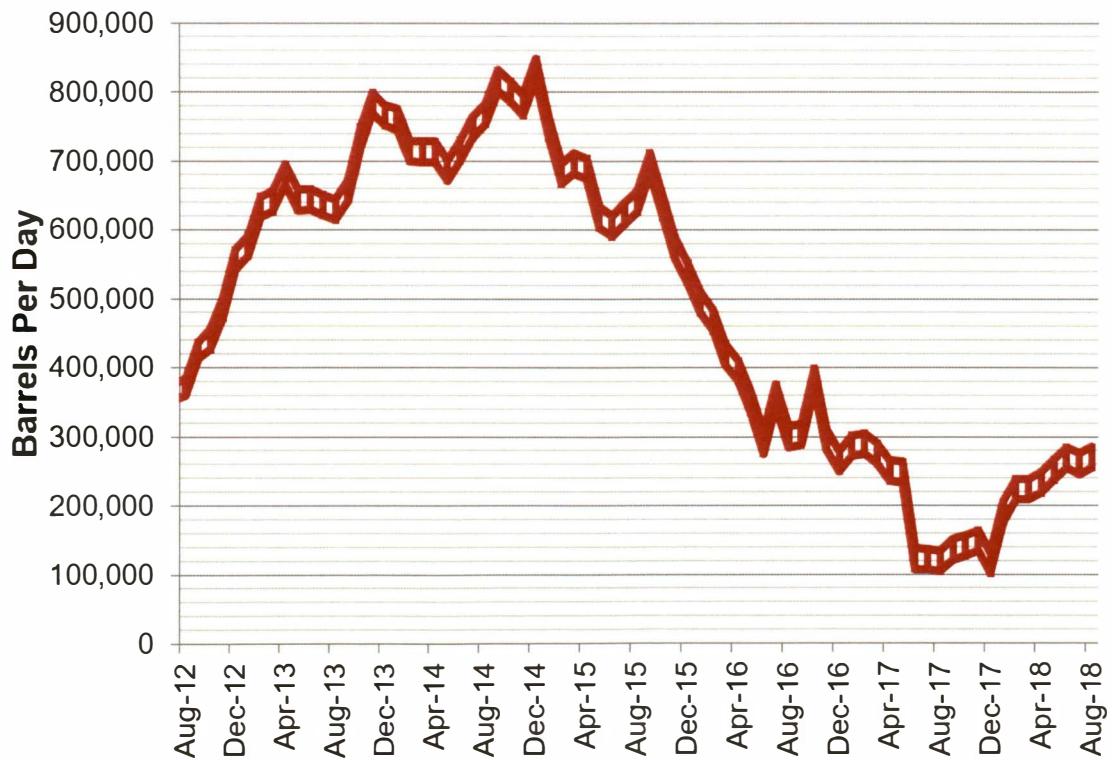


Figure 7. Estimated outbound crude oil rail shipments (Aug. 2018 data)

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Natural Gas Pipelines

Alliance Pipeline: The Alliance Pipeline is a high pressure, large diameter natural gas pipeline that originates in British Columbia, Canada and terminates at the Aux Sable gas processing plant near Chicago, IL. The Alliance Pipeline transports “dense gas” or gas that still contains high BTU natural gas liquids, such as propane and butane. In February 2010, the Alliance Pipeline began transporting rich natural gas from North Dakota via a new interconnect with the Prairie Rose Pipeline near Bantry, ND (See Aux Sable below). The 36 inch diameter United States portion of the pipeline has a certified capacity of 1.513 billion cubic feet per day (BCFD). The Alliance Pipeline has one existing North Dakota delivery point in Hankinson and one upcoming interconnect with Montana Dakota Utilities to serve industrial manufacturing in Gwinner.

In response to growing natural gas production, Alliance Pipeline announced plans on June 22, 2011, to construct a new, 80 mile, natural gas pipeline from the Hess Gas Plant in Tioga, ND to an interconnection point near Sherwood, ND. Commissioned in late 2013, the “Tioga Lateral Pipeline” has the ability to deliver liquids rich, high BTU, natural gas to Chicago, IL for further processing and transportation. The Tioga Lateral has the capacity to transport up to 126 MMCFD.

Northern Border: The Northern Border Pipeline, owned by TC Pipelines and ONEOK Partners, is a 1,249 mile pipeline originating at the Port of Morgan in Montana and terminating near North Hayden, Indiana. The pipeline has a system receipt capacity of 2.37 BCFD, with roughly half of the gas supply in 2018 originating in Canada through a receipt point with the Foothills Pipeline at the Port of Morgan. The 42 inch diameter Northern Border Pipeline receives gas deliveries at a total of seventeen receipt points in the Williston Basin with fourteen of those points for North Dakota gas supply.

WBI Energy Transmission: Formerly known as Williston Basin Interstate Pipeline Co., WBI Energy Transmission operates more than 3,700 miles of natural gas transmission pipelines throughout North Dakota, Montana, Wyoming, and South Dakota. This network of pipelines plays a vital role in North Dakota’s natural gas industry. It contains twelve interconnecting points with other regional pipelines and can also deliver natural gas to local distribution companies or natural gas storage fields. WBI continues to make system upgrades in western North Dakota in order to meet growing customer demand.

In June 2016, WBI announced an open season to connect the eastern North Dakota portion of the system with the Viking Pipeline in western Minnesota. This project, known as the Valley Expansion, does not directly support North Dakota gas production volumes, but rather would serve to provide additional gas volumes to consuming markets in eastern North Dakota. The Valley Expansion project is expected to be operational in the fourth quarter of 2018.

Aux Sable: In June 2011, Aux Sable announced the acquisition of the Prairie Rose Pipeline and condensate recovery facility near Stanley, ND. Originally constructed by Pecan Pipeline, the 75 mile, 12 inch system went into service February 2010 and has the capability to transport over 100 MMCFD of unprocessed natural gas from Mountrail County to an interconnect with the Alliance Pipeline near Bantry, ND.

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Bison Pipeline: TransCanada placed the 302 mile, 30 inch Bison Pipeline into service in early 2011. The pipeline was built to connect natural gas production in the Powder River Basin of Wyoming to the Northern Border Pipeline in Morton County North Dakota. The pipeline has an initial capacity of 407 MMCFD and could be expanded to 1 BCFD.

Natural Gas Liquids Pipelines

ONEOK Bakken NGL Pipeline: On July 26, 2010, ONEOK Partners announced plans to construct a new 12 inch natural gas liquids pipeline capable of moving 60,000 BPD from existing and planned facilities in the Williston Basin to an interconnect with the Overland Pass Pipeline near Cheyenne, WY. The “Bakken NGL Pipeline” was built to address the high volumes of natural gas liquids that are extracted from the rich Bakken gas during processing. The pipeline operates as a Y-grade system, with product fractionation taking place in Bushton, KS. ONEOK announced completion of the pipeline in April 2013 and an expanded capacity of 135,000 BPD in September 2014.

In February 2018, ONEOK announced a new NGL transmission system known as the Elk Creek Pipeline. The \$1.4 billion project could initially connect 240,000 barrels per day of NGLs from the Williston Basin to further NGL infrastructure in Kansas. This project could be expanded up to 400,000 barrels per day. Construction of the pipeline began in 2018 and is expected to be complete by the end of 2019.

Vantage Pipeline: On July 15, 2010, Mistral Energy announced a new 430 mile liquid ethane pipeline from Tioga, ND to Empress, AB. With an initial capacity of 40,000 BPD, the new “Vantage Pipeline” was built to address the high concentration of ethane found in North Dakota’s natural gas. Placed into service Q2 2014 in conjunction with the Hess Tioga Gas Plant Expansion, the pipeline was constructed of 10 inch pipe. In September 2014, Pembina Pipeline Corporation purchased the Vantage Pipeline from Mistral Midstream.

On February 10, 2015, Pembina Pipeline announced that the Vantage ethane pipeline would expand to connect to ONEOK’s Stateline plants with 50 miles of 8” pipeline. The \$85 million system expansion also included taking the existing mainline capacity from 40,000 bpd to 65,000 bpd. Ethane deliveries from the ONEOK Stateline plants to Vantage began in May 2017.

Carbon Dioxide Pipelines

North Dakota continues to have only one carbon dioxide pipeline in service. The Dakota Gasification Company’s, 12-14 inch, 205 mile pipeline went into service in 2000 and transports roughly 150 MMCFD of carbon dioxide to oilfields near Weyburn, SK.

Two carbon dioxide pipeline projects are under development. One system would be operated by Denbury Resources and would connect the Cedar Creek Anticline oilfields in eastern Montana and southwest North Dakota to the existing Greencore Pipeline at Bell Creek, MT. The 110 mile, \$150 million, extension is anticipated to be complete by 2020. The second project under development is part of Project Tundra’s

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plan to collect carbon dioxide from the Milton R. Young Station and transport it to the Williston Basin for either sequestration and/or enhanced oil recovery. If approved, a pipeline carrying carbon dioxide from the Young Station could be in service by the early 2020's.

The Pipeline Authority continues to work with interested parties on the development of new carbon dioxide pipelines for capture and sequestration, as well as enhanced oil recovery operations. The Pipeline Authority is an active member of the Plains CO₂ Reduction Partnership through the Energy and Environmental Research Center in Grand Forks, ND.

Natural Gas Processing

For reference, a North Dakota Gas Processing and Transportation map can be found in Appendix E

New or Expanding Natural Gas Plants

Due to the vast footprint of the Bakken resource, natural gas gathering and processing operators in North Dakota have faced difficult challenges in the past to keep pace with faster, more efficient drilling and completion techniques. Despite the daunting task, industry is rising up to reap the great economic reward contained in the rich Bakken gas.

North Dakota currently has twenty nine natural gas processing/conditioning plants operating, with the capability to process roughly 2.2 BCFD. Eight additional new or expanded plants are expected in 2018-2020 and will add 1.145 BCFD of processing capacity (Figure 8). A detailed breakdown of the existing and proposed facilities can be found on the Pipeline Authority website.

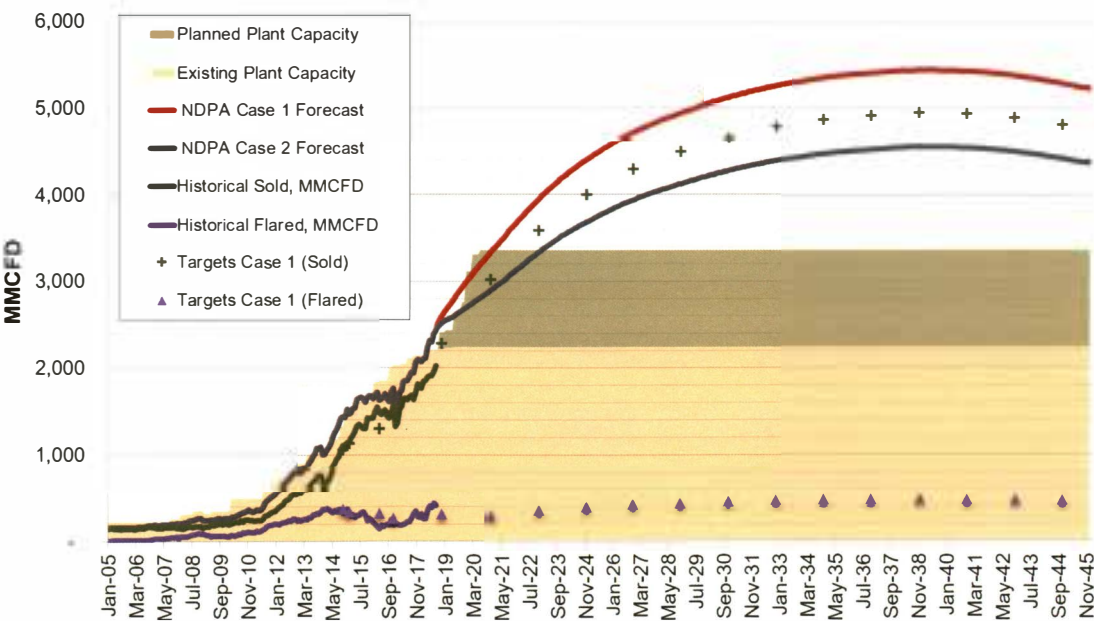


Figure 8. North Dakota natural gas processing plant intake capacity, gas production, gas forecast, and NDIC capture targets. (Forecast starts in Aug. 2018)

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Planned Activities

Over the past year, the Pipeline Authority has continued to experience great success by working with industry to quantify future crude oil and natural gas production in order to provide the assurance needed to move forward with various expansion projects. The forecasted petroleum production levels will continue to be updated to reflect oil price forecasts from the U.S. Energy Information Administration. The Pipeline Authority will continue to utilize new and existing development information to gain a deeper understanding of the crude oil, natural gas, natural gas liquids, and carbon dioxide pipeline needs in Williston Basin.

Industry and public information distribution will continue with the use of newsletters, presentations, monthly updates, and agency websites. The Pipeline Authority will continue to conduct information presentations to public audiences, legislative groups, and industry representatives at various events throughout the coming year.

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APPENDIX A

North Dakota Pipeline Authority's *Pipeline Publication* Newsletter



the
PIPELINE
publication

Volume 8 ❖ Issue 2
August 2017

**INDUSTRIAL
COMMISSION OF
NORTH DAKOTA
PIPELINE AUTHORITY**

Governor
Doug Burgum

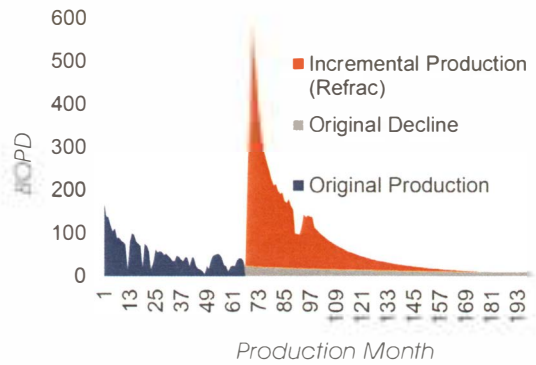
Attorney General
Wayne Stenehjem

Agriculture Commissioner
Doug Goehring

Director
Justin J. Kringstad

A LOOK AT REFRACS IN NORTH DAKOTA

The process of recompleting, or refracing, an existing Bakken – Three Forks well may be the next big step to increase oil and gas recovery rates in the state. A refrac is the practice of hydraulic fracturing an existing well that has already been hydraulically fractured at some earlier time period. Refracs are not new to the industry, as there is significant experience over the last decades around the world. However, due to the relatively young nature of Bakken development, the technique has had limited testing in the region.



During the first half of 2017, the Pipeline Authority conducted research to determine what data exists on refracs in the state. Just over 140 wells were identified as being refraced over the last several years.

The data revealed the following points of interest:

- Typical wells targeted for refrac were between four and five years old and utilized completion techniques now considered outdated.
- Almost half of the refraced wells were in Dunn County.
- On average, the production of the well after the refrac was higher than the original well performance.
- There were examples found where the refraced wells did not perform significantly better after refracing.
- The Pipeline Authority has identified almost 2,000 wells drilled between 2007-2011 that are positioned to be potential refrac candidates in the near future.
- Of the wells examined, none were refraced more than once, a practice that is not uncommon outside of North Dakota.

NORTH DAKOTA — Production Numbers

⌘ www.pipeline.nd.gov

Average Daily Oil Production, BOPD		
Apr. 17	May. 17	Jun. 17
1,050,476	1,040,995	1,032,495

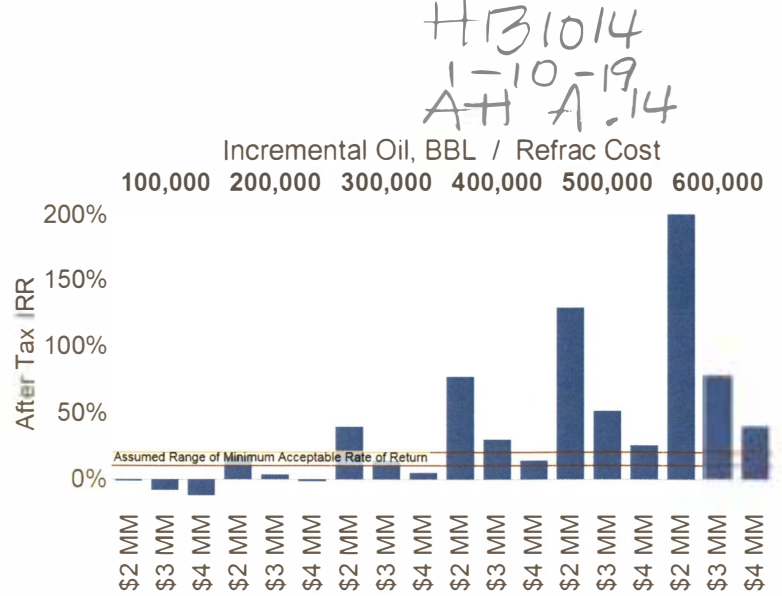
Average Daily Gas Production, MMCFD		
Apr. 17	May. 17	Jun. 17
1,836	1,854	1,850

Average Rig Count		
Apr. 17	May. 17	Jun. 17
50	50	55

As of August 14, 2017, there are 57 active rigs in North Dakota.

ECONOMICS OF REFRACS

The Pipeline Authority performed a high level exercise to try and determine the economics of refracing using incremental oil and gas production as the guide. As seen in the sample refrac production chart (front page), the orange colored production can be considered incremental production due to the refrac operation around month 68. In this example, the well is estimated to have 250,000+ barrels of incremental oil production from the refrac. The bar chart is a guide created to understand the economics of refracing in a \$40/bbl (wellhead) price environment. The economics were run using 100,000-600,000 barrels of incremental production and refrac costs of \$2-\$4 million.



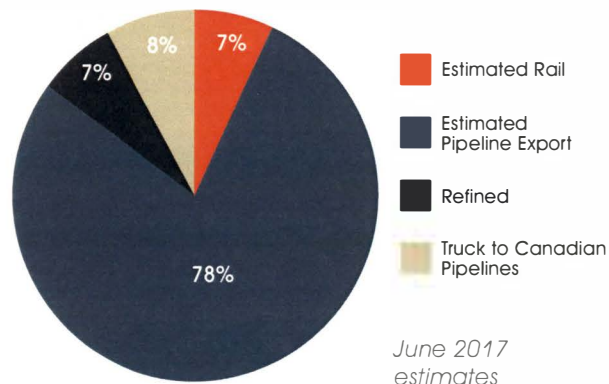
North Dakota Pipeline Authority

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600 E. Boulevard Ave. Dept. 405
Bismarck, ND 58505-0840

NEXT STEPS

Refracs have the potential to significantly alter the production profile for wells in the state. The Pipeline Authority is going to continue working to better understand how local and statewide transportation needs shift in the case that hydraulic fracturing crews are added or reallocated to refrac operations. More detailed information on the topic of refracs is available on the "Presentations" page of the NDPA website.

Estimated Williston Basin Oil Transportation



North Dakota Pipeline Authority

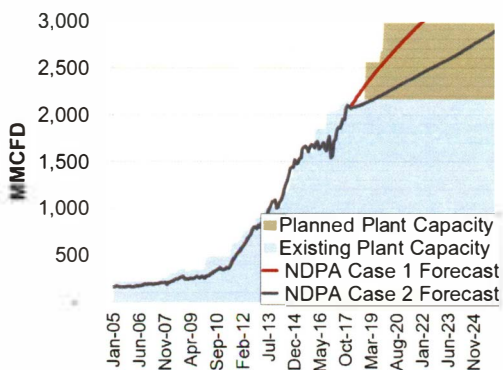
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the PIPELINE publication

Volume 9 ❖ Issue 1
March 2018

FULLY ADDRESSING NORTH DAKOTA'S GAS CAPTURE NEEDS

In order to fully address natural gas capture requirements in North Dakota, there are three major categories of infrastructure that need to be in place. The first, and arguably the most pressing, is the construction of gas gathering pipelines that provide transportation from the wellhead to a gas processing plant. During the early years of Bakken development, the pace at which new wells were being drilled was faster than the gas gathering community could plan and construct the required pipeline infrastructure. Largely through better producer-gatherer communication and planning, the number of wells being connected to gas gathering pipelines each month keeps pace with new producing wells.



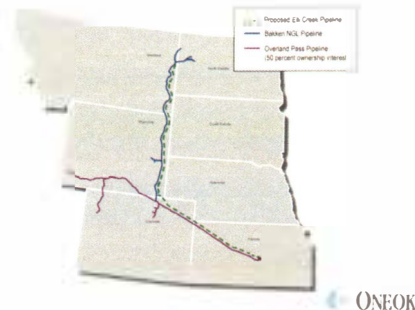
The second category of infrastructure that needs to be in place is gas processing. Currently, North Dakota has the ability to process

2,150 million cubic feet per day (MMCFD). The processing industry has responded to expected gas production growth with plans to construct or expand five processing facilities in the state. These five projects would increase North Dakota's processing capabilities to 2,965 MMCFD by the end of 2019. The included chart provides a visual reference for existing (blue) and planned (brown) gas processing capacity. The chart also includes historical gas production

and two of the Pipeline Authority's forecast scenarios that clearly show the need for expanded processing capacity in the region. Not shown in the chart is the expectation for gas production to reach 3,500 – 4,500 MMCFD in the coming decades, requiring even further processing capacity in 2020 and beyond.

Transmission pipeline capacity is the third category of infrastructure that needs to be in place to adequately address gas capture. The transmission category can be separated further into "dry" or "residue" gas transmission and natural gas liquids (NGL) transmission.

The most immediate gas capture transmission need for the state is NGL capacity. One industry solution proposed to address NGL capacity constraints is the ONEOK Elk Creek



pipeline. The \$1.4 billion project (map included) could initially connect 240,000 barrels per day of NGLs from the Williston Basin to further NGL infrastructure in Kansas (expandable to 400,000 barrels per day).

The dry gas transmission pipeline network is currently the least pressing issue facing the gas capture supply chain. However, in the next 7-10 years, the NDPA expects dry gas production from the region's processing facilities to exceed the existing transmission pipeline capacity, requiring additional capacity to be added with new or expanded transmission systems.

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NORTH DAKOTA — Production Numbers

Average Daily Oil Production, BOPD

Nov. 17	Dec. 17	Jan. 18
1,196,976	1,182,836	1,175,638

Average Daily Gas Production, MMCFD

Nov. 17	Dec. 17	Jan. 18
2,096	2,085	2,068

Average Rig Count

Nov. 17	Dec. 17	Jan. 18
54	52	56

As of March 22, 2018, there are 60 active rigs in North Dakota.

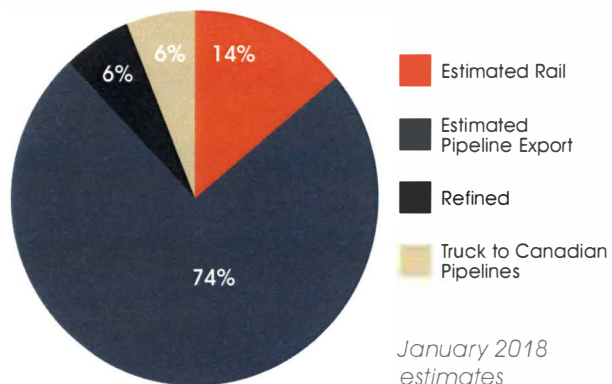
North Dakota Pipeline Authority

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Bismarck, ND 58505-0840

FACTOID

Recent work by the NDPA revealed that higher oil prices in 2018 means that roughly 44% more geographic area in ND could be targeted for development than a year ago. One interesting development to watch will be the application of new technology in portions of the Williston Basin that have not seen development activity since the slowdown. For more details and new maps showing the updated NDPA breakeven analysis, please visit the "Presentations" page on our website.

Estimated Williston Basin Oil Transportation



North Dakota Pipeline Authority

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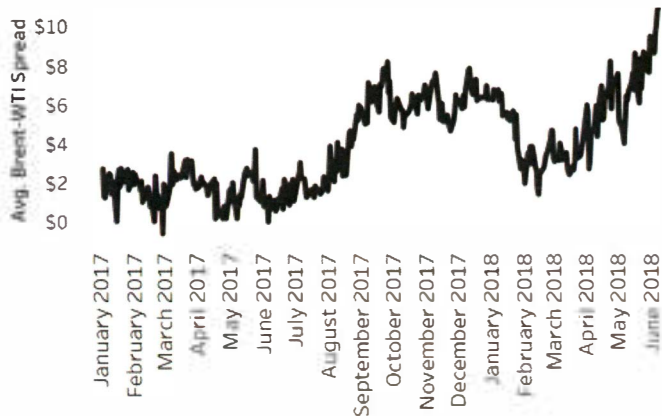


the PIPELINE publication

Volume 9 ❖ Issue 2
June 2018

MARKET PRICES INCENTIVIZING CRUDE BY RAIL

Since late 2017, the oil industry has experienced a series of events causing the two most watched oil price markets diverge from one another once again. West Texas Intermediate or "WTI" pricing indicates the market value at Cushing, OK. Brent crude oil is the leading market indicator for global light, sweet crude oils. The price difference between these two markets is known as the Brent-WTI spread and sits just over \$10 per barrel in mid-June 2018. This spread in market values has been shown to drive marketing and transportation decisions for crude oil leaving North Dakota. When Brent markets are at least \$5-7 per barrel higher than WTI, North Dakota has historically experienced an increase in the utilization of crude by rail.



The utilization of crude by rail has decreased from an estimated peak in 2014 of over 800,000 barrels per day to a late-2017 estimated low of just over 100,000 BOPD. The 2014-2017 decrease in crude by rail movements from North Dakota was driven by decreasing regional production, increased pipeline capacity, and a relatively low market incentive due to a narrow Brent-WTI spread.

Since late 2017, North Dakota has experienced an uptick in crude by rail movements from the region. In April 2018, the Pipeline Authority estimates crude by rail from North Dakota was roughly 280,000 barrels per day.

With Dakota Access Pipeline going into service last year, North Dakota currently has enough capacity to theoretically move 100% of the oil to Midwest and Gulf markets via pipeline. The current increase has been primarily the result of market forces incentivizing deliveries of Bakken crude oil to the east and west coast refining centers that do not have pipeline access to domestic crude oil sources.

By the first half of 2019, North Dakota oil production is expected to outpace pipeline capacity once again. Once production exceeds the 1.37 million barrels per day of pipeline capacity, the use of crude by rail will transition from elective, and market driven, to required. Industry participants are actively pursuing additional pipeline capacity for future production growth. Two such projects include Energy Transfer Partners seeking shipper commitments to expand the Dakota Access Pipeline and TransCanada's proposal to move North Dakota crude oil on the Keystone XL pipeline from an injection point near Baker, MT.

In the coming decades, North Dakota is forecasted to produce 2-2.4 million barrels per day. Oil production at the forecasted levels would require pipeline expansions beyond the proposed Dakota Access Pipeline expansion and Keystone XL's Baker, MT onramp. For the remainder of 2018, it is expected that crude by rail volumes will continue to increase as result of market forces and in 2019 and beyond until additional pipeline capacity is added.

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NORTH DAKOTA — Production Numbers

Average Daily Oil Production, BOPD

Feb. 18	Mar. 18	Apr. 18
1,175,338	1,162,134	1,224,948

Average Daily Gas Production, MMCFD

Feb. 18	Mar. 18	Apr. 18
2,107	2,120	2,242

Average Rig Count

Feb. 18	Mar. 18	Apr. 18
57	59	60

As of June 19, 2018, there are 61 active rigs in North Dakota.

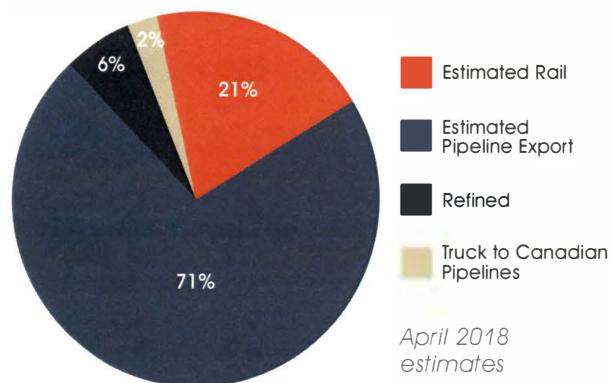
North Dakota Pipeline Authority

State Capitol, 14th Floor
 600 E. Boulevard Ave. Dept. 405
 Bismarck, ND 58505-0840

FACTOID

At the peak of crude by rail movements from North Dakota, there were at least 22 facilities loading rail cars for shipment. Facilities ranged from sophisticated unit train facilities with pipeline and truck receipt options to small facilities that would use simple transfer pumps to unload truck deliveries into rail cars. It is estimated that at time of writing, only eight facilities are still actively loading crude oil for shipment.

Estimated Williston Basin Oil Transportation



North Dakota Pipeline Authority

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 Phone: (701) 220-6227 | Fax: (701) 328-2820 | Email: jjkringstad@ndpipelines.com | www.pipeline.nd.gov

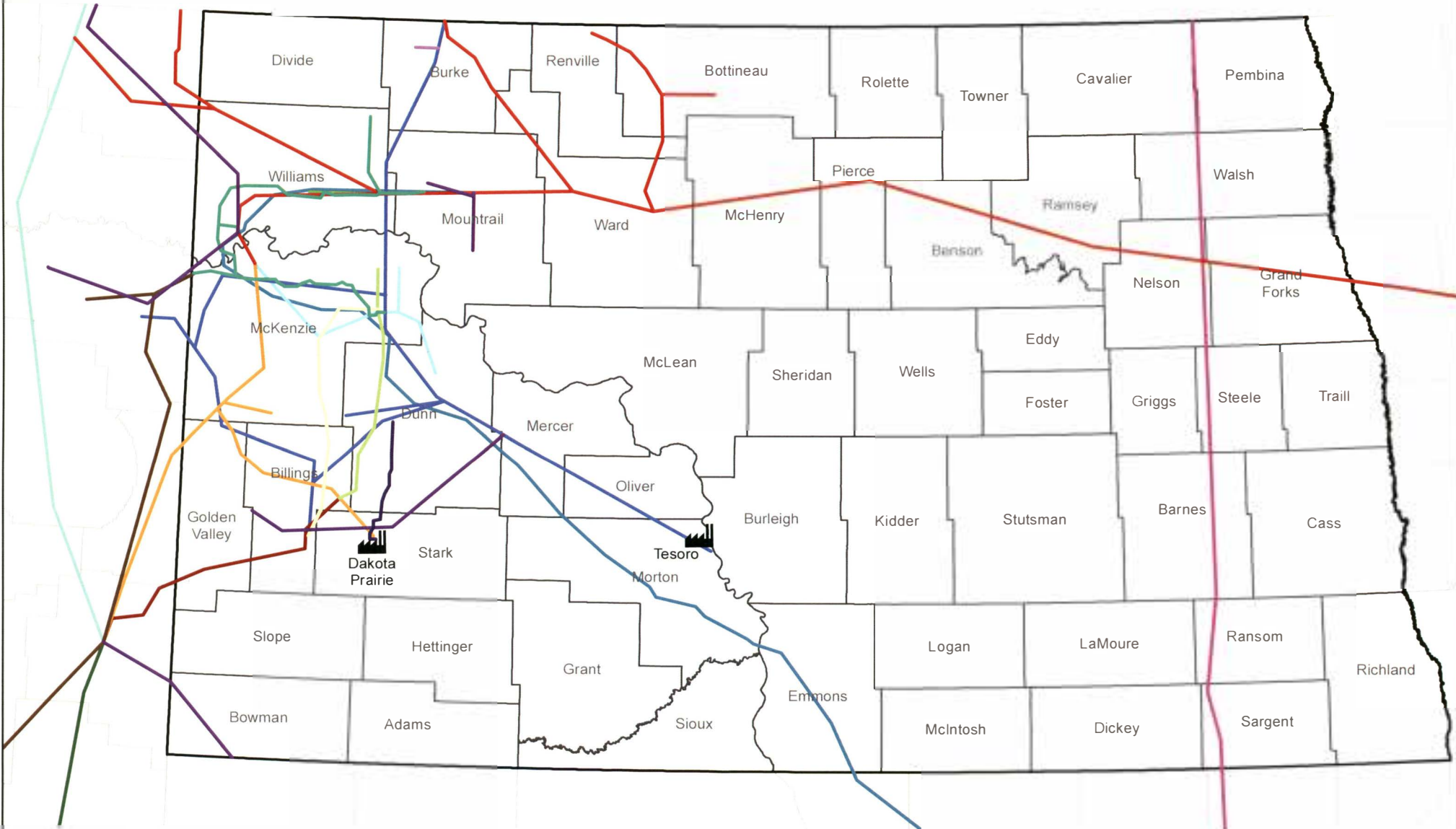
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APPENDIX B

North Dakota Pipeline Maps

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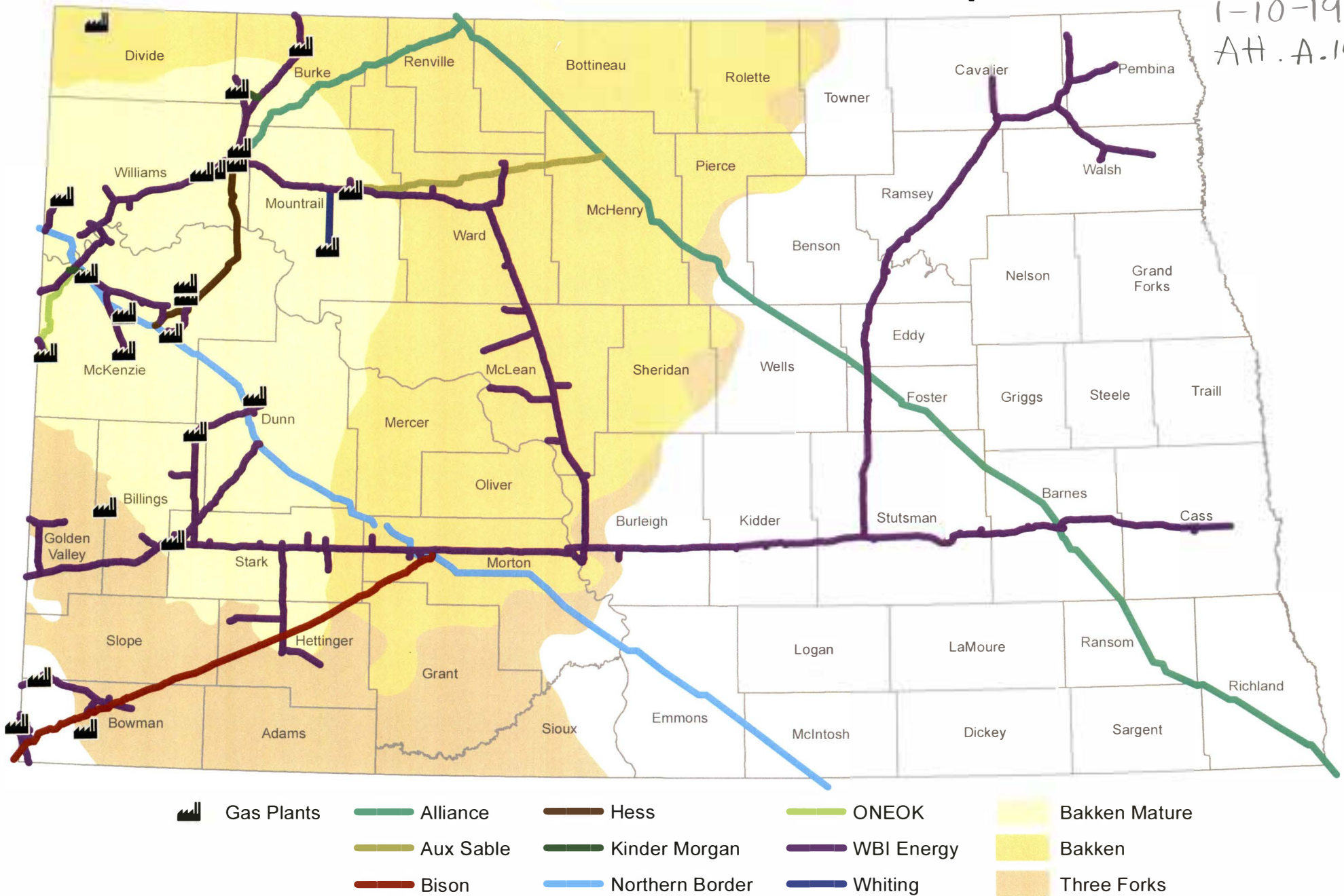
North Dakota Crude Oil Pipelines



- | | | | | | |
|--------------------|-----------------|---------------|------------|-------------------|--------|
| Refinery | Basin Transload | Butte | Double H | Hiland | Plains |
| Bakken Oil Express | Belle Fourche | Crestwood | Enbridge | Keystone Pipeline | Targa |
| BakkenLink | Bridger | Dakota Access | Four Bears | Little Missouri | Tesoro |

North Dakota Natural Gas Pipelines

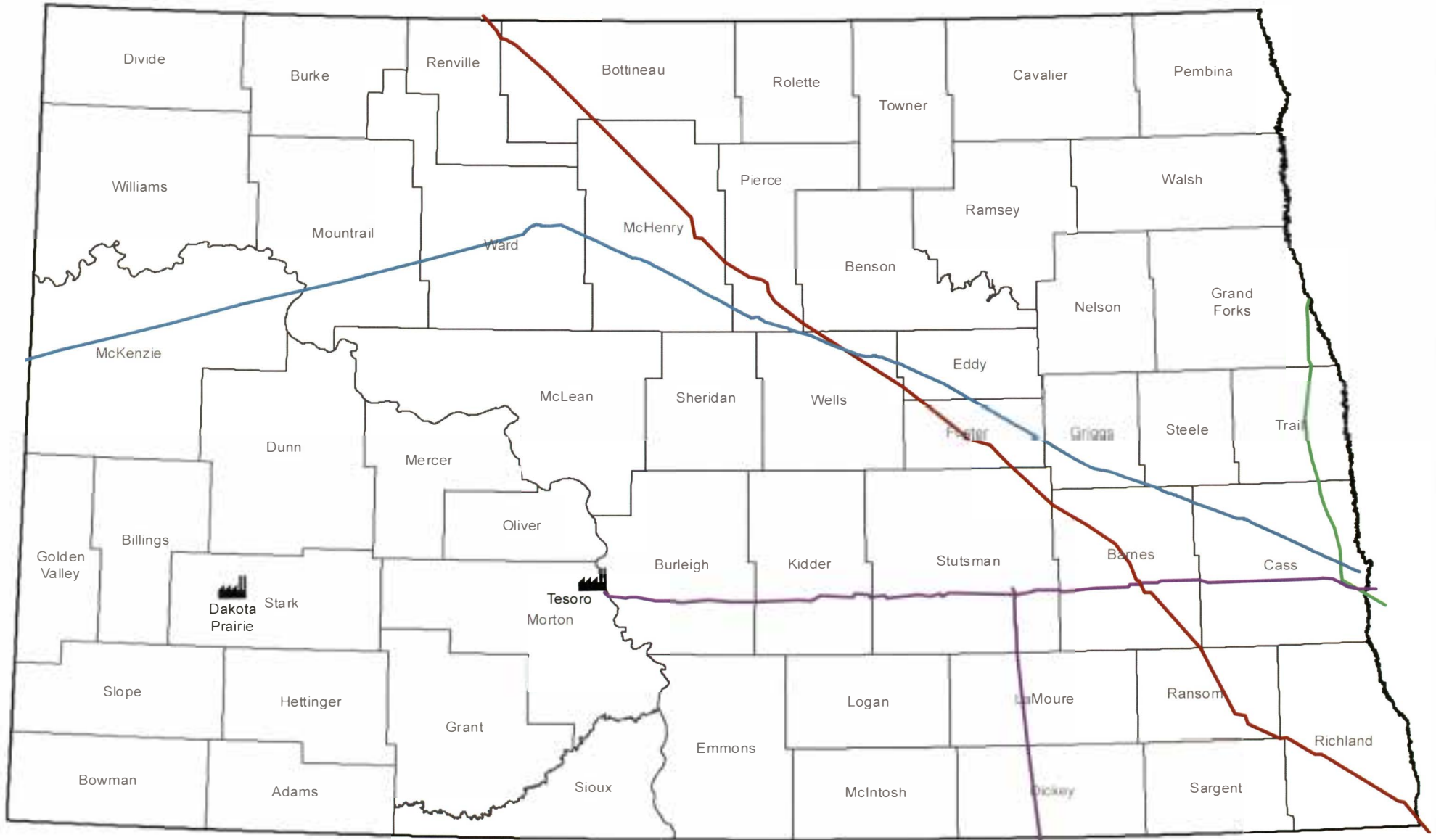
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North Dakota Products Pipelines



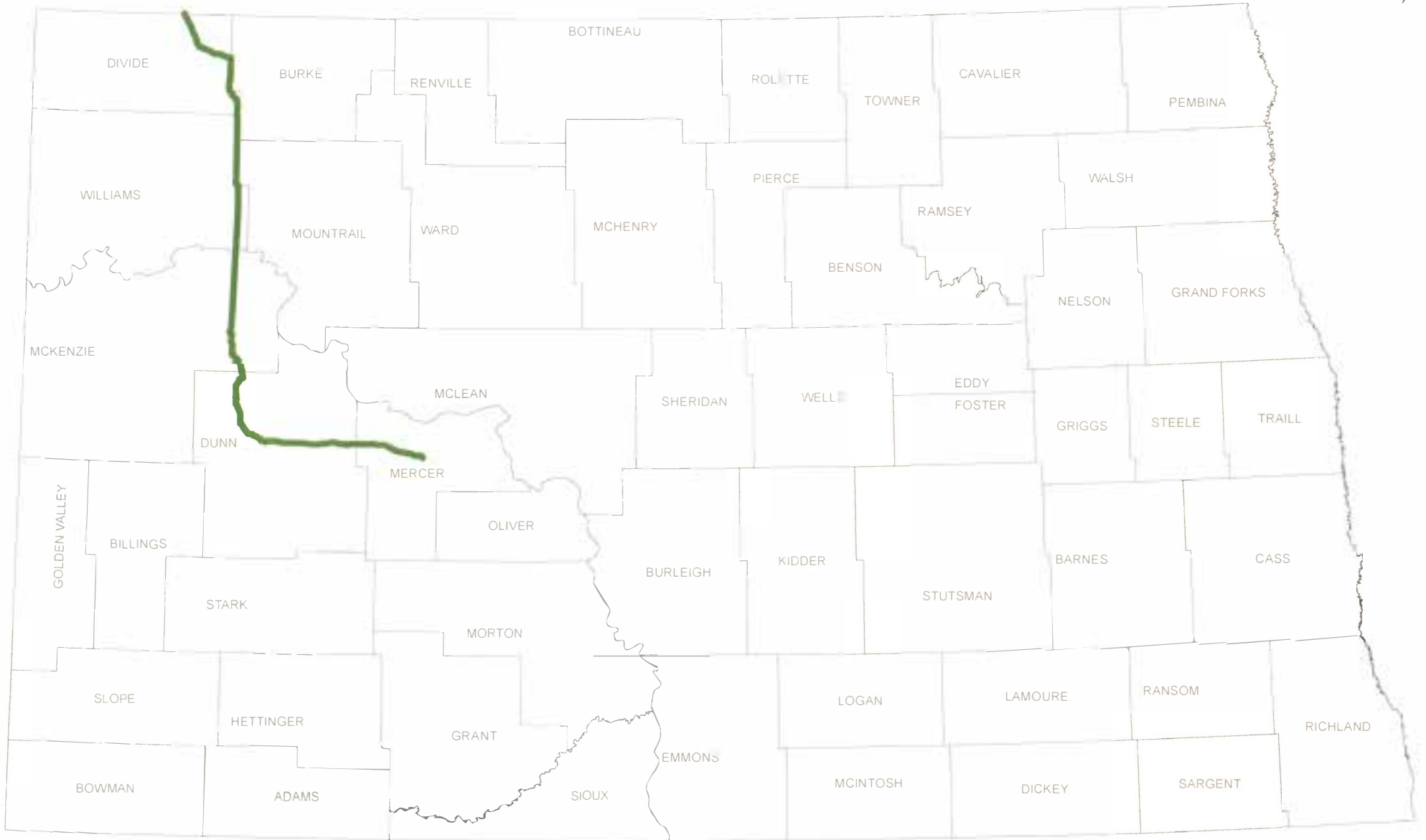
- Cenex Pipeline LLC - Refined Products
- Magellan Midstream Partners LP - Refined Products
- Kinder Morgan Cochin - Condensate
- NuStar Energy - Refined Products
-  Refinery

Date: 7/13/2015

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North Dakota CO₂ Pipeline

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 Dakota Gas

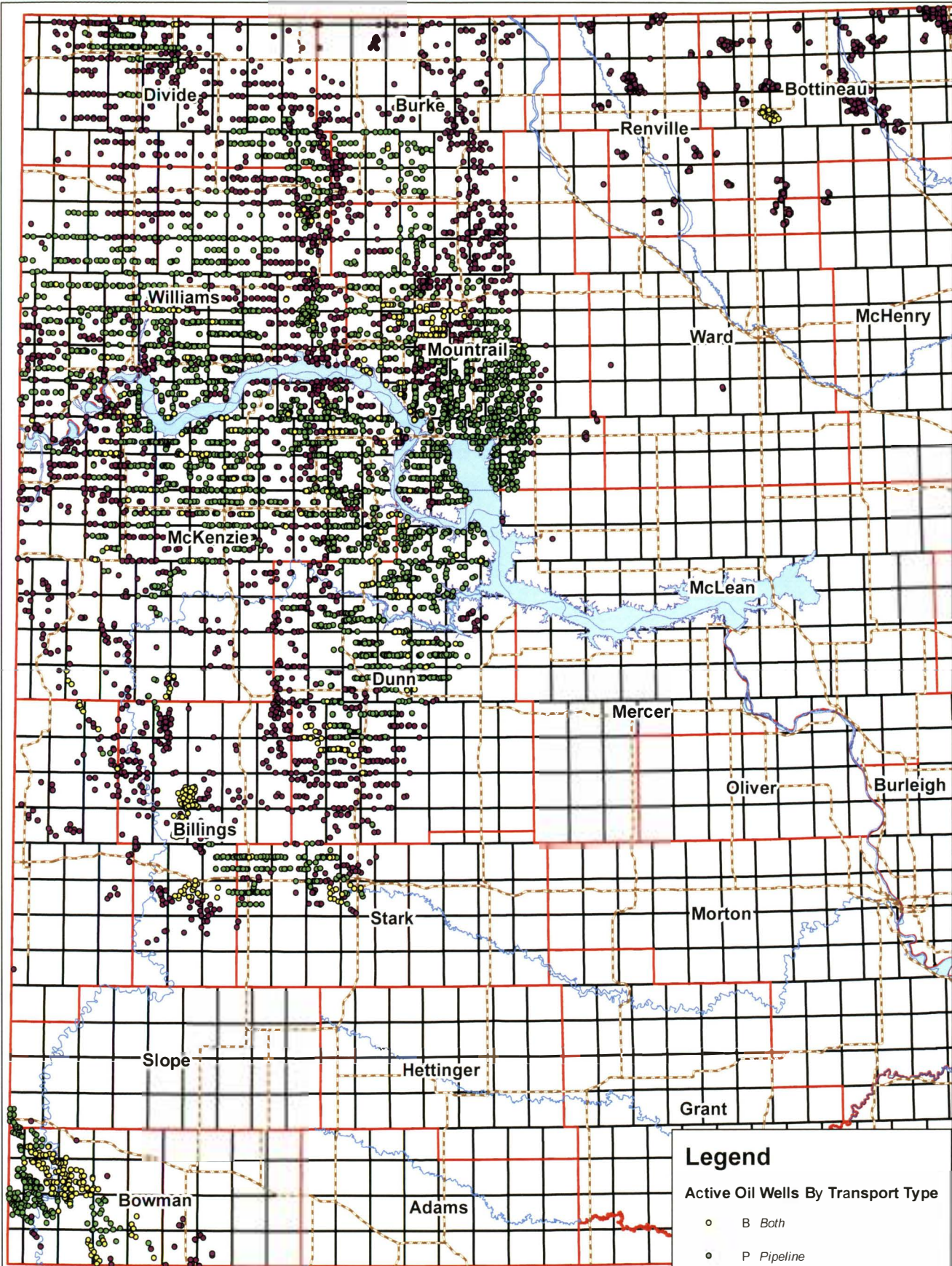
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APPENDIX C

North Dakota Crude Oil Gathering Map

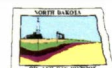
Active Oil Wells By Transport Type

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Map Data Date : 3/1/2017
Map Update Date : 9/13/2017

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APPENDIX D

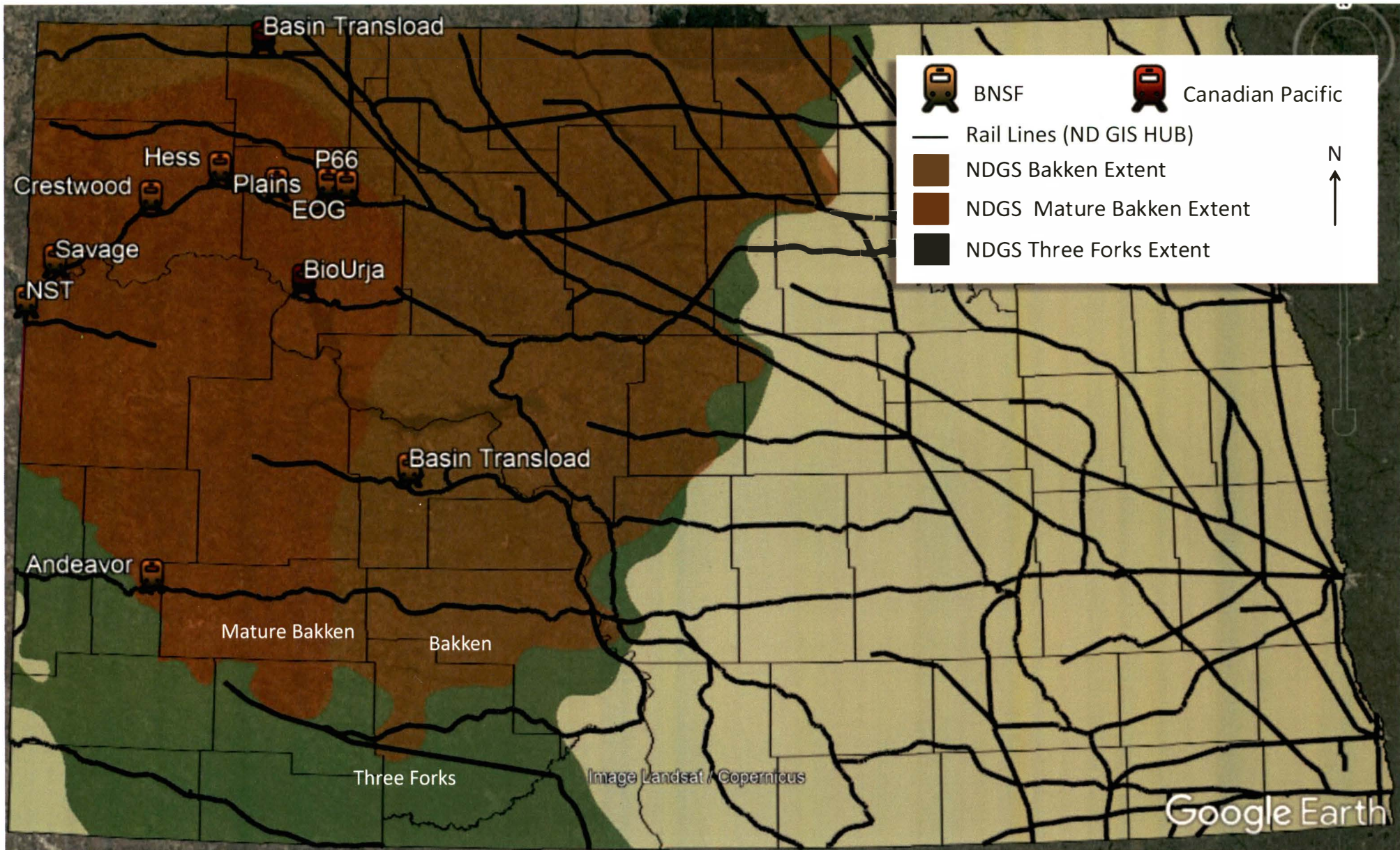
North Dakota Crude Oil Rail Loading Map



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North Dakota Crude Oil Rail Loading Facilities In Service

North Dakota Pipeline Authority – July 2018



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APPENDIX E

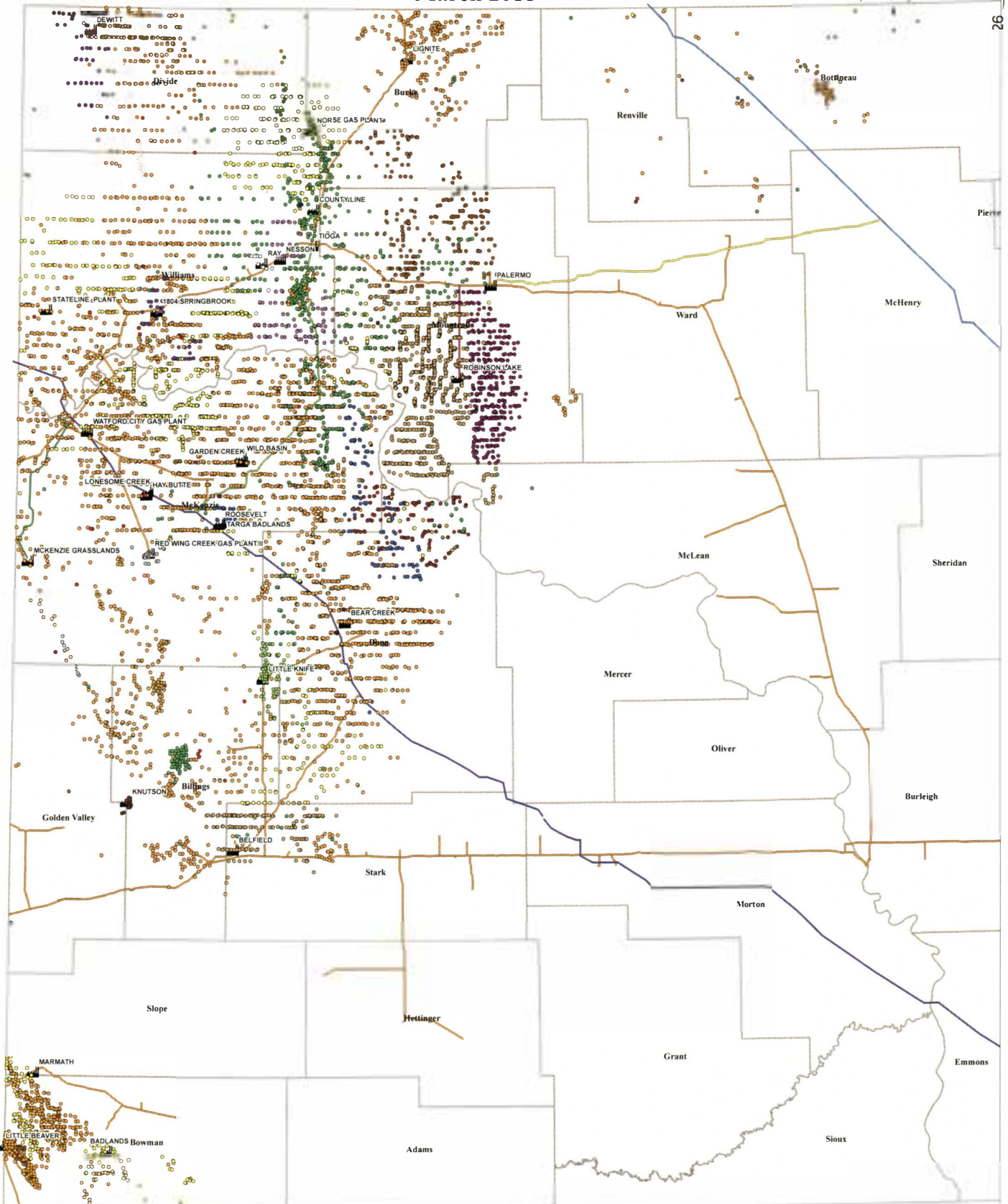
North Dakota Gas Processing and Transportation Map

DRAFT - North Dakota Gas - DRAFT

Gas Gathering Reference Map

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AH, A-14

March 2018



Gatherer		Gas Plant
• 1804 LTD	• NEXTERA	Gas Plant
• ANDEAVOR FIELD SERVICES LLC	• ONEOK ROCKIES MIDSTREAM	PIPELINE
• BISON MIDSTREAM, LLC	• OTHER	• Alliance
• CRESTWOOD (ARROW) MIDSTREAM	• PECAN PIPELINE (NORTH DAKOTA) INC	• Aux Sable
• HESS CORPORATION	• PETRO-HUNT, L.L.C.	• Bear Paw
• HILAND PARTNERS HOLDINGS, LLC	• TARGA BADLANDS LLC	• Hess
• LEGACY RESERVES OPERATING LP	• TRUE OIL LLC	• Northern Border
• LIBERTY MIDSTREAM SOLUTIONS, LLC	• USG MIDSTREAM BAKKEN I LLC	• Whiting
• NESSON GATHERING SYSTEMS, LLC	• WESTERN GAS PROCESSORS	• WBIP
	• WHITING OIL AND GAS CORPORATION	

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E-mail: jjkringstad@ndpipelines.com • www.pipeline.nd.gov

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AH.A.15



NORTH DAKOTA TRANSMISSION AUTHORITY

ANNUAL REPORT

July 1, 2017 to June 30, 2018

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OVERVIEW

The North Dakota Transmission Authority (Authority) was created by the North Dakota Legislative Assembly in 2005 at the request of the North Dakota Industrial Commission. The Authority's mission is 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 has the first opportunity to invest in and/or build needed transmission.

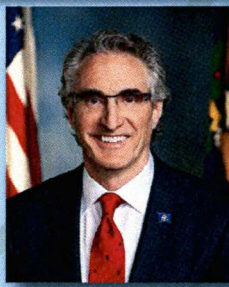
By statute the Authority membership is comprised of the members of the North Dakota Industrial Commission. Tyler Hamman was appointed Director of the Authority in July 2015. Tyler resigned in August, 2017 and John Weeda was appointment in February 2018. The Director works closely with the Executive Director of the NDIC, Ms. Karlene Fine. The Authority has no other staff, and receives no direct general fund appropriation.

SUMMARY OF ACTIVITIES

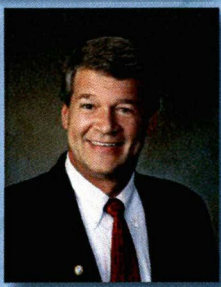
Whether the issue is project development or legislative initiatives, the Authority is actively engaged in seeking ways to improve North Dakota's energy export capabilities along with transmission capabilities within the state. To be successful Authority staff must have an understanding of the technical and political challenges associated with moving energy from generator to satisfied customer. Outreach to existing transmission system owners and operators and potential developers in order to understand the nuances of successful transmission infrastructure development is necessary. Another key element for success is working with officials at the state and federal levels to ensure that legislation and public policy are designed to support the movement of electricity generated from North Dakota's abundant energy resources to local, regional and national markets.

NORTH DAKOTA INDUSTRIAL COMMISSION

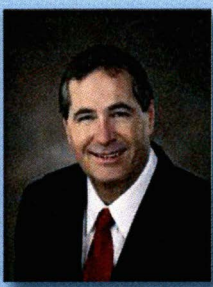
NORTH DAKOTA TRANSMISSION AUTHORITY



Doug Burgum
Governor



Wayne Stenehjem
Attorney General



Doug Goehring
Agriculture Commissioner



John Weeda
Director

STATUTORY AUTHORITY

Statutory authority for the Transmission Authority is found in chapter 17-05 of the North Dakota Century Code. Section 17-05-05 N.D.C.C. delineates the powers of the Authority, including:

- 1) make grants or loans to borrow money;
- 2) 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.

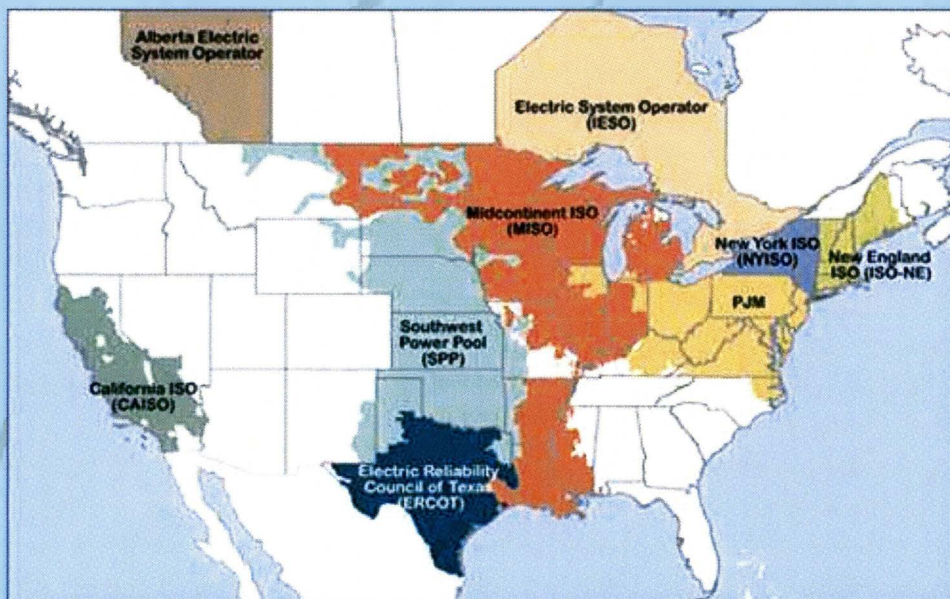
Before the Authority may exercise its power to construct transmission facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Authority must publish a notice describing the need for the transmission project. Entities interested in construction of the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Authority receives a notice of intent from an interested entity, it may not exercise its power to construct unless the Authority makes a finding that doing so would be in the public interest. In making such a finding, the Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

The Authority may finance approved projects through the issuance of bonds. Under current law up to 30 percent of the cost of a project may be financed by selling bonds that include the moral obligation of the State of North Dakota. In other words, up to \$240 million of the Authority's \$800 million total bonding authority may be sold with the moral obligation of the state. The moral obligation component enhances the marketability of the Authority's bonds.

KEY ELEMENT: PLANNING

A major portion of the Authority's workload includes observation and achieving a high level of understanding of regional transmission planning. To accomplish this task, the Authority closely monitors and participates in the efforts of regional transmission organizations (RTOs) that represent North Dakota transmission developers. Authorized and recognized by the Federal Energy Regulatory Commission (FERC), RTOs oversee the efficient and reliable operation of the transmission grid. While RTOs do not own any transmission assets, they do provide non-discriminatory access to the electric grid, manage congestion, provide billing and settlement services, and oversee planning, expansion, and interregional coordination of electric transmission.

Many North Dakota service providers have long been participants in the Midcontinent Independent System Operator (MISO). The MISO footprint covers the service territories of Otter Tail Power (OTP), Montana-Dakota Utilities (MDU), Great River Energy (GRE), Xcel, and Missouri River Energy Services (MRES). In October 2015, the Western Area Power Administration (Western) and Basin Electric Power Cooperative (BEPC) officially joined the Southwest Power Pool (SPP), bringing the entire state of North Dakota under the transmission planning of RTOs. Combined, North Dakota utilities and transmission developers are part of an extremely complex system that oversees the transmission of over 200,000 megawatts of electricity across 100,000 miles of transmission lines so that utilities can deliver power to homes and businesses in all or part of 20 states.



FERC-Recognized Regional Transmission Organizations and Independent System Operators
(www.ferc.gov)

CONTINUED

MISO TRANSMISSION EXPANSION PLANNING (MTEP)

MTEP15: The 12th edition of the MTEP recommended the approval of 345 new transmission projects totaling \$2.75 billion to the MISO Board of Directors, including 90 Baseline Reliability Projects (BRPs). MTEP15 projects that 4,600 miles of transmission lines will be upgraded along existing corridors, and 3,100 miles of new transmission line will be constructed over the 10-year planning horizon.

In North Dakota, MTEP15 recommended that MISO approve three Generation Interconnection Projects (GIPs), and two BRPs. These projects include upgrades to transformers, new substations, and rebuilt or new transmission. Of particular note, it is recommended that a new 230kV and 115kV lines be constructed in Ward County, between Minot to the McHenry Substation. At approximately \$63.3 million, the joint project between BEPC and Xcel is among the top ten largest in the MTEP15. Work is underway and is expected to be in-service by September 2018.

MTEP16: 10 transmission projects in North Dakota approved by MISO Board of Directors in the MTEP16 for total investment of \$37 million. While the majority of projects consist of substation and breaker upgrades, MTEP16 does include a new 115kV transmission line from Ellendale to Leola, South Dakota.

MISO-SPP Joint Transmission Study

Following approval by the SPP Seams Steering Committee, and the MISO Interregional Planning Stakeholder Advisory Committee, it was agreed that the two RTOs would conduct a joint study to look at the newly created Integrated System "seam" between their markets in the Upper Midwest (primarily North Dakota, South Dakota, and Iowa). Seam issues are generally trading barriers that can arise when there are differences between market rules and designs that can affect the efficiency and reliability of transmission where two RTOs border each other.

TransGrid-X 2030

MISO, SPP and a number of others are participating in evaluation of a major grid expansion that would include transmission across ISO marketing areas from the eastern part of the US to the west coast. The National Renewable Energy Lab has recently completed an analysis of energy that would move back and forth through such a grid allowing for more consistent availability of renewable energy to a broad part of the country when renewable generation is available and demand dictating need for energy.

CONTINUED

North Dakota Utility Scale Generation report *(all data is in calendar year)*

Renewable generation- North Dakota has approximately 3000 MW of wind generation at more than 30 locations in service. The average capacity factor for 2017 (measure of actual generation to maximum possible at rated capacity) for the fleet of North Dakota wind generators is between 40 and 50%.

Solar generation- North Dakota does not currently have any utility scale generation facilities in service.

Thermal coal generation- North Dakota currently has thermal coal generation in service at seven locations. These sites include a total of 12 generating units. The combined capacity of the units is approximately 4000 MW. The average capacity factor for 2017 was 76.5%.

Hydro generation- North Dakota has one hydro generation site containing 5 units with a total capacity of 583 MW. The average capacity factor for 2017 for the hydro unit was 57.8%.

Natural gas generation- North Dakota has three sites for electric generation utilizing natural gas. These three sites contain 7 generating units for a total nameplate capacity of 7 natural gas generators owned by electric utilities. Nameplate capacity totals 451.0 MW. Summer Capacity is 328.0 MW. These units are reciprocating engines and gas turbines. The large variation in summer capacity is due to performance of gas generators in hot weather.

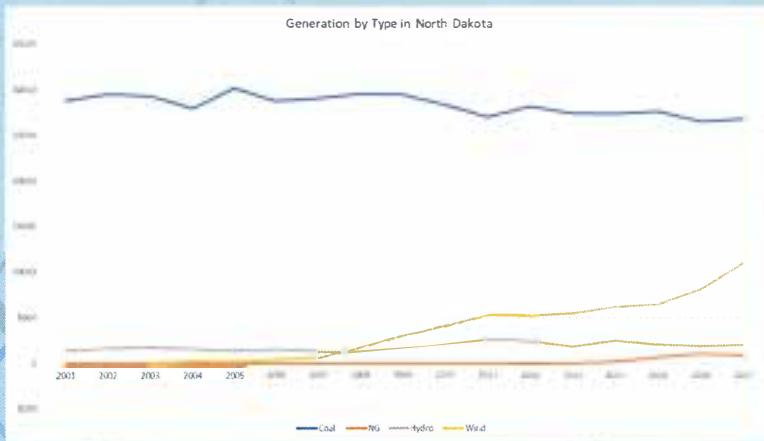
The combined total of all types of utility scale generation is over 8000 MW.

CONTINUED

Electric energy utilization

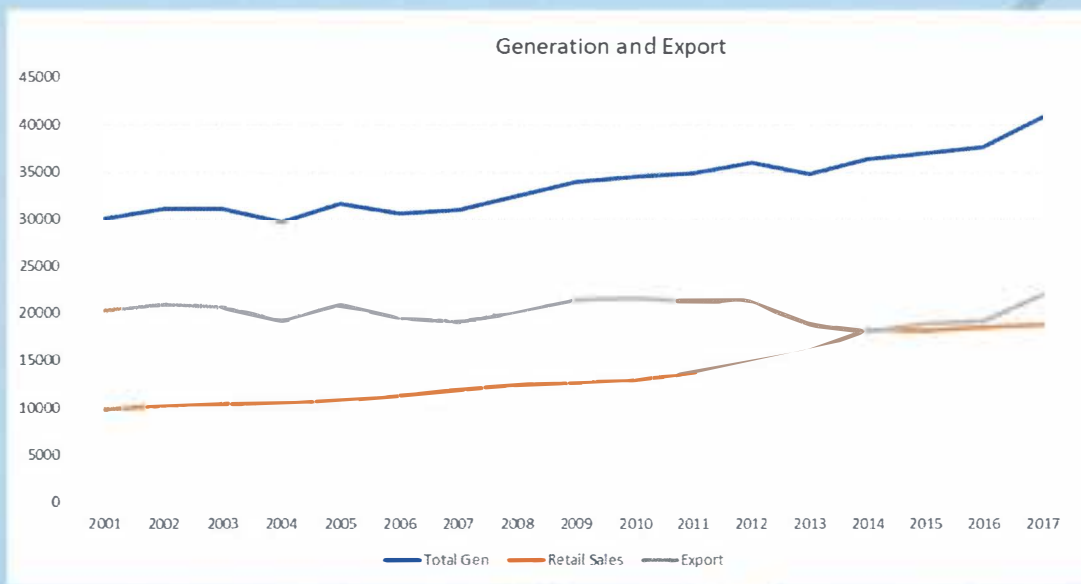
North Dakota has been a major exporter of electricity since the development of thermal lignite generation in western North Dakota beginning in the 1960s. Transmission was developed along with the generation to export the electric generation primarily to markets to the east. In more recent years North Dakota has become noted as an excellent source of wind generation and additional transmission development has taken place to accommodate getting the additional generation to market.

The Energy Information Administration provides data on electric generation for the United States. The information below is derived from their data. In 2017 a total of 40,776 MWhr was generated from all sources in North Dakota. Of that total 54% was exported outside of the state.



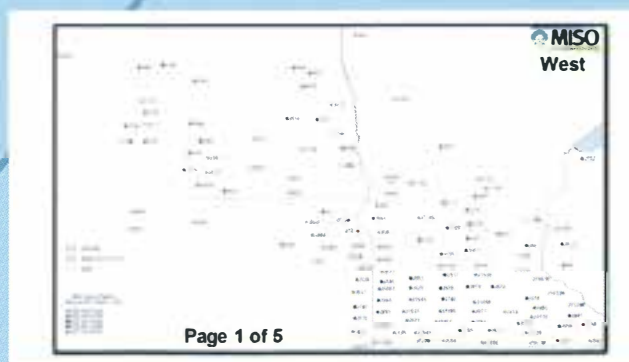
CONTINUED

While demand in markets outside of North Dakota and in all but the western part of North Dakota has remained quite flat in recent years, the growth of demand in the Bakken region has been notable. Growth of total generation in the last 15 years has grown from 30,136 MWhr to 40,776 MWhr. Retail sales has grown from 9810 MWhr to 18,843 MWhr due in large part to growth associated with Bakken oil development.



Generation in Queue for transmission access

A good measure of potential for growth in the industry and future demand for transmission expansion is reviewing the projects in Queue at both MISO and SPP. The projects in Queue include both wind generation and utility scale solar generation. The MISO Queue includes 33 projects in North Dakota for a total of 5,280 MW capacity. Four of those projects are designated as solar and 28 as wind.



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MISO Queue - Total MW 5,280.54

County	State	POI Name	Summer MW	Winter MW	Fuel	Generating Facility	Request Status
McIntosh County	ND	Wishak Junction 230kV Substation	250	250	Wind	WT Wind Turbine	Active
Cass County	ND	Bison 345kV Substation	207	207	Wind	WT Wind Turbine	Active
Cass County	ND	Bison 345kV Substation	200	200	Solar	PV Photovoltaic	Active
Mercer County	ND	Stanton 230kV Substation	151.8	151.8	Wind	WT Wind Turbine	Active
Emmons County, Logan County	ND	230kV Heskett-Wishak	100	100	Wind	WT Wind Turbine	Active
Dickey County	ND	Merricourt Substation	150	150	Wind	WT Wind Turbine	Active
Emmons County, Logan County	ND	230kV Heskett-Wishak, 20 miles NW of Wishak	100	100	Wind	WT Wind Turbine	Active
Oliver County	ND	GRE Stanton Substation 230kV bus, Stanton ND	200	200	Wind	WT Wind Turbine	Active
Burleigh County	ND	Wishak to Heskett 230kV	305.9	305.9	Wind	WT Wind Turbine	Active
Williams County	ND	Toga 230kV Substation (MDU)	224	224	Wind	WT Wind Turbine	Active
Logan County	ND	Wishak - Heskett 230kV line	150	150	Wind	WT Wind Turbine	Active
Stutsman County	ND	Jamestown Substation 115kV	100	100	Wind	WT Wind Turbine	Active
Grand Forks County, Nelson County	ND	Prairie 230kV Substation	400	400	Wind	WT Wind Turbine	Active
Morton County	ND	Tri-county 230kV substation	100	100	Wind	WT Wind Turbine	Active
Morton County	ND	Tri-county 230kV sub	100	100	Wind	WT Wind Turbine	Active
Barnes County	ND	Buffalo 345kV	300	300	Wind	WT Wind Turbine	Active
Oliver County	ND	Square Butte 230kV Substation	300	300	Wind	WT Wind Turbine	Active
Emmons County, Logan County	ND	Wishak - Lincoln 115kV	51	51	Wind	WT Wind Turbine	Active
Cass County	ND	Bison 345kV Substation	211	211	Wind	WT Wind Turbine	Active
McHenry County, McLean County, Ward County	ND	Stanton-McHenry 230kV	200	200	Wind	WT Wind Turbine	Active
Oliver County	ND	Square Butte 230kV Substation	3.84	3.84	Wind	WT Wind Turbine	Active
Emmons County, Logan County	ND	Bismarck-Linton 115kV	51	51	Wind	WT Wind Turbine	Active
Sheridan County	ND	Harvey - Underwood 230kV Line	200	200	Wind	WT Wind Turbine	Active
Cass County	ND	Buffalo 115kV Substation	60	60	Solar	PV Photovoltaic	Active
Ward County	ND	Magick City 230kV sub	150	150	Wind	WT Wind Turbine	Active
Nelson County	ND	Ramsay - Prairie 230kV Line Tap	150	150	Wind	WT Wind Turbine	Active
Grand Forks County	ND	Prairie - Ramsay 230kV line	190	190	Wind	WT Wind Turbine	Active
McIntosh County	ND	Wishak 115 kV Substation	25	25	Solar	PV Photovoltaic	Active
Burleigh County	ND	Jamestown - Center 345kV Line	100	100	Wind	WT Wind Turbine	Active
Cass County	ND	Bison 345kV Substation	200	200	Solar	PV Photovoltaic	Active
Cass County	ND	Buffalo 115kV Substation	150	150	Wind	WT Wind Turbine	Active
LaMoure County	ND	Eliendine 230kV Substation	200	200	Solar	PV Photovoltaic	Active
		Total MW		5280.54			

The SPP Queue includes 15 projects in North Dakota totaling 2,005 MW.

SPP Queue - Total MW 2,005

Gen ID	Module	Area	County	State	SA	In-Service Date	Capacity	Service Type	Generation Type	Substation or Line
1000000001	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000001
1000000002	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000002
1000000003	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000003
1000000004	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000004
1000000005	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000005
1000000006	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000006
1000000007	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000007
1000000008	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000008
1000000009	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000009
1000000010	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000010
1000000011	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000011
1000000012	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000012
1000000013	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000013
1000000014	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000014
1000000015	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000015
1000000016	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000016
1000000017	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000017
1000000018	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000018
1000000019	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000019
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1000000021	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000021
1000000022	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000022
1000000023	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000023
1000000024	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000024
1000000025	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000025
1000000026	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000026
1000000027	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000027
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1000000059	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000059
1000000060	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000060
1000000061	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000061
1000000062	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000062
1000000063	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000063
1000000064	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000064
1000000065	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000065
1000000066	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000066
1000000067	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000067
1000000068	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000068
1000000069	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000069
1000000070	1000	1000	1000	ND	1000	10/1/2011	1000	1000	1000	1000000070

KEY ELEMENT: OUTREACH

Outreach is another significant element of the Authority's mission. To accomplish this task, the Authority works with interested parties, either through one-on-contacts, or through participation with other organizations, agencies, and programs focused on transmission. These interactions are essential to identify issues and develop solutions to further improve and expand electric transmission in North Dakota.

Transmission Updates

There have been a number of transmission projects completed in the past four years and a number are underway that expand the transmission available to North Dakota generators or may in some way affect transmission or generation in North Dakota. Transmission owners and generation owners generally agree that these improvements have removed most of the congestion that has been affecting generation reaching existing markets. There is occasional congestion related curtailment of generation when line outages occur, but most curtailment is due to market demand. The transmission improvements are summarized briefly below.

CapX2020 - CapX2020 is a Minnesota-based initiative of 11 utilities to upgrade and expand the transmission grid in the Upper Midwest. CapX2020 partners have worked together to plan and build nearly 800 miles of new high-voltage transmission lines across Minnesota, Wisconsin, North Dakota, and South Dakota, with a total investment of \$2.1 billion. New transmission lines designed to serve the expected growth and meet regional Renewable Energy Standard (RES) requirements as listed below have been constructed and placed in service by the end of 2017.

Bemidji-Grand Rapids, 68 miles, 230-kV
Fargo-St. Cloud-Monticello, 240 miles, 345-kV
Hampton-Rochester-La Crosse, 150 miles, 345-kV
Brookings County-Hampton, 200 miles, 345-kV
Big Stone South-Brookings County, 70 miles, 345-kV

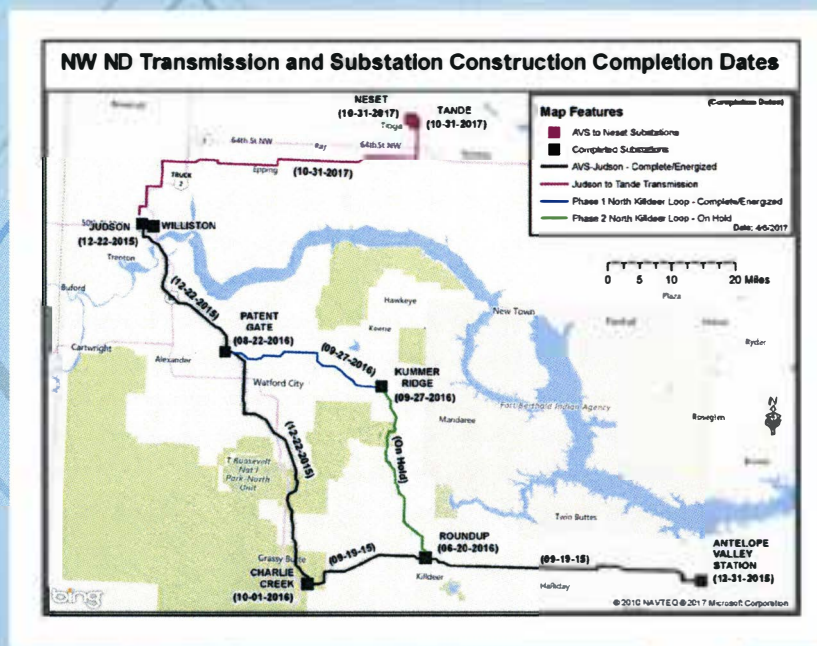
Minnkota Power Cooperative Project - In 2014, Minnkota saw the completion of its largest-ever capital investment in transmission facilities. The \$353 million, 250-mile Center to Grand Forks (CGF) line transports energy from the Milton R. Young Station near Center, N.D., to Minnkota's service territory in eastern North Dakota and northwest Minnesota.

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ATT. A. 15

Basin Electric Power Cooperative Western ND Project - In response to growth in western North Dakota related to oil and gas development, BEPC constructed a 200-mile 345kV line from the Antelope Valley Station (AVS) to the Neset Substation near Tioga, North Dakota. Construction of the AVS to Judson Substation, near Williston, line segment began in 2014 and was placed in service in 2015. The final segment to Neset was placed in-service in 2017.

BEPC completed Phase I of the North Killdeer Loop in 2016. This project consists of approximately 28-miles of 345kV line and two substations that tie into the AVS-Neset Line west of Watford City. It delivers power to the service territory of the McKenzie Electric Cooperative. Phase II of the North Killdeer Loop, which will be placed north of Killdeer is on hold pending approval from the Southwest Power Pool.

BEPC also has other plans to be implemented at such time as demand dictates. They will monitor the growth in the area and submit plans for approval as the need develops.



AVS to Neset Line, including North Killdeer Loop

Image Courtesy of Basin Electric Power Cooperative

Big Stone South to Ellendale (BSSE) - Construction began in 2016 on the Big Stone South to Ellendale MVP line. BSSE is a 150-175 mile transmission line from the Big Stone South substation to the proposed Ellendale substation near Ellendale, North Dakota. Montana-Dakota Utilities Co. and Otter Tail Power Company will jointly own the line. MISO has scheduled the line to be in service by 2019.

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CONTINUED

Great River Energy High Voltage Direct Current (HVDC) Refurbishment -

In December 2015, GRE's Board of Directors approved the largest transmission refurbishment project in the organization's history. GRE's 436-mile HVDC line has provided 99 percent reliability since being put into service in 1978, transporting power from the Coal Creek Station in Underwood, N.D., to the Dickinson Converter Station in Buffalo, MN. There, electric power is converted to alternating current and distributed within GRE's service territory in Minnesota. GRE intends to invest approximately \$200 million to overhaul converter stations, replace valve electronics, and upgrade components to improve performance and extend the life of the HVDC line, project planning studies and design began in 2016 and the upgraded system will be placed in-service in 2019.

Montana-Dakota Utilities Subtransmission Improvements - MDU is continuing to focus on several projects to replace aging subtransmission infrastructure. Work completed through 2017 includes replacing large power transformers at Dickinson and Mandan, installing reactors and upgrading facilities at Wishek, and protection & control upgrades at several substations. In 2018, MDU continued work on transmission projects in Watford City, upgrades in Ellendale for the BSSE line, and equipment replacements in Bismarck.

Great Northern Transmission Line Project - The Great Northern Transmission Line Project includes approximately 225 miles of new 500 kV transmission line connecting Manitoba to northeastern Minnesota's Iron Range. While not directly impacting North Dakota, the Great Northern Transmission Line is an integral component to realizing the regional benefits of synergies between flexible Canadian hydropower resources and intermittent wind resources in North Dakota and the rest of the Upper Midwest, as demonstrated in MISO's Manitoba Hydro Wind Synergy Study. Minnesota Power is continuing to work on their portion of the project. The investment by Minnesota Power is expected to be \$300 to \$350M for completion.

Xcel Energy Transmission Development Company - Xcel Energy Transmission Development Company, LLC (XETD) received a conditional approval in November of 2014 for a transmission Formula Rate for inclusion in the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff. XETD is a transmission-only company established by Xcel Energy Inc. to, among other things, develop and own transmission projects in the MISO region. With development of the FERC Order 1000 competitive bid process now complete, XETD will be an active participant in transmission development in the MISO region.

KEY ELEMENT: GOVERNMENT ACTION

Another function of the Authority staff is to act as a resource for elected officials and policymakers, and provide the necessary information to help make informed decisions. Whether the issue involves working on state energy policy regarding transmission development, or commenting on federal transmission legislation and regulations, the Authority serves as a resource for decision-makers. In the last year the Authority was involved on several fronts working with the following entities: the EmPower ND Commission, Governor's Office, Attorney General's Office, Department of Commerce, the ND Public Service Commission, and the ND Congressional Delegation.


- **EmPower ND Commission** - The Authority was an active participant in the EmPower ND Commission work. Authority activities included briefing the Commission on transmission issues in North Dakota and participating in development of Commission goals. The 2016 EmPower ND report highlighted transmission as a key infrastructure need in North Dakota, and expressed support for continued support of R&D funding to facilitate development of transformational energy technologies, as well as enhance understanding of integration between traditional and renewable electric generation sources.

- **Interagency Coordination** - As important as everything else discussed in this report, is the coordination of efforts among the various government entities with oversight, or interest in transmission development. In particular, regular meetings are held with the representatives from the Public Service Commission to discuss transmission issues and receive updates from RTOs. On occasion other offices request technical support and policy guidance from Authority staff.

CONCLUSION

The electric transmission system in North Dakota is in good condition for the needs at this point in time. The increased retail demand in North Dakota has contributed to the current good operation of the grid. The physical work that is being done will continue to enhance the grid and update older portions. No major expansions are in the current planning. The size of the queues at MISO and SPP is evidence of the continuing interest to add generation which reach the limits of the existing grid as expansion occurs. The evidence that the current markets have adequate supply also suggests that growth of the generation capability needs to reach additional markets both within North Dakota and in other states to be optimally utilized.

This picture of the future is evidence that North Dakota needs to be looking forward to the need for additional transmission. The national grid as envisioned by the NREL study presented at the TransGrid 2030 conference is an avenue that would achieve the access to markets and transmission to get the electricity there. Active participation in this or similar concepts as they develop is important. If North Dakota is not represented and the grid happens, but not in North Dakota, the additional generation in North Dakota could be stranded by future congestion in the transmission system.



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Att. A. 15

NORTH DAKOTA TRANSMISSION AUTHORITY
STATE CAPITAL, 14TH FLOOR
600 E. BOULEVARD AVE. DEPT. 405
BISMARCK, ND 58505-0840

PHONE: 701.355.2189

January 10, 2019

HB 1014

Attachment B

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA



PO BOX 1091 • BISMARCK, NORTH DAKOTA 58502

**Testimony of Mason Sisk
Economic Development Association of North Dakota
In Support of HB 1014
January 10, 2019**

Chairman Vigessa and members of the House Appropriations Committee
Government Operations Division:

I'm Mason Sisk from the Economic Development Association of North Dakota (EDND), and I would like to express our support for HB 1014, which includes the appropriation for the Bank of North Dakota and the North Dakota Housing Finance Agency.

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 promote the creation of new wealth throughout North Dakota to develop more vibrant communities and improve quality of life.

Bank of North Dakota

The Bank of North Dakota (BND) programs are very important to and widely used by economic developers across North Dakota. In a recent EDND survey, supporting PACE and Flex PACE programs was one of our developer's top legislative priorities. PACE and Flex PACE provide flexibility for businesses and development agencies to support new and growing businesses in a fiscally safe manner. EDND supports the recommendations for appropriating \$41 million in BND capital to fund the PACE buy-down programs. As was noted in the BND testimony, these programs have generated substantial investment in North Dakota in a cost-effective way and support economic progress that creates attractive and viable communities. These programs increase property tax revenue, expand business capacity, create new and highly skilled jobs, and help entrepreneurs in communities throughout the state.

Another major concern of developers and citizens throughout the state is infrastructure funding. The executive budget recommends \$55 million from the General Fund share of the Legacy Fund for the Infrastructure Revolving Loan Fund. Quality infrastructure is important to current and potential businesses investing in North Dakota.

①

This program allows towns and cities across the state to have access to affordable financing while providing for return on investment to the state.

We would also support Bank of North Dakota's request to consolidate BND's venture capital fund with the North Dakota Development Fund and transfer \$15 million of their capital to the Development Fund. EDND believes in the importance of start-up capital while keeping BND strong to rating companies so they are able to continue support North Dakota.

North Dakota Housing Finance Agency

Affordable housing also continues to be a priority for expansion of North Dakota's businesses and communities in all areas of North Dakota. The Housing Incentive Fund capitalizes contributions from state taxpayers to develop affordable multi-family housing for essential service workers, main street employees and fixed-income households. A major stumbling block to attracting businesses which would diversify the economy or to attracting workers to fill the thousands of basic service jobs open in the state is a lack of affordable housing. The executive budget provides \$20 million to support this fund.

EDND understands the difficult position you have to determine the state's future, and we appreciate all the thoughtfulness you have put into managing this responsibility. Please consider how programs and resources support the communities in the entire state as you make these decisions.

I urge the committee's support of HB 1014.

January 10, 2019

HB1014

Attachment C



My name is Jason Bohrer, I am the President and CEO of the Lignite Energy Council, a regional trade association that represents the Lignite Coal industry. I am also the Chairman of the Lignite Research Council which evaluates research proposals that are intended to enhance, preserve and protect the state's lignite reserves and recommend projects that would be funded from the Lignite Research Fund. As a reminder, the Lignite Research Fund is funded primarily through taxes on the lignite industry itself. During the last biennium an Advanced Energy Technology Fund was created that is funded through a combination of coal and oil tax receipts.

Those technology-driven programs have resulted in significant advancements in efficiencies and capabilities in the lignite industry—and have been leveraged significantly by matching federal and industry dollars. We also support Section 7, which sets aside a portion of those lignite specific tax dollars to seek out emerging markets and technologies which are not yet ready for commercial deployment but are at the feasibility stage. We also have used these funds to support our Lignite Vision 21 projects—which are more commercial in nature. Finally, I would remind this Committee of the significant legal challenges the industry has faced over the past several decades. Externalities, NextGen and the Clean Power Plan have all been fought in legislatures but also courtrooms. Section 7 allows us to develop technologies and data that can support our position in externality proceedings or similar environments where we need to develop technical material to defend the industry or support our regulatory position. We support this section and ask that it remain in the bill.

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January 10, 2019

HB 1014



Testimony of Lance Gaebe
Executive Director

In Support of HB 1014
January 10, 2019

Chairman Vigesaa and members of the committee:

My name is Lance Gaebe, and I am the executive director of the North Dakota Ethanol Producers Association (NDEPA), which represents North Dakota's five ethanol plants and industry stakeholders. I am here today to voice support for HB 1014, specifically the North Dakota Renewable Energy Program.

North Dakota's ethanol industry contributes more than \$623 million annually to the state's economy and provides thousands of direct and indirect jobs. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity is 520 million gallons per year, which is more than five times the production a decade ago.

The North Dakota ethanol industry greatly appreciates your support of the North Dakota Renewable Energy Council, whose mission is to promote the growth of North Dakota's renewable energy industries through research, development, marketing, and education, similar to the research councils of other energy-related industries. The projects funded through the Council have enabled commercial application of new or emerging technologies that are bringing revenue to the state and value-added markets to the agriculture industry.

Currently, the North Dakota ethanol industry produces 18 pounds of CO₂ for every bushel of corn processed. Industry recognizes an opportunity to find ways to capture that CO₂ and use it to generate additional revenue. The Renewable Energy Council, along with private industry dollars, is essential in helping our industry to commercialize emerging CO₂ capture technologies. These projects help generate additional revenue and additional tax dollars for the state of North Dakota. The 50 percent private industry match requirement ensures only relevant projects driven by the private sector are funded.

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Att. B HB 1014
1-10-19

One example is a Carbon Capture and Storage project currently being funded by the Council. It has the promise of bringing significant impact to North Dakota and extending value to numerous industries. Red Trail Energy in Richardton, which is working in coordination with the Energy and Environmental Research Council (EERC) in Grand Forks on the project, estimates the economic impact of this project to be tens of millions of dollars per year. In addition, the project has generated national attention and sets the stage for a full-size commercial carbon capture and storage project in North Dakota while providing a footprint for other North Dakota industries.

We thank you for your support of the state's ethanol industry in the past and urge your favorable consideration of HB 1014, specifically in regard to the continued funding for the North Dakota Renewable Energy Program.

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January 16, 2019

HB1014

Attachment A

Testimony in Support of HB 1014
House Appropriations – Government Operations Division

Chairman: Representative Don Vigesaa

January 16, 2019

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter Inc. (BSI),
701-730-2734, dmadler@beyondshelterinc.com, Lobbyist #8

Chairman Vigesaa and members of the Committee, my name is Dan Madler, I live in ND District 27 and I am the CEO of Beyond Shelter, Inc. (BSI), a mission driven North Dakota nonprofit developer of affordable housing. I would like to express support of House Bill 1014 specifically as it relates to Bank of North Dakota Flex PACE for Affordable Housing funding (Flex PACE).

Flex PACE has been be a great tool for Community and Economic Development and I have found its design to be very nimble as it relates to the financing of affordable housing. Because of this, BSI has been able utilize Flex PACE funding to leverage the financing of 130 affordable housing units with total development costs of \$22.5M. These 130-units are currently serving the communities of Burlington, Dickinson, Fargo, and Minot are providing homes to elderly and physically disabled households, victims of domestic violence, homeless individuals, law enforcement, and essential service workers.

In addition, BSI is currently putting together the financing of an additional 84 affordable rental units/homes that will serve senior households living in the community of West Fargo. The development of these 84 senior homes will create construction jobs, reduce cost burdens for the senior renters, and infuse \$15.5M in private capital to the community of West Fargo and the state of ND, and Flex PACE is playing a critical role in the overall financing package.

In closing, I respectfully request your support for Flex PACE funding within HB 1014. This funding would be a continued long-term investment in ND communities, offering great financial leverage, while providing needed 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.

January 16, 2019

Bank of North Dakota 2019 Legislation Impacting
 Capital, Loan Programs, State Agency Borrowing Authority
 As of: January 15, 2019

HB1014

Attachment B

2019 Legislation Impacting BND Capital

House/Senate Bill No.	Status	Agency/Borrower	Amount	Bill Description	Repayment
HB 1014	House Gov't Ops Appropriation Hearings in Progress	ND Industrial Commission	\$196,000,000	BND capital transfer of \$140 million to General Fund. Amendments will be introduced requesting additional capital transfers of \$15 million to ND Development Loan Fund and \$41 million to various buydown loan funds for a total capital impact of \$196 million.	N/A
HB 1273	Education Hearing 1.16.19	Administered by BND	\$62,700,000	BND capital transfer equal to total tuition waived under senior year tuition waiver program. Fiscal note impact.	N/A
SB 2039-Sec.1 HB 1171 (similar)	Education Hearing 1.09.19	Administered by BND	\$10,000,000	BND capital transfer of \$10 million to develop, implement, promote, and administer Skilled WorkForce Scholarship Program in conjunction with NDUS. Note: HB 1171 is similar to SB 2039.	N/A
		TOTAL	\$268,700,000		

2019 Legislation Impacting BND Loan Programs & State Agency Borrowing Authority From BND

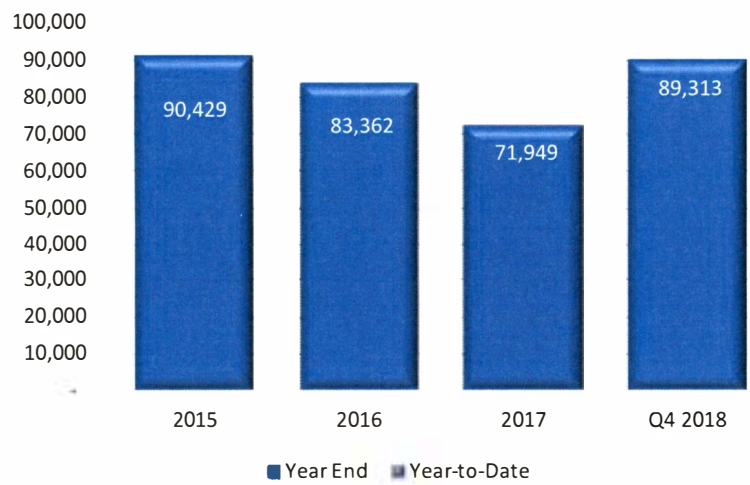
House/Senate Bill No.	Status	Agency/Borrower	Amount	Bill Description	Repayment
HB 1028	IBL Approved	NDPERS	\$50,000,000	Provide NDPERS \$50 million LOC for Self-Insurance Health Plan-Section 7	Primary-Health Insurance Premium Revenue. Secondary Legislative Deficiency.
HB 1106	IBL Hearing 1.15.19	Reinsurance Association ND	\$25,000,000	Provide Reinsurance Association of ND \$25 million LOC to provide reimbursements to member insurers -Page 7.	Primary - Assessments Against Insurers, Secondary - Legislative Deficiency
HB 1333	IBL Hearing Expected 1.21.19	Administered by BND	\$25,000,000	BND to administer \$25 million Legacy Innovation Fund to support technology advancement grant program for grants to fund applied research. Department of Commerce to provide administrative support for this program.	General Fund Appropriation
HB 1435	GVA	ITD	\$80,000,000	Provide \$80 million LOC to ITD for statewide radio network projects.	Statewide interoperable radio network fund.
SB 2015	Appropriation Hearing 1.09.19	OMB	\$5,000,000	OMB Appropriation legislation includes authority to borrow up to \$5 million for State of ND emergency contingencies.	Legislative Deficiency
SB 2020	Appropriations Committee	State Water Commission	\$75,000,000	Provide \$75 million line of credit to be used by SWC for funding water supply and flood control projects. This LOC will be added via Amendment.	Resources Trust Fund, Water Development Trust Fund, or other funds appropriated by Legislature
SB 2282	Appropriation Committee	ND Universities	\$22,500,000	Provide estimated \$22.5 million LOC to ND Universities. Also adm. grant program.	General Fund transfer to Econ. Divers. Res. Fund.
		BND Direct Funding	\$282,500,000		
HB 1186	Finance & Taxation	BND	TBD	At the request of OMB and approval by NDIC, BND may purchase oil put options and swap agreements or any other hedging strategies to offset reduced general fund oil and gas revenues. Fiscal note impact. Note: Bill rewrite pending.	N/A
HB 1353	Education Committee	Administered by BND	\$800,000,000	Creates a common schools building and renovation grant fund to be administered by BND. Funds will be used to reduce school district bonded debt and for building and renovation grants. Continuing appropriation from common schools trust fund. Requires HCR 3017 to be approved by the voters. **\$800 million.	University & School Lands transfer from Common Schools Trust Fund to Common Schools Building & Renovation
SB 2008	Appropriations Hearings in Process.	Public Service Commission	\$900,000	BND transfer **\$900,000 from Beginning Farmer Revolving Loan Fund for Rail Rate Complaint Case - Section 3.	No Repayment
SB 2214	Education Committee	Administered by BND	\$25,000,000	Provide **\$25 million each biennium for debt service bond payments of which proceeds from the bonds are used to further capitalize the School Construction Assistance Revolving Loan Fund. Senator Schaible	Foundation Aid Stabilization Fund Appropriation
SB 2275	Appropriations Committee	Administered by BND	\$55,000,000	Provide **\$55 million each biennium for debt service bond payments of which proceeds from the bonds are used to further capitalize BND Infrastructure Loan Fund. Senator Wardner	General Fund Appropriation
SB 2276	Education Committee	Administered by BND	\$100,000,000	Provide **\$100 million allocation - Legacy Fund to BND "MATCH"-like program.	Individual Infrastructure Projects
SB 2296	IBL	Administered by BND	\$50,000,000	Reinstate and expand Fuel Production Facility Loan Guarantee Program. **\$50 million from SIIF.	N/A
		Other Funding Sources	\$1,030,900,000	Other Funding Sources above are denoted by **asterisk**	
		GRAND TOTAL	\$1,313,400,000		

BND Performance Highlights

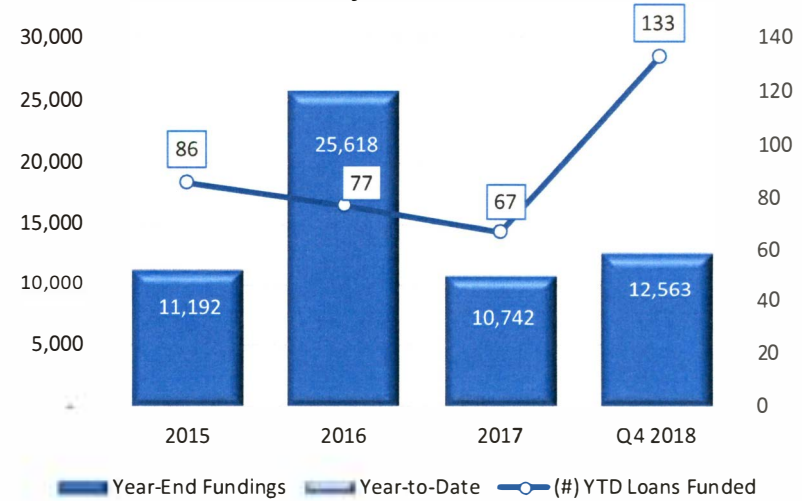
Commercial PACE

(In Thousands)

PACE Loan Amounts



PACE Buydown Funded



Loan Type	2015	2016	2017	2018
Pace	21%	15%	14%	16%
Flex Pace	58%	53%	53%	51%
Affordable Housing	16%	22%	24%	25%
Biofuels	5%	4%	4%	4%
Medical Pace	0%	5%	5%	4%

➤ A total of 110 Flex PACE loans were funded in 2018 compared to 82 in 2017. Flex PACE buydown demand continues due to the financing of essential community services and community approved businesses throughout North Dakota.

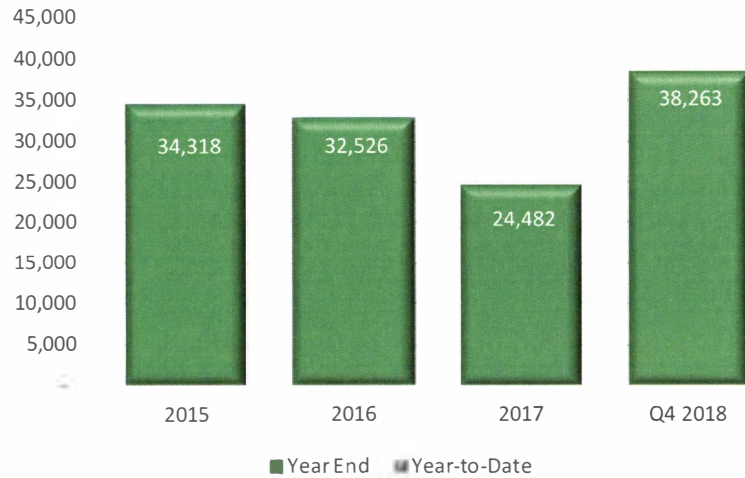
2017-2019 Biennium Buydown Funding (Commercial)					
	Pace	Flex Pace	Affordable Housing	Medical Pace	Biofuels Pace
Total Available	7,229	14,666	2,968	10,250	2,163
Funded/Committed	4,591	12,436	2,199	9,879	1,238
Remaining Buydown	2,638	2,230	769	371	925

➤ Eleven PACE loans funded in 2018 compared to three in 2017. Utilization of the PACE program has increased due to program parameter changes based on total investment, not just job creation.

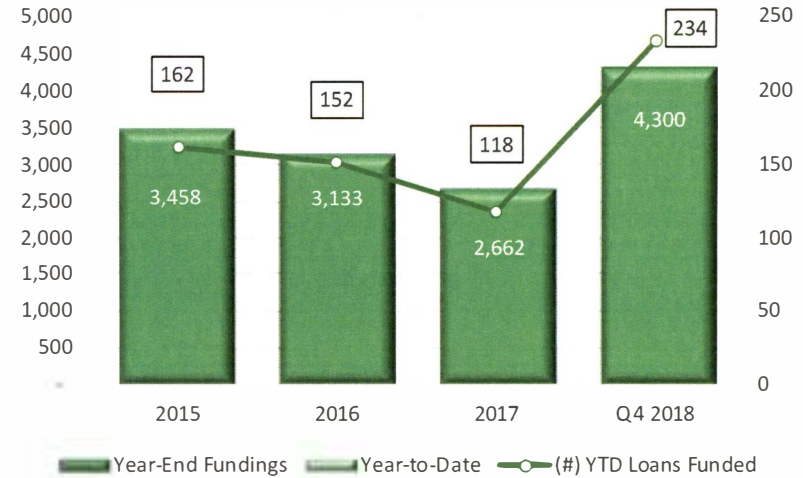
Ag PACE & Beginning Farmer

(In Thousands)

Loan Amounts



Buydown Funded



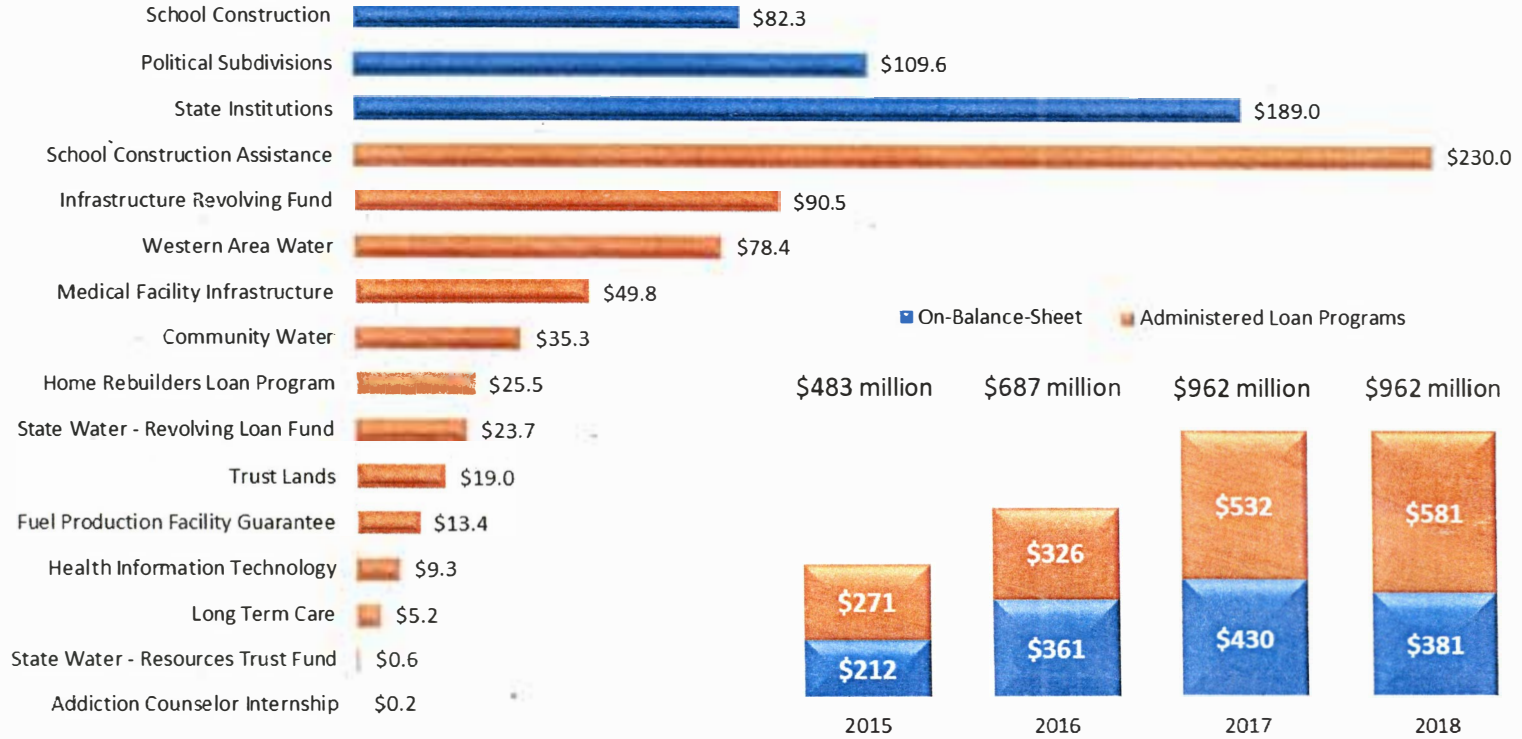
Loan Type	2015	2016	2017	2018
Ag Pace	26%	15%	22%	23%
Beginning Farmer – Real Estate	58%	61%	67%	68%
Beginning Farmer – Chattel	16%	24%	11%	9%

- There were 64 Ag PACE loans funded in 2018 compared to 40 in 2017. A change in the Ag PACE program to include the Production Enhancement Program (PEP) has also created more opportunity for field tiling projects.
- A total of 95 Beginning Farmer Real Estate loans were funded in 2018 compared to 62 in 2017. The significant increase is due to more land sale opportunities to generational transition.
- A total of 75 Beginning Farmer Chattel loans were funded in 2018 compared to 54 in 2017. The significant increase is due to favorable valuations and pricing in the chattel market.

2017-2019 Biennium Buydown Funding (Agriculture)		
	Ag Pace	Beginning Farmer
Total Available	3,206	7,933
Funded/Committed	1,602	4,753
Remaining Buydown	1,604	3,180

State Loans & Administered Programs

(In Millions)



➤ BND currently funds nearly \$1 billion in state loans and administered (off-balance-sheet) programs. These loans serve a wide range of purposes, including school construction, water projects, general and medical infrastructure, and disaster recovery.

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HB1014

Attachment E



Jolene Kline Executive Director

INDUSTRIAL COMMISSION

Doug Burgum Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

HB 1014

January 16, 2019

North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0
Testimony of Jolene Kline, Executive Director
House Appropriations Committee

Chairman Vigesaa and members of the Government Operations Division:

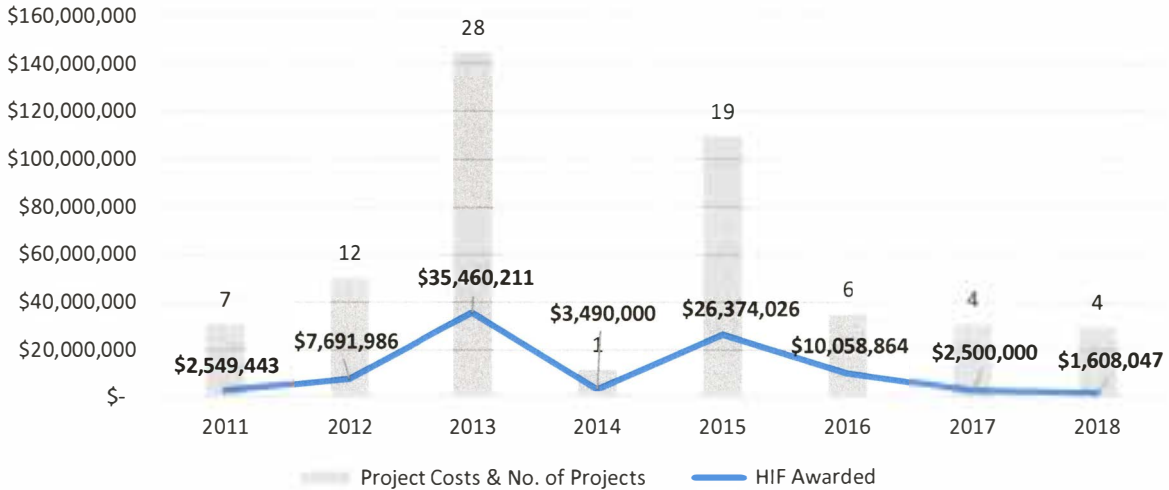
The North Dakota Housing Finance Agency (Agency) requests the committee approve the Governor's recommendations for a \$20,000,000 special funds transfer for the Housing Incentive Fund (HIF) which is included in section 18. The Agency is requesting an amendment be added to read as:

"SECTION 18. SPECIAL FUNDS TRANSFER – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO HOUSING INCENTIVE FUND. The less estimated income line item in subdivision 4 of section 1 of this Act includes the sum of \$20,000,000, or so much of the sum as may be necessary, from the Strategic Investment and Improvements Fund which may be transferred at the direction of the Housing Finance Agency for the purpose of a transfer to the Housing Incentive Fund during the biennium beginning July 1, 2019, and ending June 30, 2021."

HIF awards are structured as forgivable loans and are available to local housing authorities, tribal entities, and nonprofit or for-profit housing developers. The maximum award size varies depending on whether a project also receives federal funding. The award amount typically equals less than 30 percent of the total development cost, and no more than \$3 million. Awards are competitive and projects must meet strict scoring criteria.

To date, \$89,732,577 of HIF funding has been leveraged in 80 projects creating or rehabilitating 2,501 units in urban and rural communities across the state. Total constructions costs exceeded \$441 million. Every dollar in HIF funding has resulted in more than four dollars in private and federal equity.

Housing Incentive Fund Project Development 2011-2017



HIF funding has been a catalyst in filling the financial gap to create affordable housing for individuals and families when conventional financing has fallen short. Conventional debt financing requires market-rate rents to cover mortgage payments and operating expenses. HIF reduces required debt service thus allowing for a variable priced, reduced rent structure. The following is a financing scenario detailing the difference in rent structure to cash flow a conventional financed project and one supplemented with HIF. As you can see, for a newly constructed, 24-unit apartment building, construction and operations costs are the same, however, individuals and families can be offered affordable rents based on their income when gap financing eliminates the need for a 20-year loan.

New Construction Financing Scenarios

24 Unit Apartment Building

Cost of Construction is \$175,000 (per unit) x 24 units = \$4.2 million

Conventional Financing Market Rate Rent

Equity Investment \$1.26 million (30%)
Loan \$2.94 million (70%)

Annual Expenses:

\$252,757 Loan Payment (6%, 20 years)
\$120,000 Operating Expense
\$100,800 Return on Equity (8%)
\$473,557 Annual revenue needed from rents to
 cover expenses

Average Monthly Rent Per Unit to Cover Expenses:
\$1,644

Non-Conventional Financing Income Restricted Rent

Equity Investment \$1.26 million (30%)
Gap Financing \$2.94 million (70%)
(i.e. HIF, federal funds, private investments/donations)

Annual Expenses:

\$0 Loan Payment
\$120,000 Operating Expense
\$100,800 Return on Equity (8%)
\$220,800 Annual rent revenue needed from
 rents to cover expenses

Income Restricted Rent Structure to Cover Expenses:
5 units at \$403 5 units at \$898
5 units at \$493 9 units at \$1,050

Living in a conventionally financed, market-rate rental unit requires an annual salary of \$65,760 to not be considered housing cost-burdened. Those living in the non-conventionally financed/income-restricted units could earn an annual salary of \$16,120 to \$42,000 and not be considered housing cost-burdened. Individuals and families living in HIF units primarily fall into four categories: low-wage earners, persons with a disability, seniors with low incomes or disabilities, and individuals and families at risk of or who are experiencing homelessness.

Over the past decade, North Dakota has frequented lists published by Forbes, Fortune, and Business Insider as the best state or community to start a business. Entrepreneurs are transforming their vision into viable businesses that are diversifying our state's economy. Some of you are business owners yourself and know the financial challenges you must overcome to turn a profit, pay your employees and pay yourself. Affordable housing and cost of living are critical to the livelihood of both entrepreneurs and established business owners in rural and urban communities.

As I stated last week, 17.4 percent of the vacant positions posted on the Job Service of North Dakota (JSND) website pay less than \$15 per hour. Many of these “low-wage” positions are at entrepreneurial start-ups or are service-sector positions that are the backbone of our communities. According to the U.S. Department of Housing and Urban Development (HUD) you need to earn \$16.40 per hour to afford \$855 for a two-bedroom apartment in North Dakota.

HIF-funded projects create affordable rents, which can lead to financial and housing stability for lower-wage workers. The progression of wealth creation for these individuals can allow them to progress into a market-rate unit or become a homeowner. Coupled with employment opportunities, safe communities, exceptional schools and access to medical facilities, we can attract and retain these state residents.

As you probably have heard, there was an increase in the North Dakota’s 2018 population resulting in 4,656 more births than deaths. However, even with the increase in youth and young families, the percentage of 50-64 year olds grew by 51 percent from 91,428 in 2000 to 138,139 in 2017. As the state’s population gets older, there will be more pressure to create affordable and accessible housing options for this segment to remain independent.

According to AARP, 29,057 North Dakotans currently rely on social security for 90 percent or more of their income, and the median annual social security income for the state is \$16,133. The state ranks seventh in the nation with the highest proportion of individuals ages 85 and older. As most of us age past 80, maintaining our financial resources is essential to affording basic care such as housing, healthcare, medications, healthy food and transportation. As seniors explore independent housing options, financial restrictions may prevent them from leaving their home, increasing the potential for accidents and injuries and further isolation. Another hindrance is the availability of affordable housing options due to limited income.

In fiscal year 2017, the state paid \$258 million for a monthly average of 2,950 individuals living in a nursing home, which is a cost of nearly \$90,000 per person per year. That same year, the state paid \$43 million for about 2,500 individuals, or an average of \$17,000 per person per year between four in-home care programs (Home and

Community-Based Services Waiver (HCBS), SPED, ExSPED and Basic Care). Of those programs, HCBS is the most costly on a per person basis, serving about 300 people per month for \$23,000 per person per year. These numbers come from the North Dakota Department of Human Services (ND DHS). The goal at our Agency is to create housing options in urban and rural communities that allow older adults and persons with disabilities the ability to age in place with as much independence as possible for as long as possible.

Projections for renter-occupied housing units with householders ages 65 and older is anticipated to grow 57.7 percent (12,000) by 2029. HIF will help ensure that these seniors will have housing options in place when it is time for them to consider moving out of their house.

Finally, I must touch on the need for housing for individuals and families that are at risk of becoming homeless or those experiencing homelessness. According to HUD data, over the past decade North Dakota has averaged 1,089 men, women and children living on the streets or in homeless shelters. The 2016 North Dakota Housing Needs Assessment projects that the state's extremely low-income households will increase 23.6 percent and reach 62,538 households by 2029. I've included attachments showing the projected growth for the extremely low income to moderate low income households for the state and by county for you to review.

Just because a household is deemed extremely low income or homeless does not mean that they are unemployed. What we do know is that they cannot afford a place to live without combining the financial resources of numerous adults and youth to be able to pay their monthly bills. HIF has provided gap financing for projects in Fargo, West Fargo, Grand Forks, Mandan and Bismarck to take the most extreme cases and create housing stability for these individuals and their families to address the on-going cause of homelessness. The Agency administers the financing to build the housing, and agencies like ND DHS, JSND, Corrections and the Department of Public Instruction provide the one-on-one case management services.

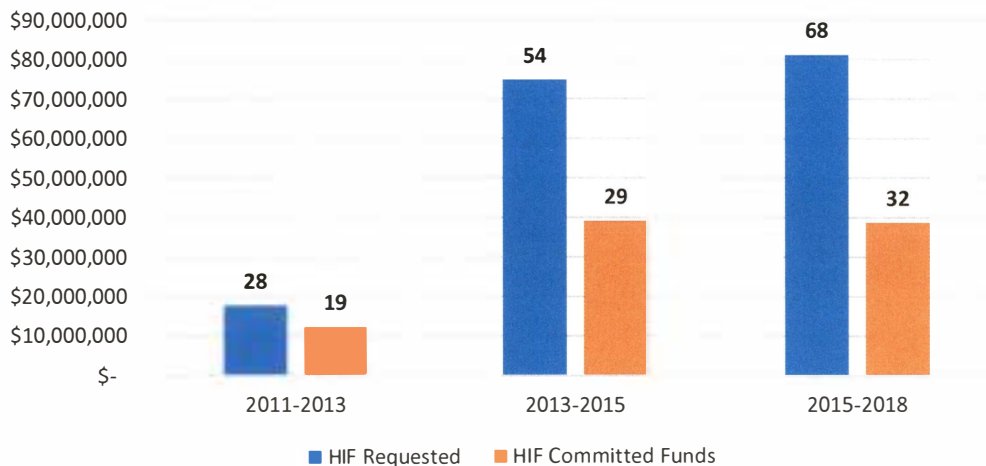
You may have had some time to use the link on our website to reflect on your district's unique housing needs. Lisbon to Bowbells to Powers Lake all have different needs as

does Dickinson to Wahpeton to Washburn. In order for each community to have the resources and flexibility needed to meet their particular population needs, we are requesting the committee consider removing text pertaining to essential service workers from North Dakota Century Code 54-17-40.2.b.

“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.”

I have provided you with a spreadsheet showing projects funded from the 2015-17 biennium leveraging \$40 million in HIF financing. In addition, at your request, we have provided a listing of non-funded projects submitted in 2017 and 2018. In every application round since the program’s inception in 2011, the requests for HIF has exceeded available funding resulting in competitive scoring and ranking.

HIF Requested Compared to HIF Committed Funds



In addition to HIF, the Agency has the authority to issue tax-exempt multifamily bonds. We also administer both the 9 percent competitive federal low-income housing tax credits (LIHTCs) which bring in equity for about 70 percent of construction and rehabilitation costs as well as non-competitive 4 percent LIHTCs which bring in equity for about 25 percent of the project cost. We receive \$3.1 million annually in competitive

9 percent LIHTCs. There is no cap on the amount of 4 percent non-competitive LIHTCs that we can allocate as long as the project is otherwise financed with tax exempt bonds. This is a resource to the state that is largely going unused due to the lack of state funds to fill financing gaps. I believe HIF, while leveraging the federal 4 percent LIHTCs, could be the critical financing piece to rehabilitate some of the state's oldest affordable housing stock.

One recent rural rehab project that was unable to move forward due to financing shortfalls occurred in Ellendale in 2017. Currently, there is a 32-unit multifamily complex that requires substantial rehabilitation. The owner was in the process of selling the property to a mission-minded nonprofit interested in maintaining affordability restrictions that would have extended a federal housing contract. While under a conditional commitment period for HIF, additional rehabilitation issues surfaced and it was ultimately determined that the project needed more than the standard 30 percent funding from HIF to be financially feasible. The project also applied to the Department of Commerce for federal HOME funds and was unsuccessful in securing the amount needed. In order for the project to move forward, it would have needed at least 50 percent in HIF funding in order to be feasible and fill the financing gap. The project fell through, and the current owner still retains the building and is looking for a buyer, in the meantime, the federal housing contract which ensures 29 of the 32 units are affordable expires in August 2020 and those units are at significant risk of being lost from North Dakota's affordable housing inventory.

The numbers of future housing units constructed or rehabilitated will be dependent upon the targeted population to be served and whether HIF dollars can be leveraged with other federal funds. Historically, our average cost of construction per unit has been \$176,704 and HIF is normally restricted to no more than 30 percent of the construction or rehabilitation cost. In the absence of federal funds, more HIF financing will be required as the competitive 9 percent LIHTC program only funds four to five projects or 175 to 200 units annually, providing equity for approximately 70 percent of the cost of the project.

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Each HIF proposal is reviewed, scored and ranked based on the proposed financing, a market analysis, community need and proposed rent structure for the targeted population. If selected, the project is underwritten on its own merits and the appropriate amount of HIF is allocated. Awards are structured as loans forgivable after a minimum of 15 years if the project continues to abide by the income and rent restrictions included in the deed restriction filed on the property. Projects are subject to recorded deed restrictions and monitored annually by Agency staff to ensure that rent and income restrictions are adhered.

NDHFA's mission is to ensure that every North Dakotan has a safe and affordable place to call home. Our most vulnerable households are the ones that need our help the most. Federal funds are insufficient to address the needs of these vulnerable households. We respectfully ask this committee and this legislative body to recognize that an investment in housing is an investment in the infrastructure of our state. Affordable Housing Empowers People, Improves Lives, and Inspires Success.

Thank you and I would be glad to answer any questions.

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Potential Housing Incentive Fund Pipeline Projects

Application Round	Development Name	Location	Total Development Cost	HIF Requested	HIF Conditionally Committed	Total Units	Target Population	Permanent Housing	Supportive Housing	Type of Development
2018	Park South Phase 2	Minot	\$ 5,725,952	\$ 750,000	N/A	22	Family	No		New Construction
2018	HomeField 3 Apartments	Fargo	\$ 7,177,532	\$ 121,312	N/A	39	Senior	Frail Elderly		New Construction
2018	Sunset Village West	Lisbon	\$ 1,172,730	\$ 420,000	N/A	6	Senior	Frail Elderly		New Construction
2018	Lakeland Court Phase 2	Devils Lake	\$ 4,260,000	\$ 1,278,000	N/A	24	Family	No		New Construction
2018	Woolen Mills	Grand Forks	\$ 7,869,261	N/A	N/A	26	Senior	Frail Elderly		Adaptive Reuse
2018	The Edge 2	Fargo	\$ 10,538,649	N/A	N/A	48	Family	No		New Construction
2018	Boulevard Avenue Apartments	Bismarck	\$ 13,170,124	N/A	N/A	93	Family	Homeless		Rehabilitation
2018	Elkhorn Butte Apartments	Fargo	\$ 9,195,833	N/A	N/A	45	Senior	Frail Elderly		New Construction
2017	Ellendale Apartments	Ellendale	\$ 2,526,339	\$ 1,330,000	\$ 755,000	32	Family	Physically Disabled		Acquisition/Rehab *Funding Canceled
2017	Basswood Apartments	Grand Forks	\$ 5,859,200	\$ 413,000	N/A	28	Family	No		New Construction
2017	Washburn Affordable Housing	Washburn	\$ 2,444,932	\$ 700,000	N/A	20	Family	Physically Disabled		New Construction
2017	McKenzie Village Apartments	Watford City	\$ 7,577,339	\$ 300,000	N/A	40	Senior	Frail Elderly		New Construction
2017	Patterson Heights Apartments	Dickinson	\$ 3,355,307	\$ 294,000	N/A	24	Family	No		Debt Retirement
2017	Northern Lights Apartments	Crosby	\$ 4,249,003	\$ 1,100,000	N/A	18	Family	Physically Disabled		Debt Retirement
2017	Grafton Central Apartments	Grafton	\$ 4,693,564	\$ 1,200,000	N/A	40	Family	No		Adaptive Reuse
2017	Lashkowitz High Rise	Fargo	\$ 16,145,310	N/A	N/A	208	Family	Physically Disabled/ Homeless		Acquisition/Rehab
2017	Roosevelt Village Apartments	Fargo	\$ 7,537,922	N/A	N/A	40	Senior	Frail Elderly		New Construction
2017	MDI Limited Partnership	Grand Forks/ Devils Lake	\$ 7,496,036	N/A	N/A	125	Family	No		Acquisition/Rehab

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Housing Incentive Funded Project 2015-2018

Application Round	Development Name	Location	Total Development Cost	HIF Requested	HIF Conditionally Committed	Total Units	Target Population	Permanent Housing	Supportive Housing	Type of Development
2018	Century Cottages	Bismarck	\$ 8,539,065	\$ 400,000	\$ 408,047	35	Senior	Frail Elderly		New Construction
2018	Monterey Apartments	West Fargo	\$ 11,483,450	\$ 400,000	\$ 600,000	45	Senior	Frail Elderly		Substantial Rehab / New Construction
2018	The Bridges	West Fargo	\$ 9,630,839	\$ 400,000	\$ 600,000	39	Senior	Frail Elderly		Substantial Rehab / New Construction
2017	Edwinton Place	Bismarck	\$ 10,355,768	\$ 400,000	\$ 500,000	40	Homeless	Homeless		New Construction
2017	Grace Garden	West Fargo	\$ 6,993,549	\$ 400,000	\$ 500,000	30	Homeless	Phys Disabled & Homeless		New Construction
2017	Pure Development	Grand Forks	\$ 7,762,129	\$ 1,100,000	\$ 1,100,000	50	Family	No		New Construction
2017	Dacotah Ridge Apartments	Dickinson	\$ 5,630,717	\$ 400,000	\$ 400,000	24	Family	Phys Disabled		Acquisition Rehab
2016	Lakeland Court	Devils Lake	\$ 3,859,144	\$ 1,125,000	\$ 1,125,000	24	Family	No		New Construction
2016	Meridian Apartments	Valley City	\$ 4,772,000	\$ 1,431,600	\$ 1,431,600	36	Family	No		New Construction
2016	Prairie Winds (Phase 2)	Dickinson	\$ 6,240,834	\$ 1,550,000	\$ 1,512,000	36	Family	No		Debt Retirement
2016	The Landing	Bowman	\$ 3,672,251	\$ 421,000	\$ 194,000	26	Family	No		Debt Retirement
2016	Valley Bluffs	Valley City	\$ 6,200,000	\$ 1,860,000	\$ 1,860,000	43	Family	No		New Construction
2016	WSC Foundation Housing Phase 1	Williston	\$ 10,102,762	\$ 2,000,000	\$ 2,000,000	74	Family	No		Debt Retirement
2015	100 West Main	Bismarck	\$ 6,513,176	\$ 600,000	\$ 600,000	30	Senior	Frail Elderly		New Construction
2015	Cherry Creek Apartments	Watford City	\$ 13,630,163	\$ 3,000,000	\$ 3,000,000	77	Family	No		New Construction
2015	Jeremiah Program Apartments	Fargo	\$ 5,866,485	\$ 2,200,000	\$ 2,200,000	20	Homeless / Family	Homeless		New Construction
2015	Killdeer Essential Worker Housing	Killdeer	\$ 1,090,904	\$ 326,072	\$ 326,072	4	Family	No		New Construction
2015	Lincoln Park Townhomes II	Dickinson	\$ 5,780,832	\$ 2,890,000	\$ 2,890,000	32	Homeless / Family	Homeless		Debt Retirement
2015	Meadowlark Homes	New Rockford	\$ 1,435,268	\$ 430,000	\$ 430,000	10	Family	No		New Construction
2015	New Energy Apartments	Beulah	\$ 3,830,475	\$ 1,149,143	\$ 1,149,143	24	Family	No		New Construction
2015	North Sky III	Fargo	\$ 4,532,009	\$ 600,000	\$ 477,500	30	Senior	Frail Elderly		New Construction
2015	Northern Place	Dickinson	\$ 7,772,308	\$ 600,000	\$ 600,000	36	Family	Homeless		New Construction
2015	Park South	Minot	\$ 5,988,335	\$ 2,232,328	\$ 2,232,328	40	Family	No		Rehabilitation of Habitable
2015	Pioneer Homes Apartments	Hazen	\$ 4,181,237	\$ 2,102,000	\$ 2,102,000	18	Senior	Frail Elderly		Adaptive Reuse / New Construction
2015	Prairie Pointe	Gwinner	\$ 2,810,208	\$ 979,109	\$ 976,109	17	Family	Phys Disabled		New Construction
2015	Prairie Winds (Phase 1)	Dickinson	\$ 6,105,803	\$ 1,800,000	\$ 1,512,000	36	Family	No		New Construction / Debt Retirement
2015	Shoal Creek Apartments	Mandan	\$ 6,990,462	\$ 2,085,000	\$ 2,085,000	48	Family	No		New Construction
2015	Sierra Court	Bismarck	\$ 7,483,989	\$ 600,000	\$ 600,000	40	Senior	Frail Elderly		New Construction
2015	Sunset Ridge (Phase 1)	Minot	\$ 8,012,724	\$ 600,000	\$ 600,000	35	Family	No		New Construction
2015	Trails West Townhomes	Mandan	\$ 2,570,391	\$ 762,000	\$ 762,000	12	Family	No		New Construction
2015	University Flats	Grand Forks	\$ 11,244,299	\$ 2,800,000	\$ 2,800,000	70	Family	No		New Construction
2015	Wolf Run Village II	Watford City	\$ 3,721,544	\$ 909,374	\$ 909,374	20	Family	No		New Construction
2014	McKenzie Parks Apartments	Watford City	\$ -	\$ 1,517,827	\$ 1,517,827	0	Family	No		New Construction *HIF 2013-15

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Table 2.44 North Dakota Household Projections for Renter-Occupied Housing Units with Householder Ages 65 and Older, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Renter-Occupied Housing Units with Householder Ages 65 and Older			Units with Householder Ages 65 and Older			
	Estimates		% change: 2010 to 2014	Projections			% change: 2014 to 2029
	2010	2014		2019	2024	2029	
North Dakota	16,449	18,496	12.4%	21,657	25,719	29,166	57.7%
Adams County	118	82	-30.2%	87	90	89	8.1%
Barnes County	482	521	8.1%	579	636	675	29.6%
Benson County	147	133	-9.8%	144	165	176	32.8%
Billings County	19	11	-39.6%	12	14	15	30.7%
Bottineau County	232	193	-16.6%	211	229	243	25.6%
Bowman County	67	92	37.2%	93	111	115	25.1%
Burke County	52	48	-8.6%	45	44	45	-5.3%
Burleigh County	2,015	2,164	7.4%	2,713	3,348	3,906	80.5%
Cass County	3,585	4,300	20.0%	5,738	7,128	8,262	92.1%
Cavalier County	98	108	9.7%	105	106	101	-6.1%
Dickey County	206	153	-25.6%	152	166	172	12.3%
Divide County	53	46	-13.7%	41	45	46	0.6%
Dunn County	37	26	-29.2%	30	37	42	60.4%
Eddy County	78	63	-18.9%	66	71	72	13.8%
Emmons County	75	116	54.7%	118	123	130	12.0%
Foster County	142	95	-32.8%	95	104	111	16.3%
Golden Valley County	27	52	91.5%	49	46	47	-9.1%
Grand Forks County	1,060	1,474	39.1%	1,767	2,049	2,258	53.1%
Grant County	66	90	36.6%	96	101	104	15.4%
Griggs County	102	100	-1.6%	102	103	99	-1.4%
Hettinger County	76	58	-23.4%	57	54	53	-9.0%
Kidder County	95	62	-34.8%	71	78	79	27.6%
LaMoure County	112	120	7.2%	135	147	145	20.7%
Logan County	44	36	-18.0%	33	28	26	-27.9%
McHenry County	193	146	-24.6%	152	160	164	12.7%
McIntosh County	65	89	37.4%	81	84	87	-2.6%
McKenzie County	94	231	145.7%	323	433	589	155.0%
McLean County	205	264	28.9%	289	329	346	31.0%
Mercer County	141	151	6.9%	174	209	226	49.9%
Morton County	611	702	14.9%	814	965	1,084	54.4%
Mountrail County	60	151	151.5%	184	238	291	92.8%
Nelson County	111	63	-42.9%	61	65	64	1.1%
Oliver County	32	54	68.9%	63	71	74	36.9%
Pembina County	178	242	35.7%	271	302	313	29.6%
Pierce County	204	222	9.0%	225	244	269	21.0%
Ramsey County	500	568	13.6%	617	705	810	42.6%
Ransom County	182	205	12.5%	206	213	214	4.5%
Renville County	51	66	29.5%	67	70	73	10.6%
Richland County	324	321	-0.9%	367	422	451	40.5%
Rolette County	170	195	14.7%	235	276	315	61.6%
Sargent County	120	92	-23.6%	108	121	128	39.5%
Sheridan County	27	41	53.3%	40	40	38	-8.2%
Sioux County	65	96	47.6%	101	107	118	23.0%
Slope County	8	7	-13.7%	8	8	8	15.9%
Stark County	698	696	-0.2%	764	975	1,195	71.6%
Steele County	37	86	131.2%	100	122	148	73.0%
Stutsman County	722	781	8.1%	861	955	1,045	33.9%
Towner County	82	102	24.9%	113	126	122	19.1%
Traill County	368	295	-19.7%	326	378	422	42.9%
Walsh County	404	374	-7.4%	371	374	369	-1.4%
Ward County	1,131	1,285	13.6%	1,343	1,569	1,776	38.2%
Wells County	187	164	-12.5%	158	163	170	3.9%
Williams County	491	662	34.9%	696	972	1,246	88.1%
Bismarck city	1,912	2,132	11.5%	2,724	3,357	3,937	84.6%
Devils Lake city	488	518	6.2%	544	619	714	37.7%
Dickinson city	651	645	-1.0%	617	763	924	43.3%
Fargo city	2,957	3,336	12.8%	4,673	5,824	6,839	105.0%
Grand Forks city	1,004	1,330	32.5%	1,629	1,892	2,091	57.2%
Jamestown city	666	721	8.2%	809	900	986	36.8%
Mandan city	491	631	28.4%	723	856	960	52.2%
Minot city	996	1,122	12.6%	1,064	1,233	1,400	24.8%
Valley City city	448	487	8.6%	543	594	633	30.1%
Wahpeton city	226	149	-34.1%	171	190	203	36.3%
West Fargo city	398	731	83.7%	1,025	1,273	1,422	94.5%
Williston city	392	558	42.5%	455	632	798	42.9%
Fort Berthold Reservation	63	111	76.2%	120	128	137	23.4%
Spirit Lake Reservation	65	49	-24.6%	49	49	49	0.0%
Standing Rock Reservation	65	96	47.6%	101	107	118	23.0%
Turtle Mountain Reservation	78	63	-19.2%	65	67	69	9.5%
Region 1	638	939	47.2%	1,060	1,450	1,881	100.3%
Region 2	1,923	2,111	9.8%	2,227	2,554	2,861	35.5%
Region 3	1,075	1,169	8.7%	1,280	1,449	1,596	36.5%
Region 4	1,753	2,154	22.9%	2,470	2,790	3,004	39.5%
Region 5	4,616	5,299	14.8%	6,845	8,384	9,625	81.6%
Region 6	2,062	2,060	-0.1%	2,196	2,386	2,530	22.8%
Region 7	3,332	3,740	12.2%	4,479	5,371	6,105	63.2%
Region 8	1,050	1,025	-2.4%	1,100	1,335	1,564	52.6%

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Table 2.46 North Dakota Household Projections for Extremely Low Income Households, 2019 to 2029
 Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Extremely Low Income Households - Earning 0% to 30% of the Median Family Income (MFI)				
	2014	2019	Projections 2024	2029	% change: 2014 to 2029
North Dakota	50,607	54,703	58,249	62,538	23.6%
Adams County	149	153	160	162	9.0%
Barnes County	760	789	799	809	6.5%
Benson County	626	623	620	611	-2.3%
Billings County	64	61	65	71	11.6%
Bottineau County	587	589	614	643	9.6%
Bowman County	203	204	228	235	15.6%
Burke County	217	207	207	218	0.4%
Burleigh County	4,710	5,292	5,965	6,665	41.5%
Cass County	11,307	12,623	13,659	14,900	31.8%
Cavalier County	229	216	207	193	-15.8%
Dickey County	374	365	385	392	4.7%
Divide County	182	174	179	187	2.8%
Dunn County	236	266	296	319	35.4%
Eddy County	226	233	229	217	-4.1%
Emmons County	380	375	378	381	0.4%
Foster County	288	278	288	296	2.6%
Golden Valley County	196	200	200	211	7.4%
Grand Forks County	6,332	6,508	6,370	6,745	6.5%
Grant County	270	275	273	265	-2.0%
Griggs County	149	146	144	139	-6.4%
Hettinger County	141	143	139	141	0.0%
Kidder County	196	208	219	213	8.7%
LaMoure County	354	379	387	377	6.4%
Logan County	159	152	137	129	-18.7%
McHenry County	461	468	479	487	5.6%
McIntosh County	313	293	284	276	-11.9%
McKenzie County	606	897	1,075	1,265	108.6%
McLean County	709	756	796	814	14.9%
Mercer County	635	684	755	794	25.1%
Morton County	1,662	1,826	2,034	2,207	32.8%
Mountrail County	541	647	730	813	50.2%
Nelson County	311	292	290	279	-10.2%
Oliver County	123	138	151	153	24.5%
Pembina County	498	502	510	503	1.0%
Pierce County	428	428	444	473	10.6%
Ramsey County	1,056	1,106	1,183	1,264	19.8%
Ransom County	363	358	353	348	-4.2%
Renville County	167	166	165	164	-1.6%
Richland County	1,107	1,184	1,209	1,251	13.0%
Rolette County	1,796	1,955	2,070	2,186	21.7%
Sargent County	252	274	283	284	12.8%
Sheridan County	111	107	103	97	-12.4%
Sioux County	307	348	364	380	23.8%
Slope County	57	65	69	65	13.6%
Stark County	1,744	2,004	2,304	2,635	51.0%
Steele County	120	127	143	166	38.4%
Stutsman County	1,561	1,613	1,655	1,726	10.6%
Towner County	180	189	191	182	1.0%
Traill County	565	592	615	640	13.3%
Walsh County	950	922	909	901	-5.1%
Ward County	3,495	3,842	4,078	4,368	25.0%
Wells County	398	385	389	394	-1.0%
Williams County	1,759	2,076	2,470	2,904	65.1%
Bismarck city	4,458	4,976	5,599	6,284	41.0%
Devils Lake city	928	951	1,005	1,076	15.9%
Dickinson city	1,403	1,533	1,707	1,903	35.7%
Fargo city	9,598	10,757	11,513	12,583	31.1%
Grand Forks city	5,898	6,017	5,847	6,191	5.0%
Jamestown city	1,226	1,274	1,302	1,363	11.2%
Mandan city	1,246	1,345	1,504	1,628	30.7%
Minot city	2,846	2,989	3,127	3,337	17.2%
Valley City city	571	605	600	610	6.8%
Wahpeton city	657	711	680	696	6.0%
West Fargo city	1,258	1,459	1,662	1,799	43.0%
Williston city	1,366	1,431	1,656	1,918	40.4%
Fort Berthold Reservation	513	552	592	631	23.0%
Spirit Lake Reservation	409	409	409	409	0.0%
Standing Rock Reservation	307	348	364	380	23.8%
Turtle Mountain Reservation	1,118	1,151	1,183	1,217	8.9%
Region 1	2,547	3,147	3,724	4,356	71.0%
Region 2	5,896	6,347	6,717	7,166	21.5%
Region 3	4,112	4,322	4,500	4,653	13.1%
Region 4	8,090	8,224	8,079	8,428	4.2%
Region 5	13,714	15,158	16,262	17,589	28.3%
Region 6	4,356	4,400	4,468	4,538	4.2%
Region 7	9,101	10,009	11,038	11,969	31.5%
Region 8	2,790	3,096	3,461	3,839	37.6%

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Table 2.47 North Dakota Household Projections for Very Low Income Households, 2019 to 2029						
Sources: U. S. Census Bureau and the Center for Social Research at NDSU						
Area	Very Low Income Households - Earning 31% to 50% of the Median Family Income (MFI)					
	2014	Projections			2029	% change: 2014 to 2029
		2019	2024	2025		
North Dakota	49,919	55,178	58,929	62,579	25.4%	
Adams County	194	196	202	205	5.8%	
Barnes County	795	832	837	855	7.5%	
Benson County	445	442	437	428	-3.8%	
Billings County	26	26	28	29	11.2%	
Bottineau County	480	495	518	537	11.8%	
Bowman County	161	164	178	185	14.6%	
Burke County	141	141	140	136	-3.9%	
Burleigh County	5,452	6,108	6,848	7,581	39.1%	
Cass County	12,682	14,540	15,849	17,150	35.2%	
Cavalier County	260	246	234	215	-17.4%	
Dickey County	414	400	396	391	-5.7%	
Divide County	154	153	150	158	2.3%	
Dunn County	214	237	263	283	32.4%	
Eddy County	144	147	148	144	0.0%	
Emmons County	361	354	348	350	-3.1%	
Foster County	182	179	184	188	3.4%	
Golden Valley County	154	156	158	174	12.9%	
Grand Forks County	5,098	5,554	5,743	5,898	15.7%	
Grant County	173	173	164	160	-7.7%	
Griggs County	225	216	208	198	-12.2%	
Hettinger County	201	214	215	219	8.8%	
Kidder County	165	168	163	158	-4.5%	
LaMoure County	254	266	264	252	-0.9%	
Logan County	159	153	141	136	-14.3%	
McHenry County	435	442	445	448	3.1%	
McIntosh County	301	293	278	266	-11.7%	
McKenzie County	668	967	1,208	1,511	126.3%	
McLean County	696	758	795	807	15.9%	
Mercer County	362	391	431	451	24.7%	
Morton County	1,874	2,043	2,245	2,407	28.4%	
Mountrail County	399	487	550	609	52.5%	
Nelson County	217	210	211	205	-5.6%	
Oliver County	93	105	114	114	22.1%	
Pembina County	570	562	562	550	-3.5%	
Pierce County	365	365	372	387	6.2%	
Ramsey County	886	895	913	929	4.9%	
Ransom County	391	389	398	403	3.0%	
Renville County	131	127	125	125	-4.6%	
Richland County	908	965	1,001	1,032	13.6%	
Rolette County	680	735	763	793	16.7%	
Sargent County	227	257	262	259	13.9%	
Sheridan County	89	88	87	86	-3.3%	
Sioux County	194	215	228	237	22.2%	
Slope County	55	62	63	59	6.8%	
Stark County	1,867	2,173	2,421	2,683	43.7%	
Steele County	147	143	148	158	7.8%	
Stutsman County	1,522	1,538	1,559	1,567	2.9%	
Towner County	157	169	166	151	-3.6%	
Traill County	509	524	521	520	2.2%	
Walsh County	761	727	697	675	-11.3%	
Ward County	4,949	5,503	5,779	6,126	23.8%	
Wells County	348	339	336	338	-3.0%	
Williams County	1,583	2,146	2,435	2,653	67.6%	
Bismarck city	4,872	5,435	6,094	6,764	38.8%	
Devils Lake city	621	621	617	617	-0.6%	
Dickinson city	1,450	1,652	1,816	1,978	36.4%	
Fargo city	10,293	11,951	12,959	14,076	36.8%	
Grand Forks city	4,318	4,674	4,814	4,921	14.0%	
Jamestown city	1,306	1,319	1,335	1,343	2.8%	
Mandan city	1,431	1,532	1,683	1,800	25.8%	
Minot city	3,792	4,073	4,284	4,533	19.5%	
Valley City city	567	610	597	612	7.9%	
Wahpeton city	467	514	525	535	14.6%	
West Fargo city	1,806	1,993	2,197	2,338	29.5%	
Williston city	1,238	1,617	1,775	1,881	52.0%	
Fort Berthold Reservation	238	257	275	292	22.7%	
Spirit Lake Reservation	211	211	211	211	0.0%	
Standing Rock Reservation	194	215	228	237	22.2%	
Turtle Mountain Reservation	393	404	416	428	8.9%	
Region 1	2,405	3,266	3,793	4,322	79.7%	
Region 2	6,900	7,560	7,929	8,368	21.3%	
Region 3	2,571	2,634	2,661	2,660	3.4%	
Region 4	6,645	7,053	7,213	7,328	10.3%	
Region 5	14,864	16,818	18,179	19,522	31.3%	
Region 6	4,202	4,216	4,203	4,191	-0.3%	
Region 7	9,460	10,403	11,423	12,351	30.6%	
Region 8	2,872	3,228	3,528	3,837	33.6%	

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Table 2.48 North Dakota Household Projections for Low Income Households, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Low Income Households - Earning 51% to 80% of the Median Family Income (MFI)					% change: 2014 to 2029
	2014	Projections			2029	
		2019	2024	2029		
North Dakota	68,690	75,587	79,668	83,184	21.1%	
Adams County	300	305	311	315	4.9%	
Barnes County	1,118	1,119	1,112	1,088	-2.7%	
Benson County	580	570	558	544	-6.3%	
Billings County	89	93	93	89	0.4%	
Bottineau County	596	600	619	635	6.6%	
Bowman County	264	270	271	275	4.3%	
Burke County	200	195	190	186	-6.9%	
Burleigh County	8,007	8,860	9,815	10,760	34.4%	
Cass County	16,494	18,850	20,284	21,712	31.6%	
Cavalier County	377	362	347	326	-13.5%	
Dickey County	519	505	493	481	-7.2%	
Divide County	210	228	236	243	15.6%	
Dunn County	285	309	346	374	31.4%	
Eddy County	274	256	235	218	-20.4%	
Emmons County	402	384	368	345	-14.2%	
Foster County	369	361	346	336	-8.9%	
Golden Valley County	124	125	120	129	4.0%	
Grand Forks County	6,611	7,225	7,535	7,582	14.7%	
Grant County	274	262	241	225	-18.0%	
Griggs County	265	240	222	203	-23.5%	
Hettinger County	306	337	337	341	11.3%	
Kidder County	236	239	231	221	-6.6%	
LaMoure County	461	475	449	424	-8.1%	
Logan County	215	216	202	204	-5.3%	
McHenry County	592	598	587	582	-1.8%	
McIntosh County	295	291	270	256	-13.3%	
McKenzie County	789	1,176	1,398	1,616	104.9%	
McLean County	946	1,008	1,020	1,019	7.7%	
Mercer County	712	743	779	801	12.5%	
Morton County	3,087	3,289	3,453	3,592	16.3%	
Mountrail County	625	758	803	845	35.2%	
Nelson County	361	352	353	346	-4.1%	
Oliver County	163	155	151	150	-8.1%	
Pembina County	836	813	787	756	-9.6%	
Pierce County	400	395	380	370	-7.5%	
Ramsey County	1,085	1,099	1,121	1,141	5.1%	
Ransom County	514	506	499	494	-3.8%	
Renville County	242	242	231	217	-10.5%	
Richland County	1,492	1,518	1,580	1,606	7.6%	
Rolette County	959	1,024	1,032	1,045	8.9%	
Sargent County	430	455	450	436	1.4%	
Sheridan County	188	183	171	163	-13.4%	
Sioux County	237	263	277	290	22.2%	
Slope County	34	34	31	33	-1.6%	
Stark County	2,306	2,688	2,931	3,239	40.4%	
Steele County	258	259	246	222	-13.8%	
Stutsman County	2,428	2,415	2,410	2,394	-1.4%	
Towner County	202	208	197	177	-12.3%	
Traill County	734	752	737	726	-1.1%	
Walsh County	1,217	1,196	1,170	1,150	-5.5%	
Ward County	6,133	7,177	7,679	7,980	30.1%	
Wells County	503	493	480	468	-7.0%	
Williams County	2,344	3,111	3,484	3,814	62.7%	
Bismarck city	6,917	7,594	8,400	9,227	33.4%	
Devils Lake city	776	780	788	803	3.5%	
Dickinson city	1,650	1,909	2,038	2,188	32.6%	
Fargo city	12,699	14,638	15,620	16,681	31.4%	
Grand Forks city	5,386	5,840	6,095	6,096	13.2%	
Jamestown city	1,914	1,882	1,870	1,855	-3.1%	
Mandan city	2,327	2,424	2,522	2,600	11.7%	
Minot city	4,445	5,249	5,641	5,798	30.4%	
Valley City city	667	676	664	657	-1.4%	
Wahpeton city	693	699	731	729	5.2%	
West Fargo city	2,496	2,729	2,991	3,203	28.3%	
Williston city	1,666	2,034	2,222	2,417	45.1%	
Fort Berthold Reservation	499	537	575	614	23.0%	
Spirit Lake Reservation	264	264	264	264	0.0%	
Standing Rock Reservation	237	263	277	290	22.2%	
Turtle Mountain Reservation	573	590	606	623	8.7%	
Region 1	3,343	4,515	5,118	5,673	69.7%	
Region 2	8,789	9,965	10,489	10,815	23.1%	
Region 3	3,477	3,519	3,490	3,451	-0.8%	
Region 4	9,025	9,586	9,845	9,834	9.0%	
Region 5	19,922	22,340	23,796	25,196	26.5%	
Region 6	6,173	6,115	5,984	5,854	-5.2%	
Region 7	14,254	15,386	16,506	17,566	23.2%	
Region 8	3,707	4,161	4,440	4,795	29.3%	

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Table 2.49 North Dakota Household Projections for Lower Moderate Income Households, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Lower Moderate Income Households - Earning 81% to 115% of the Median Family Income (MFI)				
	2014	2019	Projections		% change: 2014 to 2029
			2024	2029	
North Dakota	35,211	39,247	41,168	42,632	21.1%
Adams County	128	133	138	140	9.8%
Barnes County	641	641	636	616	-4.0%
Benson County	203	200	198	195	-3.9%
Billings County	26	28	27	27	3.6%
Bottineau County	257	250	250	248	-3.6%
Bowman County	148	156	156	155	4.6%
Burke County	91	88	85	86	-5.2%
Burleigh County	4,530	4,970	5,456	5,944	31.2%
Cass County	8,427	9,699	10,381	10,996	30.5%
Cavalier County	164	151	137	122	-25.5%
Dickey County	264	257	233	217	-17.9%
Divide County	112	134	143	145	29.8%
Dunn County	127	136	147	158	24.9%
Eddy County	143	143	133	121	-15.6%
Emmons County	107	99	92	83	-22.3%
Foster County	188	186	180	176	-6.3%
Golden Valley County	67	65	68	77	14.6%
Grand Forks County	2,885	3,126	3,234	3,245	12.5%
Grant County	78	80	71	63	-19.4%
Griggs County	113	101	92	83	-26.4%
Hettinger County	120	138	143	146	22.2%
Kidder County	129	129	122	115	-10.8%
LaMoure County	228	233	213	197	-13.7%
Logan County	91	95	97	98	8.1%
McHenry County	335	333	337	336	0.3%
McIntosh County	99	94	84	76	-23.5%
McKenzie County	614	904	1,043	1,183	92.8%
McLean County	436	464	466	464	6.4%
Mercer County	391	405	411	413	5.6%
Morton County	1,403	1,497	1,539	1,578	12.4%
Mountrail County	408	511	537	554	35.6%
Nelson County	196	184	174	165	-15.8%
Oliver County	77	85	88	84	9.6%
Pembina County	381	364	340	320	-16.1%
Pierce County	254	246	232	219	-13.8%
Ramsey County	477	489	500	505	5.9%
Ransom County	313	309	307	308	-1.6%
Renville County	132	127	123	121	-8.4%
Richland County	752	759	784	793	5.5%
Rolette County	373	396	400	403	8.1%
Sargent County	239	268	262	250	4.8%
Sheridan County	69	67	59	55	-20.7%
Sioux County	104	120	125	129	24.0%
Slope County	48	55	54	49	1.4%
Stark County	1,546	1,852	1,975	2,107	36.3%
Steele County	99	96	90	80	-19.5%
Stutsman County	1,113	1,082	1,055	1,028	-7.6%
Towner County	135	142	129	112	-17.1%
Traill County	417	412	390	364	-12.6%
Walsh County	617	585	556	539	-12.6%
Ward County	3,135	3,732	4,024	4,152	32.4%
Wells County	189	187	186	185	-2.1%
Williams County	1,593	2,244	2,466	2,607	63.7%
Bismarck city	3,655	3,972	4,356	4,762	30.3%
Devils Lake city	288	302	310	318	10.4%
Dickinson city	1,287	1,538	1,630	1,717	33.4%
Fargo city	5,481	6,369	6,784	7,189	31.2%
Grand Forks city	2,283	2,482	2,599	2,587	13.3%
Jamestown city	784	754	732	724	-7.7%
Mandan city	912	965	998	1,018	11.7%
Minot city	2,163	2,550	2,747	2,824	30.5%
Valley City city	425	432	420	410	-3.6%
Wahpeton city	338	345	360	361	6.9%
West Fargo city	1,976	2,127	2,302	2,422	22.6%
Williston city	1,120	1,554	1,672	1,726	54.1%
Fort Berthold Reservation	207	223	238	256	23.7%
Spirit Lake Reservation	72	72	72	72	0.0%
Standing Rock Reservation	104	120	125	129	24.0%
Turtle Mountain Reservation	210	217	222	230	9.5%
Region 1	2,318	3,282	3,652	3,935	69.8%
Region 2	4,613	5,287	5,588	5,716	23.9%
Region 3	1,495	1,521	1,497	1,458	-2.5%
Region 4	4,079	4,259	4,304	4,269	4.7%
Region 5	10,246	11,543	12,214	12,791	24.8%
Region 6	2,926	2,876	2,776	2,676	-8.5%
Region 7	7,324	7,916	8,429	8,928	21.9%
Region 8	2,209	2,563	2,708	2,859	29.4%

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Table 2.52 North Dakota Household Projections for Tax Credit Households, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Tax Credit Income Households - Earning 0% to 60% of the Median Family Income (MFI)				
	2014	2019	Projections		% change: 2014 to 2029
			2024	2029	
North Dakota	115,438	126,203	134,390	143,168	24.0%
Adams County	407	413	425	431	6.0%
Barnes County	1,738	1,805	1,822	1,851	6.5%
Benson County	1,201	1,193	1,184	1,163	-3.1%
Billings County	104	101	108	117	12.2%
Bottineau County	1,174	1,194	1,249	1,311	11.7%
Bowman County	430	430	467	484	12.5%
Burke County	415	404	401	402	-3.1%
Burleigh County	11,752	13,156	14,751	16,368	39.3%
Cass County	27,674	31,353	34,036	36,933	33.5%
Cavalier County	574	544	520	484	-15.7%
Dickey County	868	845	858	856	-1.4%
Divide County	390	376	380	398	2.0%
Dunn County	495	550	608	654	32.1%
Eddy County	431	436	429	410	-4.8%
Emmons County	817	803	796	799	-2.2%
Foster County	559	542	552	562	0.6%
Golden Valley County	410	417	414	443	7.9%
Grand Forks County	12,924	13,722	13,863	14,394	11.4%
Grant County	502	498	489	476	-5.2%
Griggs County	449	427	411	388	-13.5%
Hettinger County	396	414	411	415	4.7%
Kidder County	416	433	439	426	2.4%
LaMoure County	695	734	739	716	3.1%
Logan County	366	352	320	311	-15.0%
McHenry County	1,066	1,083	1,093	1,103	3.5%
McIntosh County	698	667	642	620	-11.1%
McKenzie County	1,382	2,021	2,471	2,997	116.8%
McLean County	1,618	1,743	1,828	1,858	14.8%
Mercer County	1,260	1,351	1,481	1,555	23.4%
Morton County	4,173	4,546	4,984	5,348	28.2%
Mountrail County	1,034	1,249	1,401	1,550	49.9%
Nelson County	632	605	602	585	-7.5%
Oliver County	246	269	287	290	18.0%
Pembina County	1,235	1,230	1,232	1,206	-2.3%
Pierce County	885	883	902	946	6.9%
Ramsey County	2,231	2,301	2,410	2,520	13.0%
Ransom County	860	854	857	857	-0.3%
Renville County	334	330	325	322	-3.7%
Richland County	2,300	2,452	2,534	2,620	13.9%
Rolette County	2,690	2,919	3,062	3,208	19.2%
Sargent County	546	602	612	607	11.1%
Sheridan County	231	226	222	211	-8.5%
Sioux County	552	624	652	681	23.3%
Slope County	116	130	135	129	10.8%
Stark County	4,156	4,810	5,430	6,101	46.8%
Steele County	305	308	323	350	14.8%
Stutsman County	3,642	3,717	3,778	3,864	6.1%
Towner County	368	388	385	358	-2.6%
Traill County	1,295	1,346	1,360	1,384	6.9%
Walsh County	1,962	1,893	1,846	1,814	-7.5%
Ward County	9,901	10,992	11,609	12,343	24.7%
Wells County	869	841	836	840	-3.3%
Williams County	3,666	4,681	5,419	6,109	66.6%
Bismarck city	10,768	11,980	13,421	14,940	38.7%
Devils Lake city	1,775	1,803	1,864	1,945	9.6%
Dickinson city	3,309	3,715	4,104	4,510	36.3%
Fargo city	22,850	26,094	28,096	30,563	33.8%
Grand Forks city	11,421	12,029	12,073	12,508	9.5%
Jamestown city	2,951	3,011	3,047	3,120	5.7%
Mandan city	3,216	3,433	3,763	4,023	25.1%
Minot city	7,677	8,214	8,650	9,170	19.4%
Valley City city	1,230	1,312	1,295	1,322	7.5%
Wahpeton city	1,230	1,339	1,334	1,360	10.6%
West Fargo city	3,552	4,010	4,483	4,816	35.6%
Williston city	2,750	3,252	3,653	4,028	46.5%
Fort Berthold Reservation	849	914	980	1,046	23.2%
Spirit Lake Reservation	695	697	697	697	0.3%
Standing Rock Reservation	552	624	652	681	23.3%
Turtle Mountain Reservation	1,643	1,692	1,738	1,789	8.9%
Region 1	5,438	7,078	8,270	9,504	74.8%
Region 2	14,809	16,135	16,980	17,977	21.4%
Region 3	7,494	7,781	7,990	8,143	8.7%
Region 4	16,754	17,450	17,543	17,999	7.4%
Region 5	32,980	36,915	39,722	42,751	29.6%
Region 6	9,882	9,930	9,958	10,008	1.3%
Region 7	21,567	23,649	25,929	28,012	29.9%
Region 8	6,515	7,265	7,998	8,774	34.7%

The Impact of Affordable Housing

Housing is defined as affordable if its occupants pay **no more than 30 percent of their income** on housing. If they pay more than 30 percent, that cost-burdened household has less money to pay for other necessities like food, clothing, healthcare, childcare and education.

Homeowners

1 in 11 are cost-burdened¹



\$1,326

The median cost per month for homeowners in North Dakota with a mortgage.²

1 in 25 are severely cost-burdened

Renters

1 in 5 are cost-burdened¹



\$16.40

The hourly wage needed for a single adult to rent an affordable two-bedroom apartment in North Dakota, costing \$855, based on HUD's fair market rents.

1 in 7 are severely cost-burdened

North Dakota occupations that pay less than \$16.40/hr.³



Childcare Worker	\$11.07
Grocery Cashier	\$11.47
Nursing Assistant	\$15.81
Janitor	\$14.57

What About Seniors?

For fixed-income households, affordable housing costs are even more important. On average, North Dakota **seniors receive \$1,344 per month⁴** in social security benefits. If social security is their only source of income, these individuals cannot afford costs greater than \$403 per month.

Housing Challenges

- Limited affordable housing options make **workforce recruitment** and retention more difficult;
- Housing needs for the state's **senior population** continue to grow;
- Special populations including people with **disabilities and the homeless** have unmet needs for housing with supportive services.

¹ U.S. Census Bureau, 2016 1 Year ACS PUMS File; ² U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates; ³ Labor Market Information, Job Service North Dakota, 2018; and ⁴ www.ssa.gov, 2017.

HOUSE APPROPRIATIONS GOVERNMENT OPERATIONS DIVISION

**TESTIMONY IN SUPPORT OF HB1014
"Housing Incentive Fund"**

Chairman Vigesaa and Committee Members. My name is Shirley Dykshoorn, and I serve as Vice President for Lutheran Social Services of North Dakota. I am here on behalf of Lutheran Social Services Housing to support the request outlined in HB1014 related to the Housing Incentive Fund.

Housing is about more than a place to live. We at Lutheran Social Services know that first hand, and perhaps with a somewhat unique perspective. We are a provider of both housing and supportive services to families, seniors, in communities all across the state. In almost every hearing we have provided testimony for, we have been able to authentically reference housing and the role it played or can play in that person's road to achieving wellbeing.

In past years we have put Housing Incentive Fund dollars to work in Watford City, Belfield, Bowman, Hettinger, Beulah and Williston. The availability of this flexible yet targeted state housing development resource was the difference between these projects being built and not. We were able to create mixed income rental housing properties that served community needs, blending lower rent apartments with more moderate rent apartments to serve people across the income spectrum.

In addition to the HIF-funded projects noted above, Lutheran Social Services also manages projects that make federal rent assistance available to tenants via USDA Rural Development of the U.S. Department of Housing and Urban Development, as well as non-subsidized properties. Our experience as a landlord to over 900 households across rural North Dakota, is that having access to a safe, decent affordable place to live is absolutely essential to

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HB 1014
1-16-19

their wellbeing. The housing is what provides a base level of stability from which each of those individuals can build a stable and successful life.

While our individual Housing Incentive Fund projects are not built specifically to serve any specific “special needs population”, they do serve people with special needs – every single day. We – today – are providing housing for veterans who had previously been homeless, seniors who are living alone on fixed incomes, young working families who struggle to make ends meet, people in recovery from addiction and/or mental illness, men and women exiting the justice system and returning to community. People who are new to our communities and people who have been our neighbors for decades. Regular North Dakotans. Who have one thing in common – they need a safe, decent affordable place to live.

The investment of resources contemplated in HB1014 for the Housing Incentive Fund can be part of making sure North Dakota has strong affordable housing infrastructure that meets the needs of people living in communities all across the state.

Thank you for the opportunity to speak to you today. I would be happy to answer any questions you have for me.

Shirley Dykshoorn
Vice President, Lutheran Social Services of North Dakota
ND Lobbyist #229
Email: shirleyd@lssnd.org
Phone: 701-429-4730

January 16, 2019

HB 1014

Attachment G



North Dakota

HB 1014 – SUPPORT for HIF

January 16, 2019

House Appropriations Committee – Government Operations

Mike Chaussee- AARP-ND

mchaussee@aarp.org or (701) 390-0161

Chairman Vigesaa, members of the House Appropriations Committee, I am Mike Chaussee, representing AARP North Dakota.

There are some ideas that hit home with us at AARP more than others. The Housing Incentive Fund is one of them. Dr. Ethel Percy Andrus founded what would become AARP. The moment of awakening for Dr. Andrus happened when she found a retired former colleague living alone, in a chicken coop, because she had run out of options. From that moment on, she set out to help older Americans live safe, secure and dignified lives.

AARP has grown to a membership of 38 million people nationwide - 88,000 live in North Dakota. They all want to live fulfilling lives.

Programs like the Housing Incentive Fund help older North Dakotans, especially those with low or fixed incomes, live in safe, comfortable housing at an affordable price.

There is a document attached to this testimony that provides information about the number of North Dakotans who live on fixed incomes. Almost a quarter of North Dakotans who collect Social Security rely on it for nearly every penny they make. And 45 percent rely on it for more than half of their income. That's a good chunk of North Dakotans who rely heavily (or fully) on Social Security. Data you also heard earlier from the Housing Finance Agency shows the average Social Security check in North Dakota averages just more than \$1,300.

Providing incentives to developers to include low income set-aside units in their developments is a creative and effective way to promote affordable housing. AARP policy supports the tenants of the Housing Incentive Fund. Specifically, there are two AARP policy principles that call for a program like HIF:

“Promote affordable housing options. Ensure that land use and other policies support the private and public sectors in providing a variety of housing sizes and

/

types. Promote funding and policy for programs that lead to an adequate supply of affordable rental and ownership options integrated with the community to meet the needs of people of all ages, family compositions, and incomes.”

“Increase capacity for public-private partnerships. *Reauthorize or create programs and policies at the federal, state, and local levels to ensure that the private sector has the capacity and tools to effectively partner with governmental agencies to increase the range of housing choices available to older people.”*

At AARP North Dakota, we believe people should be given every opportunity to choose where they live as they age. Making affordable housing options available can help keep people in the communities where they live and out of institutional care longer, saving the state money in the long run. Again, we believe this is about choice.

Additionally, we at AARP believe the priority of HIF should be on low-income North Dakotans who desperately need affordable housing. While we understand the desire to help essential service workers and other people moving into communities, we know their needs are different, and prioritizing low income residents, especially those on fixed incomes will ensure rent is affordable for those in the most financially vulnerable situations.

The Housing Incentive Fund is an excellent private and public partnership designed to build homes – and help keep North Dakotans safe and secure in the communities where they choose to live.

Again, we support the North Dakota Housing Finance Agency’s commitment to the Housing Incentive Fund. We urge you to fund the Housing Incentive Fund at the governor’s recommended level (or higher).

Thank you

Mike Chaussee, AARP North Dakota

January 16, 2019

HB 1014

Attachment H

Dear Chairman Vigesaa and members of the committee,

My name is Katie Jo Armbrust, I work for the Grand Forks Housing Authority and am here today to testify regarding the impact of the Housing Incentive Fund.

The Grand Forks Housing Authority participated in the development of the first project to utilize HIF, Cherrywood Village, in 2014. This apartment complex provides 30 - 1 bedroom/bathroom units of affordable housing to people 62 years or older in our community. People like Eunice, who after 26 years as a house mother to a local sorority, decided it was time to retire. At the age 77, her decision to retire was only made after she learned she would be eligible for a new property, designed exclusively for seniors with rents based upon annual income. As one of the original Cherrywood Village residents from the 2014 opening, Eunice now takes time for herself by voluntarily preparing food for neighbors, potlucks, playing cards, and volunteering for other city and community events. Very rarely will Eunice miss an opportunity to cheer on a UND game, she is a valued member of the Cherrywood Village community!

Without HIF, people like Eunice wouldn't have safe, decent, affordable housing. Not only does HIF provide a vital funding source to fill the gap for development of affordable housing, it can also provide funding for the preservation of existing units as well as targeted supportive services designated to prevent homelessness. These funding opportunities continue to be desperately needed in our state and I urge you to consider the impact HIF can have.

Respectfully submitted,
Katie Jo Armbrust

January 16, 2019

HB 1014

Attachment I

**House Appropriations
Government Operations Division
January 16, 2019
HB 1014**

Chairman Vigessaa and members of the Committee my name is Tom Alexander and I am the Executive Director of the Minot Housing Authority (MHA).

MHA 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. To date, this partnership has completed a two phase 64 unit affordable town home project called Washington Town Homes (SE Minot), a 42 unit called Fieldcrest (NE Minot), a 55 and older apartment setting with 40 units called Cooks Court (SE – just north of Kmart), a 40 unit town home style called The Burlington Willows (Burlington, ND) and a 35 unit apartment called Sunset Ridge (NW Minot).

Since then we have created 221 affordable units for essential workers, seniors and low income. It is my hope that this partnership continues to grow to ensure that future projects can be developed as needed and to assist in maintaining affordable housing units for the community of Minot. Having said that, the Housing Incentive Fund has been very instrumental in putting the funding together to ensure that the rents remain affordable for the above mentioned projects.

MHA fully supports HB 1014 (NDHFA budget portion) as before you today. In my opinion, the Housing Incentive Fund has been a very successful program that has created affordable housing units all over the state of North Dakota.

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Thank you and I would be happy to answer any questions you may have.
My contact information is,

Tom Alexander – Minot Housing Authority

tom.alexander@minothousing.com

701-852-0485

January 16, 2019

HB1014

Attachment 2

Testimony in Support of HB 1014
House Appropriations – Government Operations Division

Chairman: Representative Don Vigesaa
January 16, 2019

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter Inc. (BSI),
701-730-2734, dmadler@beyondshelterinc.com, Lobbyist #8

Chairman Vigesaa and members of the Committee, my name is Dan Madler, I live in ND District 27 and I am the CEO of Beyond Shelter, Inc. (BSI), a mission driven North Dakota nonprofit developer of affordable housing. I would like to express support of House Bill 1014 specifically as it relates to the requested \$20,000,000 funding of the Housing Incentive Fund (HIF).

HIF has been a great tool for Community and Economic Development and I have found its design to be very nimble as it serves as a critical gap funding source in the financing of affordable housing. Because of this, BSI has been able to put awarded HIF funds to work quickly; leveraging approximately \$12M in HIF's to produce \$79.6M in long-term quality affordable housing assets. Essentially, for every \$1 of HIF investment, BSI has been able to produce \$6.63 in long-term affordable housing assets. These affordable housing assets are currently serving the communities of Bismarck, Burlington, Dickinson, Fargo, Minot, and West Fargo and are providing 416 HIF homes to elderly and physically disabled households, victims of domestic violence, homeless individuals, law enforcement, and essential service workers.

In addition, I would say that 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 and the HIF program helps ND communities and the state of ND provide this balance.

In closing, I respectfully request your support for \$20M of HIF funding within HB 1014. This funding would be a continued long-term investment in ND communities, offering great financial leverage, while providing needed 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.

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January 16, 2019

HB1014

Attachment X

Testimony on House Bill 1014

Jason Bohrer, Chairman of the Lignite Research Council

Presented before the House Appropriations Committee – Government Operations Division
January 16, 2019

Good morning. My name is Jason Bohrer, and I am the Chairman of the Lignite Research Council. I come before you today in support of continued funding of the Lignite Research, Development and Marketing Program under House Bill 1014. I will provide a summary of the program scope and funding, and then highlight a number of the successful results from the North Dakota investments.

The Lignite Research, Development and Marketing Program includes R&D related to “new” technology options for clean and efficient use of lignite. The program is a State – industry partnership and maintains synergy with the Renewable Energy and Oil & Gas Research Programs as we work toward optimum use of regional resources for clean, efficient, low-cost reliable power while reducing the carbon footprint. The industry benefits from the program as they continue to supply energy to regional residents and industry, while strengthening the economy through creation of jobs and affordable electricity.

The program is primarily funded through the ND Coal Severance Tax of 37.5 cents on every ton of coal mined in the state, as well as a two-cents per ton R&D tax. Assuming 30 million tons of annual production – which has been the average going back a couple decades now – 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. The lignite R&D program receives \$8.4 million a biennium, which is administered by the Industrial Commission, with oversight and guidance from the Lignite Research Council. Over this past biennium, an additional \$3 million was provided by the State from the Strategic Infrastructure and Improvements Fund for supporting the Advanced Energy Technology (AET) projects directed at late-stage evaluation of technologies under consideration for commercial application in North Dakota.

After the Lignite Research Council approves a grant proposal, it is then forwarded to the NDIC, which is comprised of the governor, the attorney general and the commissioner of agriculture, for their consideration of final approval. Again, the NDIC is a partner with the regional lignite industry in the Lignite Research, Development and Marketing Program. State dollars are leveraged with industry investments as well as funding from the United States Department of Energy (DOE) for research, development and demonstration projects. Since 1987 when the partnership began, the state has invested more than \$75 million in lignite research funds. Total investment in more than 190-plus projects is in excess of \$700 million, including industry and federal funding.

As priorities for the Lignite Research, Development and Marketing Program are developed we work closely with industry to ensure that the industry needs are addressed as well as the State’s priorities. As a result of this planning effort a lignite industry roadmap was developed and is periodically updated as priorities change. The high level summary of research priorities includes:

- Support continued options to enhance performance of the existing fleet
- Invest in transformational research (Next generation of Lignite conversion systems that integrate CO₂ capture)
- Focus on Carbon Capture Utilization & Storage (CCUS)
- Leverage international R&D breakthroughs

- Renewed Focus
 - Additional value propositions for lignite (new markets)
 - Polygeneration opportunities (coproducts in addition to electricity)

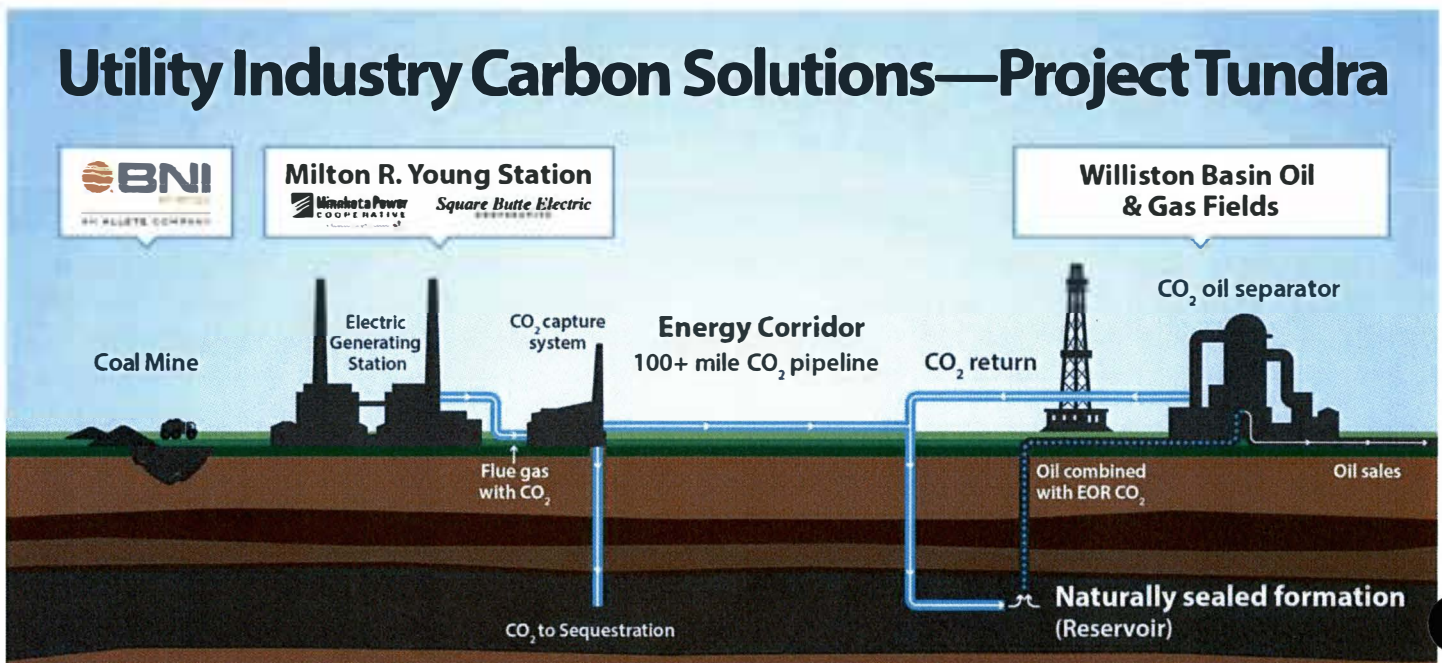
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The Lignite Research Development and Marketing Program is a well-recognized and respected program within North Dakota and beyond. There have been numerous successes throughout the history of the program. A small sampling is provided below.

- Optimized operations and cleanability with high-sodium North Dakota lignite.
- Meeting regulatory requirements for sulfur and nitrogen oxides
- Addressing mercury and trace elements while reducing capture cost by more than a factor of 20
- Support of the only US coal-to-synfuels plant (Dakota Gasification Company)
- Supporting early work leading to the Spiritwood Industrial complex and the Great River Energy Dryfining coal upgrading technology.

More recently, the investments in carbon capture utilization and storage (CCUS) technology developments have led to commercial interest in capture of CO₂ from North Dakota power plants for use in enhanced oil recovery in the Williston Basin. Commercial application of the technology in North Dakota would provide two major benefits to the State, including the critical value of extending the life of our plants and providing a source of CO₂ for producing additional oil from conventional wells that are nearing the end of economic viability without enhanced oil recovery with CO₂. A project titled Project Tundra was recently awarded \$15 million in funding from the Lignite Research Program (\$30 million total project size) to perform an engineering study and evaluate the commercial viability of CCUS at the Milton R Young Station (industry leads of Minnkota Power Cooperative and ALLETE).

This award—the largest ever under the Lignite Research Program—got the Advanced Energy Technology Fund off to a good start. It will help fund a Front-End Engineering and Design (FEED) study for Project Tundra, a commercial-sized carbon dioxide (CO₂) capture system retrofitted on an existing lignite-based power plant. Modeled after the successful Petra Nova initiative in Texas, the vision for Project Tundra is to retrofit Unit 2 at the Milton R. Young Station with technology that could capture up to 95 percent of its CO₂ emissions. The CO₂ captured at the Young Station would be pipelined to western North Dakota for use in enhanced oil recovery projects. The project would cost \$31 million and the proposal is asking for \$15 million from the Lignite Research Fund. We expect the FEED study to take up to 32 months, so we will have an update on its progress for you next time the Legislature convenes. The study will also examine a design for a underground CO₂ pipeline to transport the CO₂ to near Watford City.



By the numbers, there was an initial \$5M state investment and then another \$15M. Both of those state investments have been matched.

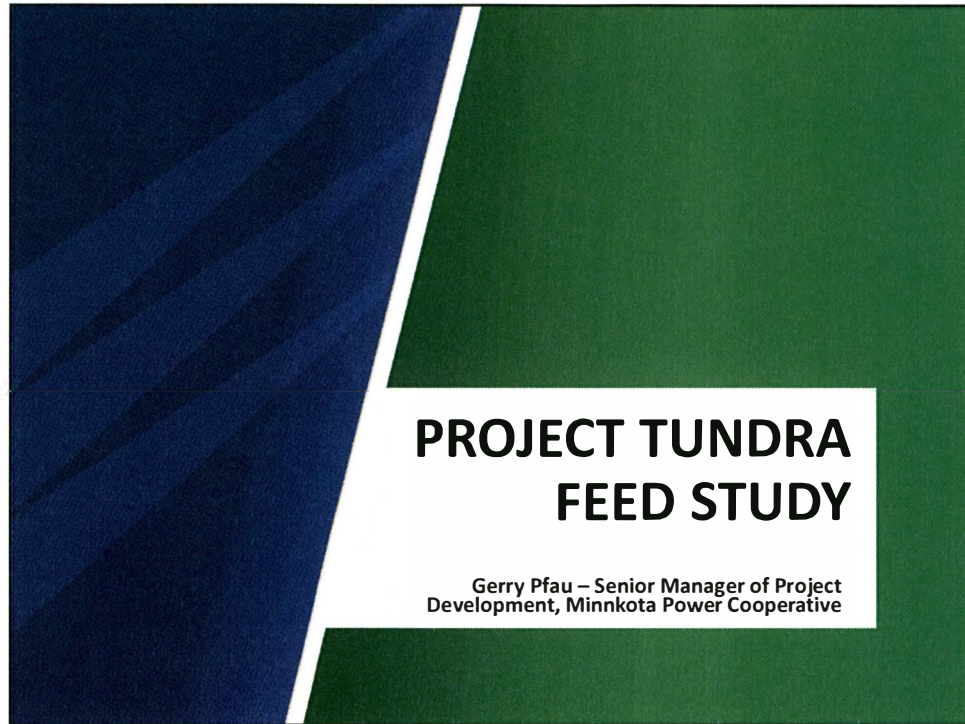
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Total approved project size is \$30M, but the hope is that actual dollars spent will be around \$35-40 million because we want to fold in PCOR and Carbonsafe Phase 3. Those are federal research programs focused on geologic storage of carbon dioxide that make sense to assimilate into our Tundra work, resulting in more dollars, greater leveraging of program assets and more data for the State of North Dakota.

As far as the Allam Cycle, In the past Biennium, we spent the remainder of the \$5M appropriated in 2015, bringing our total project size more than \$10M. The project then received additional DOE funding for \$750K, and are expecting an additional \$3M once we get the next DOE announcement to apply for funding. The data we have received has been high quality, and leaves us optimistic. For the most part, our research and reportig obligations to the Lignite Research Council have been completed with the Allam Cycle, and we await more real world testing data from the project in Texas.

So far they've gone with a 12 day testing window at 50% load. They are working toward full load and extended operation, which they hope to get to in the next few months. The next phase would look more like what we just went through with Tundra—a larger, tens of millions of dollars project with a cost share split between the State, industrial partners, and the federal Department of Energy. However before this happens we need the technical results, Texas data and economics to line up.

These are just a few of the many past successes and current opportunities. We are always happy to provide you with additional information on these or any of the many ongoing projects and opportunities for North Dakota related to our tremendous lignite resource.



WHAT IS PROJECT TUNDRA?

- Project Tundra seeks to construct the world's largest postcombustion carbon capture unit in North Dakota and utilize the CO₂ for enhanced oil recovery (EOR) in the state.
 - 95% capture at Minnkota Power's Milton R. Young Unit 2 (MRY2, 470 MW)
 - State-of-the-art carbon capture technology provided by MHI

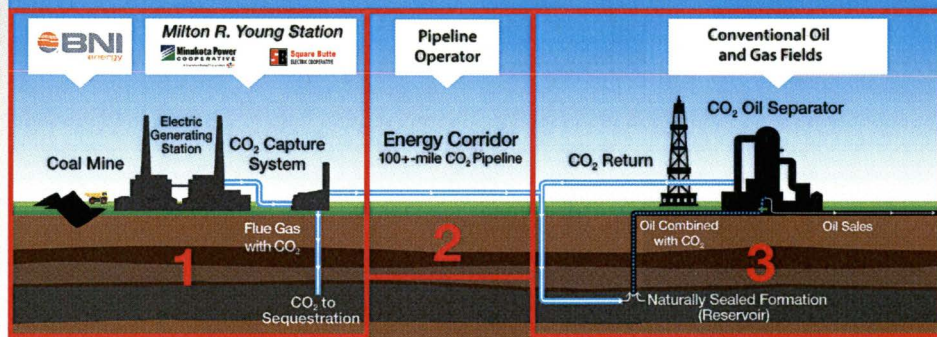
PROJECT TUNDRA FEED GOAL

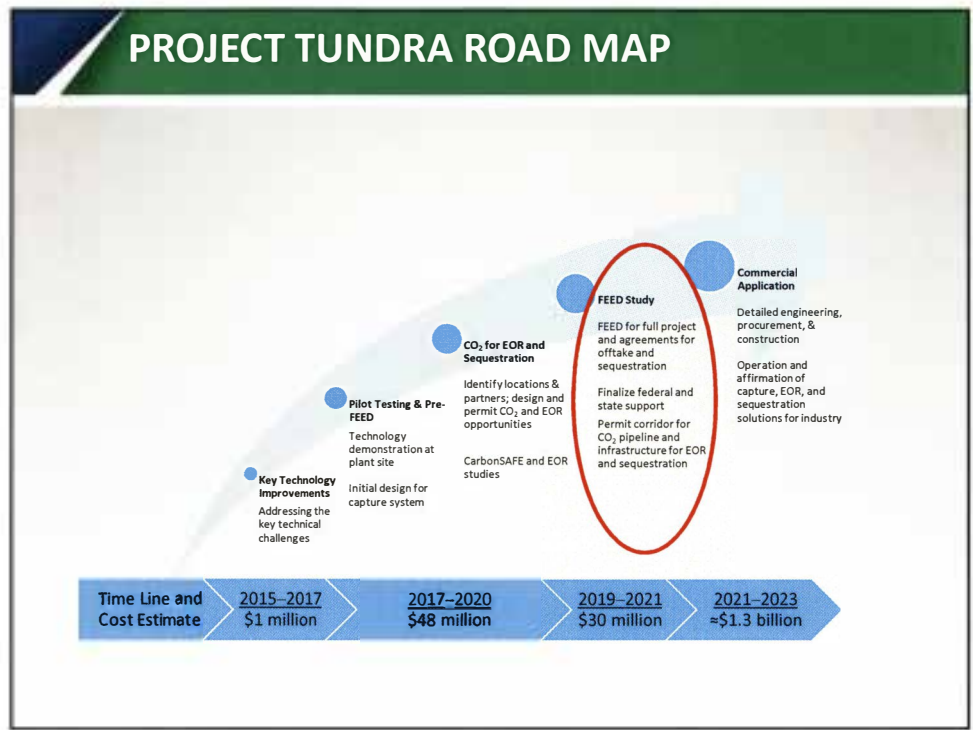
- The goal for this project is to complete FEED-level design and costs for constructing Project Tundra, including the following:
 - Capture island
 - Pipeline
 - CO₂-recycling facility
 - Assessment of secondary geologic storage

FEED = front-end engineering design (engineering design work >30%) prior to final detailed engineering, procurement, and construction)

PROJECT TUNDRA: AN INTEGRATED SOLUTION

Utility Industry Carbon Solutions—Project Tundra





SOLVENTING ON TRIPLET OILFIELD PROJECT

- Postcombustion capture (PCC) on a Powder River Basin (PRB)-fired coal plant.
- Captures 90% of the CO₂ (1.6 mm tons per year) from a 240-MW flue gas stream.
- Currently the world's largest PCC project.
- Completed in 2016 on time and on budget.
- Oil production has increased from 500 to 7000 bbl/day.

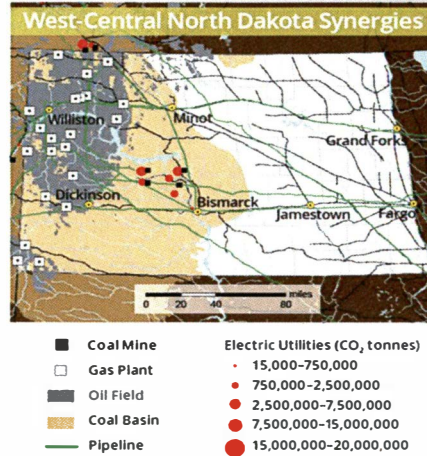
The 3D schematic of the PCC process shows the following components:

- Cooling Tower
- Compression/Dehydration
- Solvent Storage
- Regenerator
- Absorber
- Quencher
- Heat Exchangers/Pumps
- Utility Rack
- Central Room

WHY IS PROJECT TUNDRA NEEDED?

Carbon Solutions Are Strategic to North Dakota and Industry

- Allows continued utilization of North Dakota coal resources.
- Allows a continued platform for U.S. energy security and dominance – utilization of otherwise inaccessible oil reserves with captured CO₂ from coal.
- Maintains viability of existing fleet without stranded investment.
- Provides a template for future projects.



PROJECT TEAM AND INDUSTRY SPONSORS

- State of North Dakota
- Lignite Research Council
- U.S. Department of Energy NETL
- Eagle Energy Partners
- EERC
- Minnkota Power
- Burns & McDonnell
- MHI
- BNI Energy
- Square Butte Electric



PROJECT TASK STRUCTURE

- Task 1 – Project Management and Technology Transfer
- Task 2 – Project Tundra Engineering and Design
- Task 3 – Identification and Performance of Optimization Studies
- Task 4 – Development of Permitting Strategies
- Task 5 – Project Tundra Cost Estimating
- Task 6 – Pipeline and Recycling Facility Design
- Task 7 – Geologic Storage Investigation

PROJECT MANAGEMENT STRUCTURE



EERC JL55171 AJ

TASKS 2 AND 3

- Task 2: Capture System Engineering and Design
 - Burns & McDonnell: Integration of the capture facility with MRY2
 - MHI: FEED-level design (>30%) of the capture facility
- Task 3: Perform Optimization Studies
 - Identify new short-term studies to address findings from the pre-FEED, and optimize economic performance



TASKS 4 AND 5

- Task 4: Develop Permitting Strategies
 - Minor source (non-PSD) air permit application
 - NPDES general permit for storm water discharges from construction activities
 - Industrial wastewater discharges
- Task 5: Estimate Costs
 - FEED-quality estimate
 - Firm project price (+/- 10%)
 - Final determination for board approval



TASKS 6 AND 7

- Task 6: Design Pipeline and Recycling Facility
 - Determine pipeline size, design, cost, route, and schedule
 - Evaluate surface facility needs for CO₂ recycling
- Task 7: Investigate Geologic Storage
 - Acquisition, analyses, and development of site characterization data necessary for buffer storage

PROJECT SCHEDULE AND MILESTONES

Task	Start (Month)	End (Month)
Task 1 - Project Management and Technology	1	32
Task 2 - Project Tundra Engineering and Design	1	32
Task 3 - Identification and Performance of Optimization Studies	1	32
Task 4 - Development of Permitting Strategies	1	32
Task 5 - Project Tundra Cost Estimating	1	32
Task 6 - Pipeline and Recycling Facility Design	1	32
Task 7 - Geologic Storage Investigation	1	32

Milestones

M1 - CCS Finalized for BOP	M4 - CCS Piping Terminal Point List Available to BOP
M2 - CCS Electrical Load List Available to BOP	M5 - Fluid Rates Determined
M3 - CCS Foundation Information Available to BOP	M6 - FEED Study Report Submitted to Sponsors

UP 11/4/11

Key pre-FEED information available!

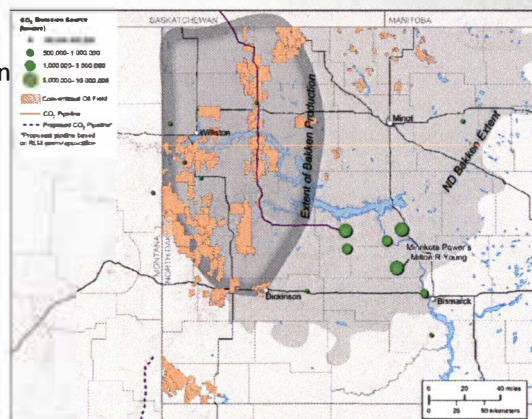
FUNDING SOURCES

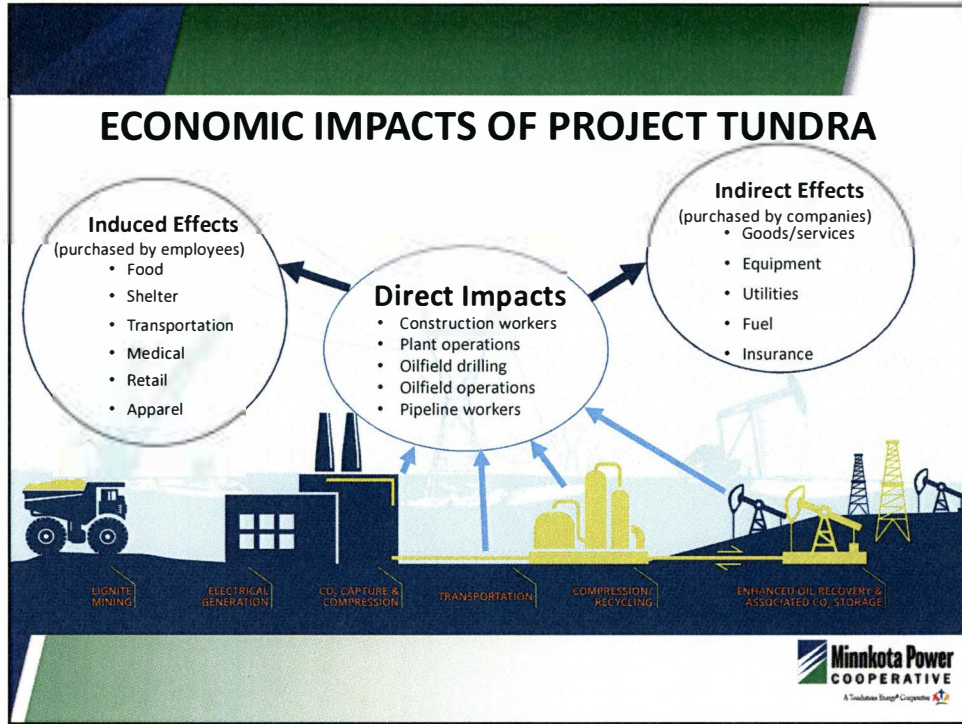
Partner	Funding Amount (cash)	Funding Amount (in-kind)	Total Project
NDIC LRC	\$15,000,000		\$15,000,000
Minnkota	\$300,000	\$864,414	\$1,164,414
DOE NETL*	\$15,000,000		\$15,000,000
Total Project	\$30,300,000	\$864,414	\$31,164,414

*Additional ≈\$15 million from CarbonSAFE anticipated.

BENEFITS TO NORTH DAKOTA

- Protects and preserves \$5 billion lignite industry
- Revitalizes legacy oil fields
- Creates a new EOR industry
- Creates temporary and long-term jobs
- Boosts annual revenue to the state


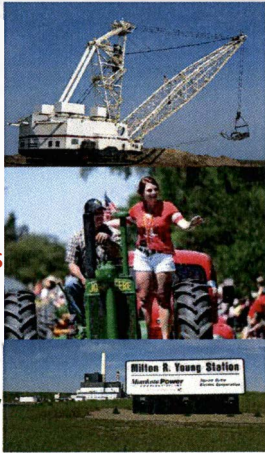




PROJECT TUNDRA IMPACT ESTIMATES

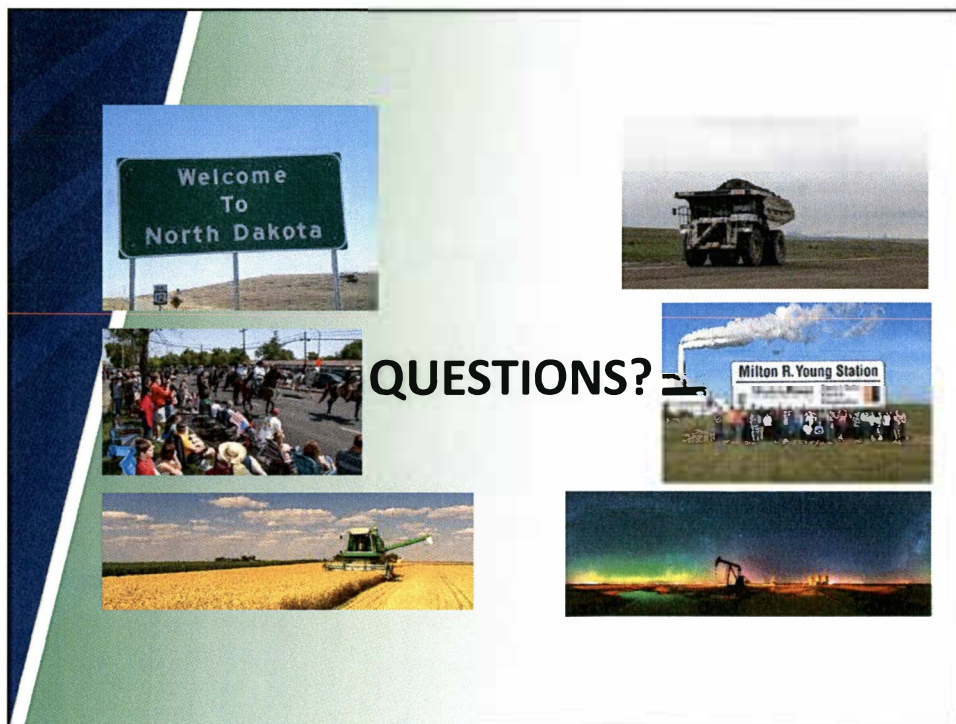
- Project Tundra will have a lasting impact on the North Dakota economy.

Annual Taxes and Revenue		>\$46 million
Jobs During Construction	Long-Term Jobs	3200
		2700
Peak Annual Economic Activity		>\$1 billion

KEY PROJECT OUTCOMES

- FEED-level design and cost for constructing Project Tundra (capture/balance of plant)
- Site characterization data necessary to establish a geologic storage complex
- Permitting plan for Project Tundra, e.g., Class II, VI well(s), pipelines, etc.
- Necessary information for board-level investment decision
- Template for future capture projects in North Dakota



January 17, 2019

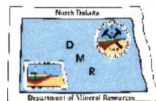
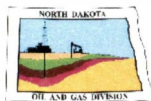
HB 1014

Attachment 4

HOUSE APPROPRIATIONS GOVERNMENT OPERATIONS DIVISION HB 1014

January 17, 2019

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission



LITIGATION FUNDING

The Industrial Commission anticipates \$1,500,000 for possible litigation. The Executive Recommendation moved the agency requested \$1,500,000 for Litigation funding to an OMB maintained Litigation Fund.

An additional \$412,505 of unspent funds from the 65th Legislative Session SB 2134 Ordinary High Water Mark study should be considered for transfer to the litigation fund. There is potential for expert witness costs during any litigation resulting from this study. Costs are not expected soon, but there is a two-year window for litigation to be brought forward until September 27, 2020.

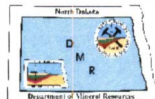
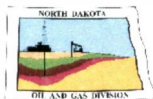
DMR supports the Litigation Funding pool, only because our ITD Connect ND rates are calculated based on total appropriation.

CONNECTND

ITD bills each agency for the cost of ConnectND (the PeopleSoft financials and human resource applications). Each agency has a ConnectND fee on their data processing bill each month. The amount each agency needs to budget is as follows:

- \$11.72 per month for each legislatively authorized FTE identified in the 2017-2019 Legislative Appropriations book.
- \$9.11 per month for every \$1 million appropriated to the agency as identified in the 2017-2019 Legislative Appropriations book.

(Copied from the ITD 2019-2021 budget guidelines: <https://www.nd.gov/itd/support/billing/2019-2021-budget-guidelines>)



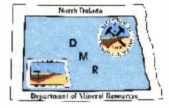
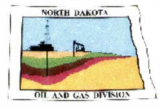
Att. A HB 1014
1-17-19

SENATE BILL NO. 2015 (GOVERNOR'S RECOMMENDATION)

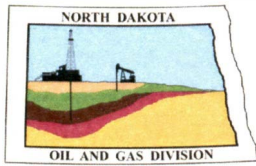
SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the office of management and budget for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

	Base Level	Enhancements	Appropriation
Salaries and Wages	21,596,832	(333,040)	21,263,792
Operating Expenses	14,051,438	4,426,233	18,477,671
Contingency Fund	600,000	(100,000)	500,000
Capital Assets	973,477	1,863,648	2,837,125
Grants	54,000	100,000	154,000
Guardianship Grants	1,328,600	-	1,328,600
Community Service Grants	-	350,000	350,000
Prairie Public Broadcasting	1,200,000	-	1,200,000
Litigation Pool	-	4,000,000	4,000,000
State Student Internship	-	250,000	250,000
Health Savings Account	-	1,500,000	1,500,000
Cybersecurity Remediation Pool	-	-	-
Total All Funds	39,804,347	12,056,841	51,861,188
Less Estimated Income	11,234,087	6,742,358	17,976,445
Total General Fund	28,570,260	5,314,483	33,884,743
Full-time Equivalent Positions	117.00	-9.00	108.00

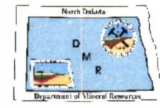
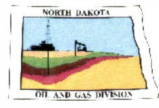
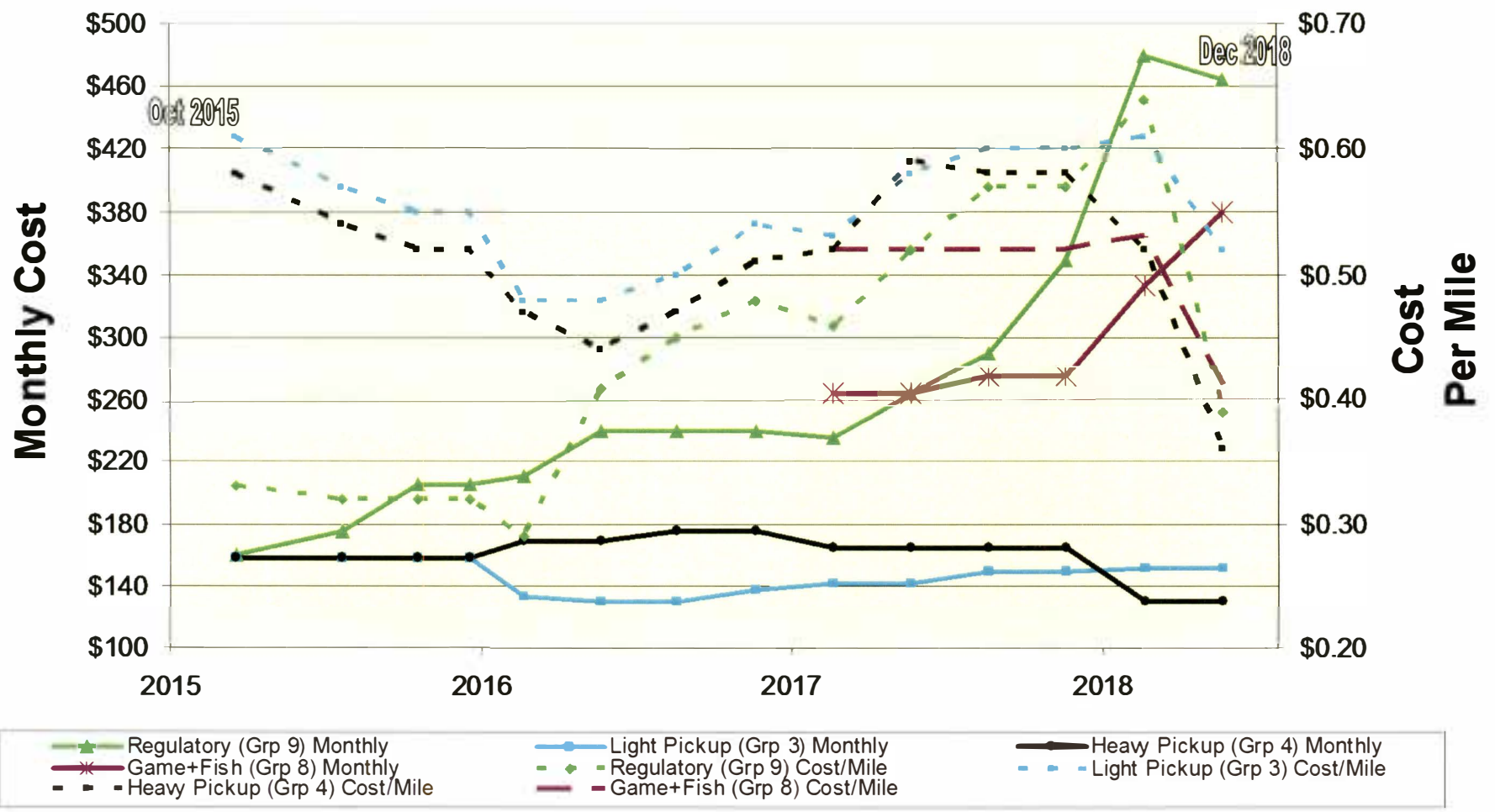
SECTION 10. OFFICE OF MANAGEMENT AND BUDGET – LITIGATION POOL. The office of management and budget may transfer to each eligible agency appropriation authority from the litigation pool line item contained in section 1 of this Act. Transfers may be made for the purpose of providing litigation services for the biennium beginning July 1, 2019, and ending June 30, 2021.



AH. A HB1014
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North Dakota Fleet Service Rates



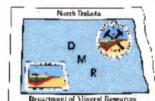
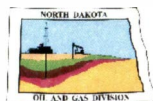
AH. A

HB1014

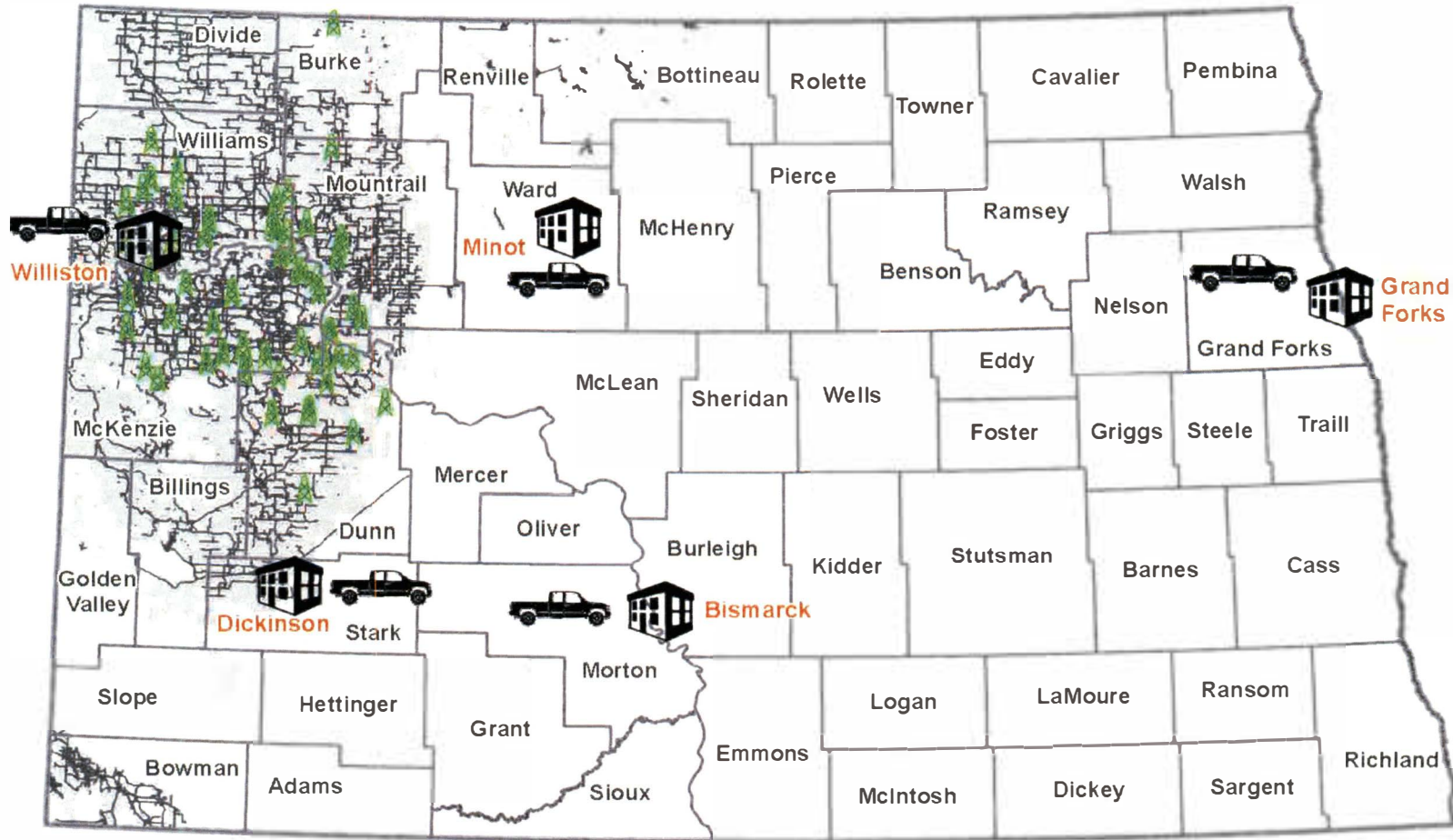
1-17-19

MITIGATION FUNDING

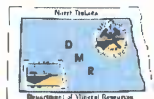
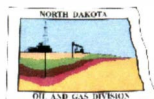
	Biennium Totals		Biennium Estimates	
	2013-2015	2015-2017	2017-2019	2019-2021
Reclamation of well sites placed into service after July 31, 1983	\$2,127,131	\$2,087,200	\$2,562,000	\$3,000,000
Reclamation of well sites placed into service on or before July 31, 1983		\$954,732	\$3,426,000	\$600,000
Legacy Brine Studies		\$247,604	\$1,358,000	\$400,000
Total	\$2,127,131	\$3,289,536	\$7,346,000	\$4,000,000



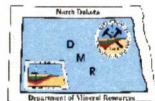
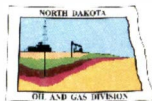
DEPARTMENT OF MINERAL RESOURCES STAFFING



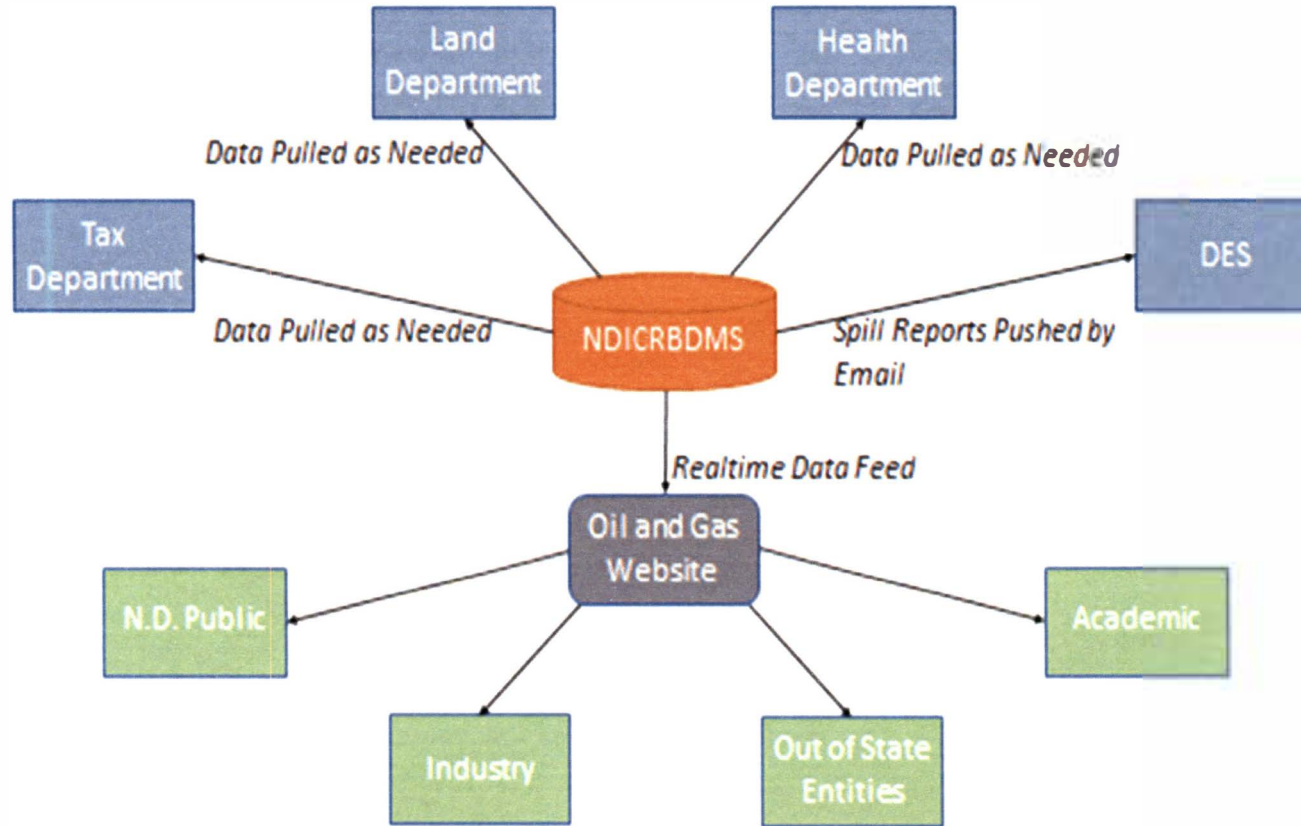
Years of Service	0-3	4-6	7-10	11-15	16-20	21-25	26-30	30+
FTE	22	23	19	8	7	3	2	10
%	23%	25%	20%	9%	7%	3%	2%	11%



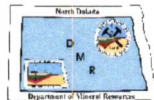
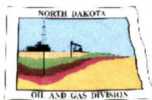
NORTHSTAR NORTH DAKOTA STATEWIDE TRACKING AND REPORTING SYSTEM



DATA PROVIDED TO OTHER ENTITIES BY RBDMS



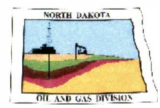
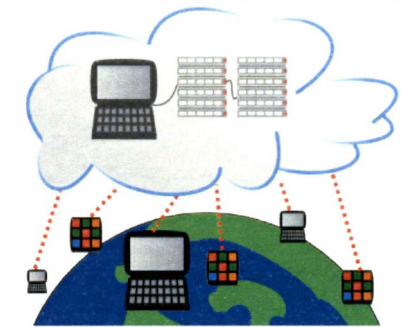
Industry data users include IHS, Drilling Info, FracFocus
NorthSTAR will improve data delivery, remove need to scrape data
System will be more compatible with Unified Spill Reporting initiative



WHAT IS NORTHSTAR?

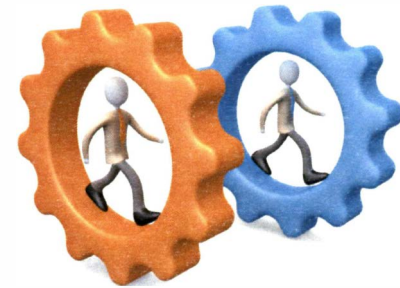
NorthSTAR - North Dakota Statewide Tracking And Reporting System is the branding of the Ground Water Protection Council's well management system – Risk Based Data Management System (RBDMS). This upgrade is sponsored in part by the US Department of Energy

NorthSTAR will be used by North Dakota operators and regulators. It is a cloud based application designed to help manage information by streamlining operations, simplifying processes, providing a better way for Operators and Division to collaborate, collect and analyze data.



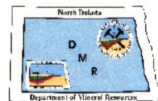
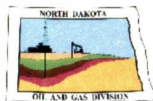
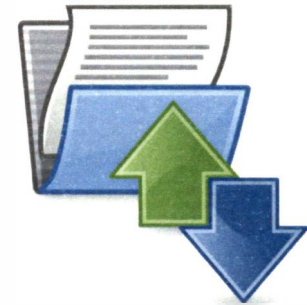
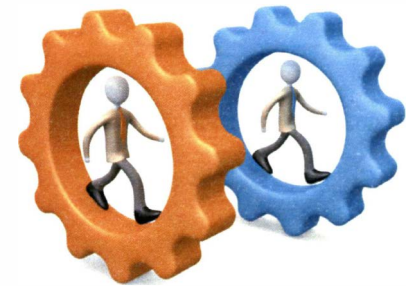
PROJECT PURPOSE AND OBJECTIVES

- Purpose
 - To upgrade the agency's legacy information management system. It will include several resource saving components including electronic form acceptance to save manual data entry.
- Objectives
 - Improve reporting
 - Improve processes/work flows
 - Allow for electronic form submission
 - Allow for more data gathering and analysis



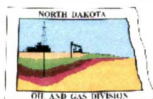
PROJECT HISTORY

- Legacy RBDMS platform
 - Originally implemented in North Dakota with GWPC collaboration in 2002
 - Has undergone several version updates. The most recent of which was May of 2013
 - At end of support
 - Running on Access 2003 & 2010

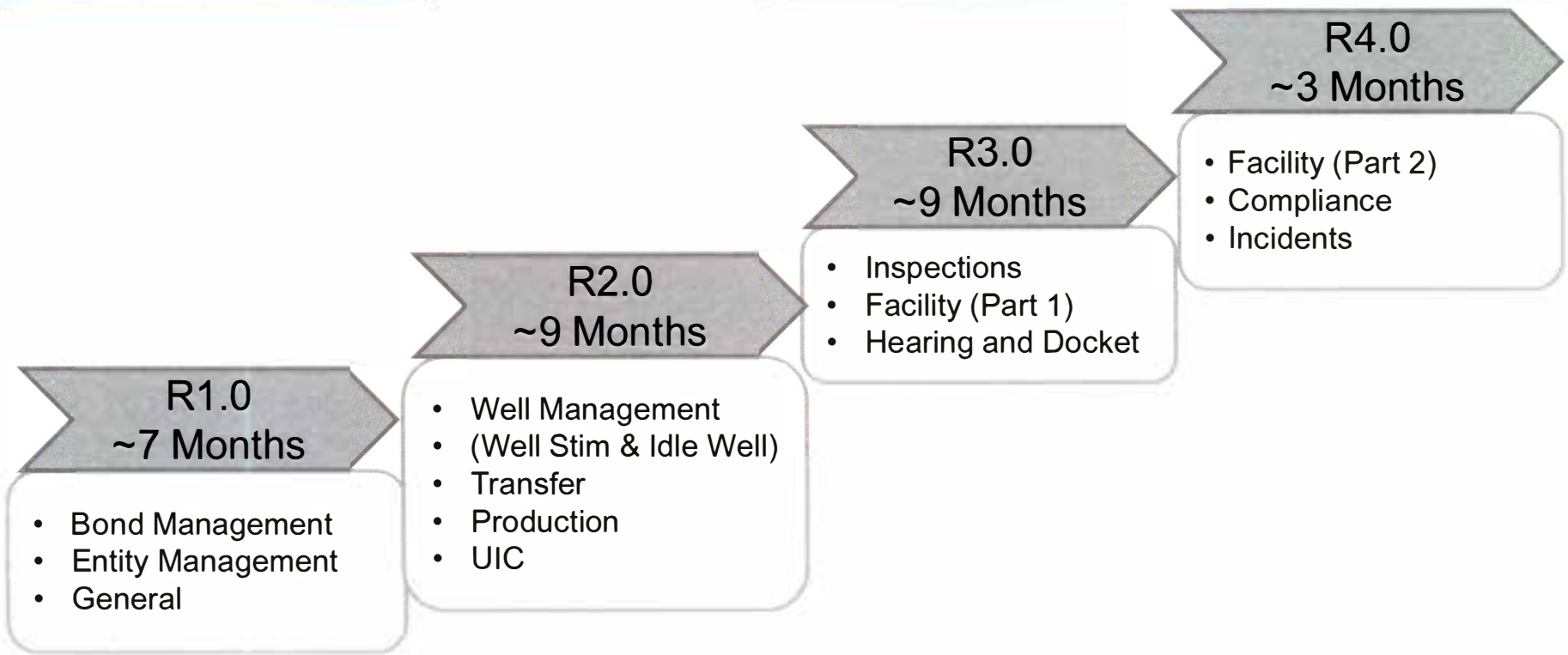


PROJECT HISTORY CONTINUED

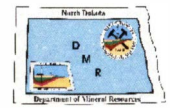
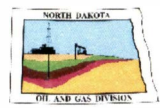
- Business Process Modelling Analysis
 - Completed in December 2016
- Fit/Gap Analysis (Comparing California requirements to North Dakota)
 - Completed in June 2018
 - 1,750 functional requirements were identified:
 - 77% were Direct Match, or Modify
 - 23% were new functions largely surrounding Hearings and Dockets and Gathering System area which aren't in California system
 - A pilot project also took place for proof of concept to gauge effectiveness collaborating with GWPC using a remote build



PROJECT SCHEDULE

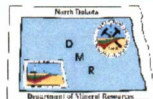
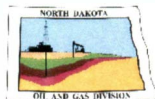


Each component is stand alone and functional upon completion
Legacy and NorthSTAR systems will be run parallel through project



TECHNOLOGIES OF NORTHSTAR

- .NET Core
- ASP.NET Core 1.1.1
- Entity Framework (EF) Core 1.1.1
- HTML5
- JavaScript
- Kendo UI 2017.2.504
- JQuery 2.2.0
- C# 6
- SQL Server 2016 – Enterprise Edition
- SQL Server Reporting Services (SSRS) 2016
- SQL Server Integration Services (SSIS) 2016
- Telerik Kendo UI 2017.2.504
- ActivePDF Developer Toolkit and Server Tools 2017.1.0.18110
- Hangfire 1.6.13

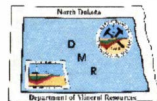
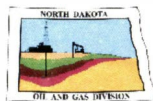
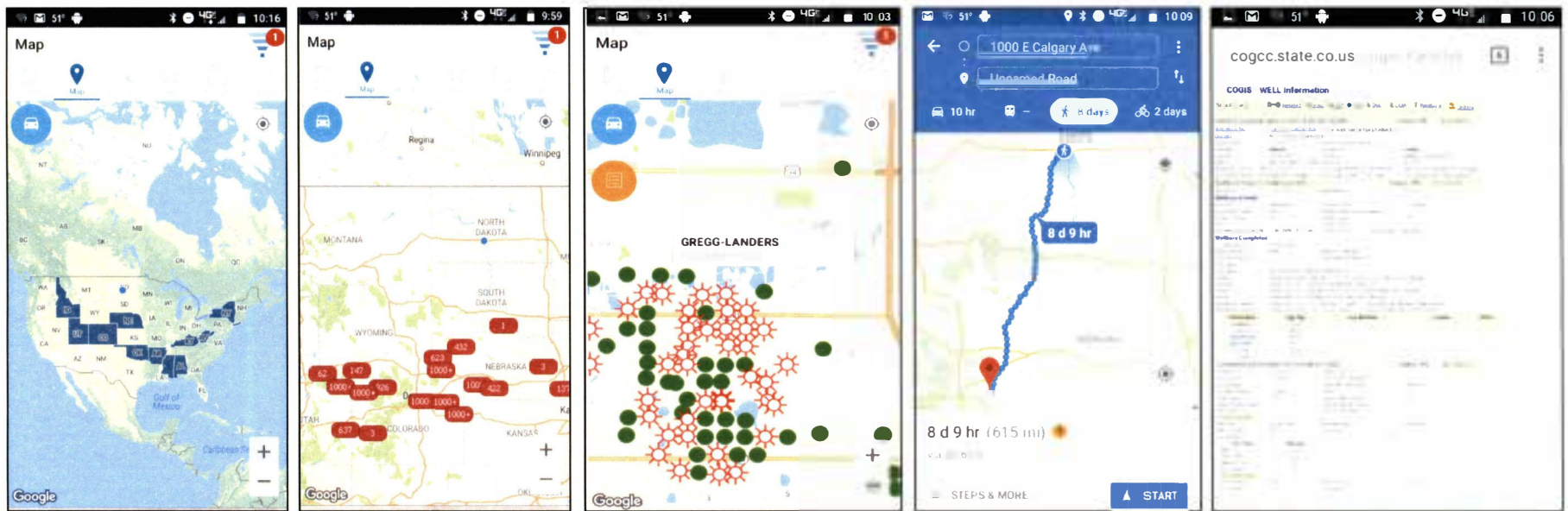


CLOUD BASED SOLUTION

- NorthSTAR upgrade is being hosted within ITD Azure
 - 16 Virtual Machines (VM) hosting development environments
 - Utilizing ITD Cybersecurity protocols/Zero Trust Model
 - Production at end of project is expected to be hosted on 1 VM
 - Being within ITD cloud setting will improve ability to share data with other State agencies
 - Improved backup protocols and data recovery operations

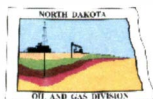
NORTHSTAR APP FRIENDLY

- WellFinder utility



NORTHSTAR OPERATOR OUTREACH

- Project Website:
 - Email sign up to receive updates about the project
 - 224 operators have signed up since link was published online (1-09-2019)
 - <https://www.dmr.nd.gov/oilgas/northstar.asp>
- Operator Feedback
 - Monitoring oil and gas email for inquiries and feedback on the project progress
- Impact on Business Process
 - Encouraged operators to prepare for the impact on your business process and how data is reported to DMR moving forward
- Held an "Introduction to NorthSTAR" webinar on 1-16-2019
 - 189 operators registered for the webinar



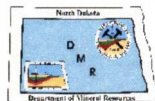
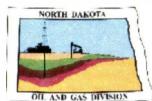
DATA ENTRY METHODS

Manual Forms (Internal/External Users)

- HTML replacing most PDF
- Initial validation
- Feedback on form status

Bulk Upload (XML option)

- Initial validation
- Feedback on form status
- Ability to partially accept form data
 - Return error records to operator



FIXING VALIDATION ERRORS OR WARNINGS

- The user can manually fix errors on each record, or
- The user can resubmit the file (previously submitted data will be replaced).

Status	Validation	Actions
	Errors and/or Warnings on row	Actions ▼
	Warning: Amendment to previous data	Actions ▼
	Error: Invalid Source of Wat...	Actions ▼
	Errors and/or Warnings on row	Actions ▼
	Error: Invalid Kind of Water...	Actions ▼



Actions ▼

Edit Data
Remove Well

Edit Data

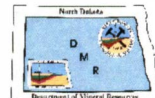
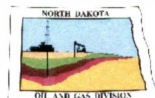
Field Disposition Data

Error Invalid Gas Blown to Air
Warning Amendment to previous data

All fields are required

Field Name Also Cany ▼	Field Code 2413 ▼	District 1
Oil Used in Oil & Gas Operations (bbl)	Gas Used in Oil & Gas Operations (Mcf)	Gas Blown to Air (Mcf)
<input type="text"/>	<input type="text"/>	<input type="text"/>

Cancel Save



LEGACY SYSTEM LOGIN PAGE

NDIC RBDMS - [Welcome Switchboard]

N.D.I.C.
Oil & Gas Div.

- FAQ
- Field Activity System
- Well Filter Form
- RBDMS Forms Menu
- RBDMS Reports Utili...
- User Queries
- Well Filter Form with Pools
- About RBDMS
- Exit RBDMS

Current Well File Number Filter: 20001

Select or enter an existing Well File Number

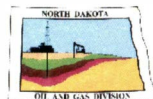
Welcome to RBDMS: CWV

Edit Inquiry

Version: 05/20/2013
Customized by AII LLC in addition to the North Dakota Industrial Commission

Select Well File Number to Filter On.

NUM



AH. A #B1014
1-17-19

LEGACY SYSTEM

ORGANIZATION REPORT - FORM 2
 INDUSTRIAL COMMISSION OF NORTH DAKOTA
 OIL AND GAS DIVISION
 600 EAST BOULEVARD - DEPT. 405
 BISMARCK, ND 58505-0341
 58N 5748 03-2000

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM
 PLEASE SUBMIT THE ORIGINAL

Full Name of Company, Organization, or Individual _____ Telephone Number _____

Address _____ City _____ State _____ Zip Code _____

Form of the Organization (i.e., Corporation, Joint Stock Association, Partnership, etc.) _____

State the Purpose of the Organization (i.e., Producer, Pipeline, Refiner, etc.) _____

COMPLETE IF APPLICABLE

State Where Incorporated _____ Date of Permit to do Business in North Dakota _____

Name of North Dakota Agent _____ Telephone Number _____

Address _____ City _____ State _____ Zip Code _____

OFFICERS	NAME	POST OFFICE ADDRESS
TRUSTEE		
TRUSTEE		
PRESIDENT		
VICE-PRESIDENT		
SECRETARY		
TREASURER		

DIRECTOR'S NAMES	POST OFFICE ADDRESS

Is this a reorganization?
 NO YES - What was the previous organization? _____

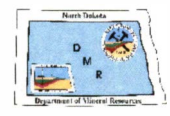
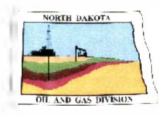
I hereby swear or affirm that the information provided is true, complete and correct as determined from all available records. _____ Date _____

Signature _____ Printed Name _____ Title _____

STATE OF _____) ss _____ Notary Public
 COUNTY OF _____)

_____ known to me to be the person described in and who executed the foregoing instrument, personally appeared before me and acknowledged that (s)he executed the same as a free act and deed.

Notary Public _____ My Commission Expires _____



LEGACY SYSTEM

frmRefCompany_Main

Bonds News **Company Data Entry Form**

Filter To: **ENDURO OPERATING, LLC**

CoNo: 3993 Status: Active Edit Company Types

Company: ENDURO OPERATING, LLC Organization Type: Limited Liability Corporation Org. Reg. Bond: 4/27/2012

RigName: ENDURO OPERATING, LLC Company Types: Newspaper Information

Alias: ENDURO OPERATING, LLC CompanyType: Permat. Agent Permattee: Publish

C/O: Address: 777 MAIN STREET SUITE 600

St: TX Zip: FORT WORTH 76102

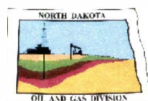
Country: Phone: (817) 744-8200 Ext: Fax: Record: 1

Representatives

Use	Type Rep	Rep Name	Title	Phone	Ext	EMail
TAH	Docket Operator	BILL PARDUE	VP Operations	(817) 744-8200	2019	bpardue@endurores.com
JAB	Regulatory Officer	BILL PARDUE		(817) 744-8200		bpardue@endurores.com
JVT	General Representative	BILL PARDUE	VP Operations	(817) 559-8636		
JLG	Engineer	Chuck Comehus	Field Foreman	(01) 651-4133		
CMS	General Representative	Chuck Comehus	Pumper	(01) 651-7413		

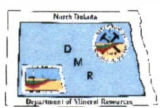
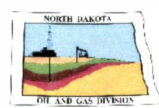
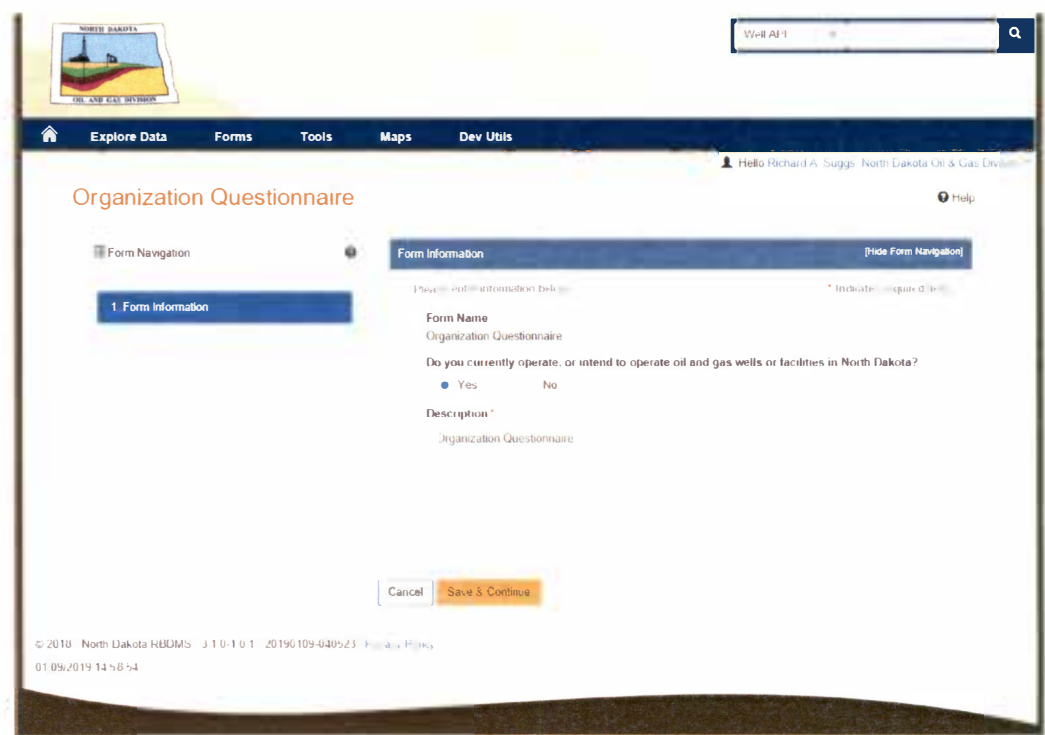
Notes

Bond	Amount	Type	Comment
E350	\$100,000.00	Unit Blanket Bond	LONE TREE SHERWOOD UNIT
E351	\$100,000.00	Blanket Bond	#13796 - FAULTY BOND #E508
F352	\$100,000.00	Unit Blanket Bond	MOUSE RIVER PARK MADISON UNIT

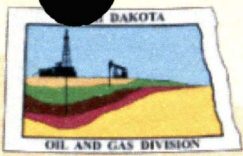


NORTHSTAR DEMONSTRATION

- Entity Management
 - Operator data is entered in RBDMS
 - Operator submits form to identify an Administrator
 - The Administrator will manage permissions within the operator company
 - DMR will establish RBDMS permissions for the Administrator
 - Operator Administrator manages operator contact information in RBDMS



AH A HB1014 1-17-19



Org Code

Hello Stephan Nordeng North Dakota Oil & Gas Division

Home

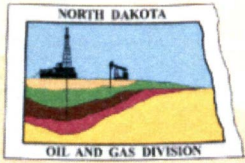
Help

- Alerts Online Forms Forms In Progress Forms Submitted My Organization

Advanced Filtering Actions Search

Date Severity Message Status Actions

AH A HB 1014
1-17-19



Org Code

Organization Questionnaire

Form Navigation

Form Information

[Hide Form Navigation]

1. Form Information

Please enter information below

* Indicates required field

Form Name

Organization Questionnaire

Do you currently operate, or intend to operate oil and gas wells or facilities in North Dakota?

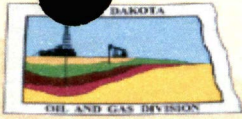
Yes No

Description *

Cancel

Save & Continue

Att. A HB1014
1-17-19



Org Code

Organization Questionnaire

Help

Form ID: 48

Form Navigation

Organization [Hide Form Navigation]

- 1 Form Information
- 2 Organization**
- 3 People
- 4 Document Upload
- 5 Form Submit
- 6 Confirmation
- 7 Review Comments
- 8 Reviewer Fields
- 9 Review

Enter information related to the Organization below

* Indicates required field

Type of Organization *

Corporation

Name *

Smith & Co Oil & Gas

Short Name

S&C Oil & Gas

Web Address

Smith&Co.com

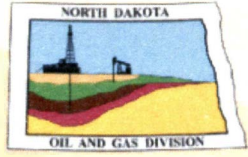
Role(s)

DrillingCo X

Organization Addresses

Type	Address	Primary	Actions
			Add Address

AH. A HB1014
1-17-19



Org Code

Organization Questionnaire

Help

Form ID: 48

Form Navigation

Person Info [Hide Form Navigation]

1 Form Information

2 Organization

3 People

4 Document Upload

5 Form Submit

6 Confirmation

7 Review Comments

8 Reviewer Fields

9 Review

Person Already Exists in RBDMS

Person Does Not Exist in RBDMS

* Indicates required field

Find Person *

Relationship Types *

Relationship Attributes

RBDMS User

Admin

Cancel

Save

Back

Next

2 Co

AH. A HB1014 1-17-19



Org Code []

Explore Data Forms Tools Dev Utils

Hello Rachel Morris, North Dakota Oil & Gas Division

Organization Questionnaire

Help

Form ID: 48

Form Navigation

Document Upload

[Hide Form Navigation]

- 1. Form Information
- 2. Organization ✓
- 3. People ✓
- 4. Document Upload
- 5. Form Submit
- 6. Confirmation
- 7. Review Comments
- 8. Reviewer Fields
- 9. Review

Document Upload

* Indicates required field

Category
Organization

Type *

Relevant Date *

Description *
All comments are discoverable records open to public review

Filename *

Browse

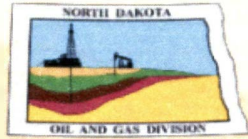
Cancel Upload

and complete all required fields to upload a

Filename	Size	Actions
		Actions

Back Next Save

27



Org Code

AH A 1-17-19 HB1014

Organization Questionnaire

Help

Form ID: 48

- Form Navigation
- 1 Form Information
- 2 Organization ✓
- 3 People ✓
- 4 Document Upload ✓
- 5 Form Submit**
- 6 Confirmation
- 7 Review Comments
- 8 Reviewer Fields
- 9 Review

Form Submit [Hide Form Navigation]

Associate related online form submissions to this submission by entering the Form ID or Form Description

Comments

Acknowledgement

Submitter

Date Received

1/14/2019

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct and complete *

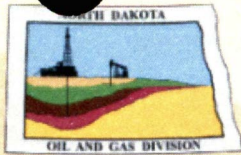
Form Submit Preview

Click the button below to preview your submission summary.

[Preview Submission Summary](#)

Back Save

Att. A HB 1014
1-17-19



Org Code

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Organization Questionnaire

Form ID: 58

[Form Navigation](#)

- 1 Form Information
- 2 Organization ✓
- 3 People ✓
- 4 Document Upload ✓
- 5 Form Submit
- 6 Confirmation**
- 7 Review Comments
- 8 Reviewer Fields
- 9 Review

Confirmation [Hide Form Navigation]

 Your Organization Questionnaire form 58 has been submitted successfully. Once approved, an email providing initial login instructions will be sent to newly created North Dakota RBDMS users.

[Close](#)

Att. A HB1014 1-17-19

ANALYSIS OF THE ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS

	2017-19 Biennium		2019-21 Biennium	
Beginning balance		\$17,382,475		\$21,028,063
Add estimated revenues				
Fees, forfeitures, transfers, and recoveries penalties	\$3,211,000 ¹		\$2,157,000 ¹	
Oil and gas tax collections	8,399,588 ^{2,3}		7,000,000 ^{2,3}	
Total estimated revenues		11,610,588		9,157,000
Total available		\$28,993,063		\$30,185,063
Less estimated expenditures and transfers				
Reclamation of well sites placed into service after July 31, 1983	\$2,562,000		\$3,000,000	
Reclamation of well sites placed into service on or before July 31, 1983 (2017 HB 1347)	3,426,000		600,000	
Transfer to the environmental quality restoration fund (2015 SB 2190)	400,000		400,000	
Brine pond and soil remediation studies (2017 HB 1347)	1,358,000		400,000	
Pipeline restoration and reclamation oversight program - Agriculture Commissioner (2017 HB 1009; 2019 SB 2009)	200,000 ⁵		200,000 ⁵	
Miscellaneous ⁶	19,000		25,000	
Total estimated expenditures and transfers		7,965,000		4,625,000
Estimated ending balance		\$21,028,063		\$25,560,063

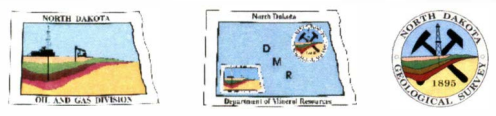
¹Revenues to the fund include:

- Fees collected by the Oil and Gas Division of the Industrial Commission for permits or other services;
- Funds received from the forfeiture of drilling and reclamation bonds;
- Funds received from any federal agency or from donations related to well plugging and site reclamation;
- Transfers or grant awards from the oil and gas impact fund; and
- Funds recovered from the sale of confiscated equipment and oil and from certain civil penalties (2019 SB 2123 clarifies the types of equipment that can be confiscated)

²In House Bill No. 1032, the 2015 Legislative Assembly increased the oil and gas tax allocations to the fund by \$2.5 million per fiscal year, from \$5 million to \$7.5 million, and increased the allocation limit from an amount that would bring the balance of the fund over \$75 million to an amount that would bring the balance of the fund over \$100 million. These changes were contingent upon the "large" trigger not being in effect at any time during the first 6 months of the 2015-17 biennium. The contingency was met, which allows the allocation limit and the fund balance limit to increase. In Senate Bill No. 2013, the 2017 Legislative Assembly decreased the oil and gas tax allocations to the fund by \$3.5 million per fiscal year, from \$7.5 million to \$4 million; however, the decrease is effective only for the 2017-19 biennium. **DMR recommends \$3.5 million per fiscal year for the 2019-2021 biennium**

³Estimated 2017-19 biennium revenues - The estimated allocations for the 2017-19 biennium reflect actual allocations through December 2018 and estimated allocations for the remainder of the biennium based on the 2017 legislative revenue forecast.

⁴For the 2017-19 biennium through December 31, 2018, the State Department of Health has not requested any transfers. North Dakota Century Code Section 38-08-04.5 allows for transfers from the abandoned oil and gas well plugging and site reclamation fund with the requirement that any transfers into the



environmental quality restoration fund will be returned by the State Department of Health to the abandoned oil and gas well plugging and site reclamation fund.

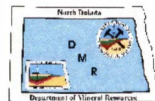
⁵The 2017 Legislative Assembly appropriated \$200,000 in House Bill No. 1009 As introduced, Senate Bill No. 2009 (2019) also appropriates \$200,000 As of December 31, 2018, the Department of Agriculture requested and received \$39,230 of the \$200,000 appropriation for the 2017-19 biennium.

⁶Miscellaneous expenditures include credit card merchant fees and audit fees.

FUND HISTORY

The fund was established in 1983 under Section 38-08-04.5. The purpose of the fund is to defray the costs of plugging or replugging oil wells, the reclamation of well sites, and all other related activities for wells or pipelines. The money in the fund may be spent, pursuant to a continuing appropriation, for contracting for the plugging of abandoned wells; contracting for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and access roads; paying mineral owners their royalty share of confiscated oil; and paying any contract-related expenses. The Industrial Commission is to report to the Budget Section each biennium on the expenditures of the fund and the fund balance.

The 2015 Legislative Assembly, in House Bill No. 1032, increased the oil and gas tax allocation to the fund by \$2.5 million per fiscal year, from \$5 million to \$7.5 million, and increased the allocation limit from an amount that would bring the balance of the fund over \$75 million to an amount that would bring the balance of the fund over \$100 million. In Senate Bill No. 2013, the 2017 Legislative Assembly decreased the oil and gas tax allocations to the fund by \$3.5 million per fiscal year, from \$7.5 million to \$4 million; however, the decrease is effective only for the 2017-19 biennium.



January 17, 2019

HB1014

Attachment B

**TESTIMONY, HOUSE APPROPRIATIONS GOVERNMENT
OPERATIONS COMMITTEE
JANUARY 16, 2019
HOUSE BILL 1014**

Mr. Chairman and members of the Committee, below is the detail of Bank of North Dakota's proposed enhancement to its budget for informational technology costs as requested by Representative Mock.

	2017-2019 Budget	2019-2021 Budget	Enhancement
IT Data Processing	\$3,982,000	\$3,583,800	(\$ 398,200)
Systems and Programming	\$ 700,000	\$ 400,000	(\$ 300,000)
IT System Access Fee	<u>\$1,529,000</u>	<u>\$3,104,000</u>	<u>\$1,575,000</u>
Total	\$6,211,000	\$7,087,800	\$ 876,800

The main item in BND's budget that impacts the identified \$1 million net increase in overall information technology costs relates to the IT System Access Fee for existing and new software systems. While we budget for existing access fees to increase by 10% for the biennium, new access fees for systems anticipated to be put in place during the 2019-2021 biennium account for most of the \$1.5 million increase. These include new systems for mortgage and commercial loan processing and the replacement of our current student loan system that was utilized for both federal and alternative student loans. As mentioned during our testimony, BND weighs the advantage of acquiring a new system by assessing the gains to internal efficiencies as well as the impact on our customers.

Other IT projects in the queue for 2019-2021 include a system to enhance our enterprise risk management and new software to make our account analysis process more efficient.



iPIPE
INTELLIGENT PIPELINE INTEGRITY PROGRAM

North Dakota 66th Legislature
 House Appropriations Committee – Government Operations Division
 Bismarck, North Dakota
 Thursday, January 17, 2019

Jay C. Almlie
 Program Manager
(and Principal Engineer, Energy & Environmental Research Center)

Intelligent Pipeline Integrity Program



- Industry-led program
- Mission: **Advance emerging technologies to prevent pipeline releases**
- Unique collaboration between pipeline operators and technology providers.
- Multiyear commitment required to ensure momentum and continuity.
- \$4M investment over 3 years.
- Currently 8 companies and the North Dakota Industrial Commission (NDIC).
- Demonstrates North Dakota leadership on this topic.



Technology Selection

Process Modeled after ABC TV's "Shark Tank"



- The Energy & Environmental Research Center (EERC) coordinates annual selection events.
- Technology providers pitch solutions to iPIPE Executive Committee.
- Executive Committee selects technologies to codevelop.
- The EERC serves in a nonvoting, advisory role.
- Committee directs the EERC to contract with one or more demonstrations.

Selected Technologies



Opportunistic data collection + AI

2018



Golf ball-sized free-floating sensor

2019



Phase II of current work



BVLOS-focused drone-based leak detection



Machine learning-based hydrocarbon identification



Nanotechnology "paint" for leak detection

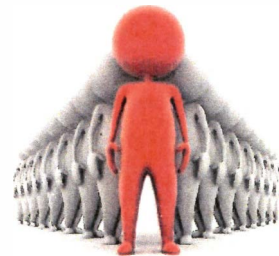
Looking Forward

iPIPE

- Growing membership and possible request for additional NDIC investment.
- Flood of emerging technologies want to compete in selection process in 2019.
- Possible commercial deployment of technologies explored.

Success for North Dakota

Demonstration of North Dakota Leadership



<http://www.ipipepartnership.com>

iPIPE

INTELLIGENT PIPELINE INTEGRITY PROGRAM



BACK-UP SLIDES

Technologies Considered

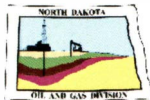


Technology Provider	Function	Technology Summary
Asel-Tech	DETECTION	Nonintrusive negative-pressure wave leak detection
Direct-C	DETECTION	Nanotechnology "paint" for leak detection
eSmart Systems / Microsoft	DETECTION	Sensor fusion with novel sensor suite + AI + drone
Expert Infrastructure Solutions	PREVENTION	AI-based risk assessment
High Impact Technologies	PREVENTION	Self-healing coating, pinpoint leak location
Ingu Solutions	BOTH	Phase II of current work
Insitu	DETECTION	BVLOS-focused drone-based leak detection
miQrotech	BOTH	Mesh network sensor package + AI
NAR Technologies	DETECTION	Drones + machine learning
Ominsens	BOTH	Fiberoptics leak detection and land movement
One-Bridge	BOTH	Machine learning/cathodic protection
PSI	DETECTION	Laser-based hydrocarbon leak "sniffer"
PureHM	BOTH	Miniaturized inspection tool
Rheidiant	DETECTION	IoT leak detection
Satelytics	DETECTION	Phase II of current work
Seal-Tite International	PREVENTION	"Platelet clotting" leak repair
SwRI	DETECTION	Machine learning-based hydrocarbon identification
Trinity Bend Solutions Inc.	DETECTION	Determining optimal resolution for leak detection

ENGINEERING AND ENVIRONMENTAL REVIEWS

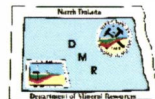
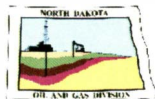
2018 REVIEWS (203 total)

- 49 Transportation (37 roads, 12 bridges)
- 34 Municipal and Industrial Wastewater Impoundments
- 29 Wind Farms
- 28 Pipelines
- 17 Water Infrastructure
 - 9 Coal Mines (mining permits and reclamation)
 - 9 Gas Processing Plants
 - 9 Transmission Lines
 - 7 Garrison Diversion
 - 7 Urban Planning
 - 2 Military
 - 1 Solid Waste
 - 1 Solar (near Casselton)
 - 1 Dam (Heart Butte)



ENGINEERING AND ENVIRONMENTAL REVIEWS

- 1) The project crosses a mapped landslide.
- 2) The project is within an area containing mapped landslides.
- 3) The shallow geology problematic for construction activities.
- 4) A high water table may create construction problems.
- 5) The suitability of the surface geology for waste disposal.
- 6) The potential for underground mines in the area.



January 17, 2019

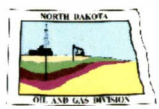
HB1014

Attachment E



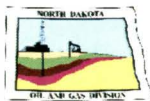
Wilson M. Laird Core & Sample Library

Offices & Laboratories	12,000 ft ²
Warehouse	41,000 ft ²





Julie LeFever Core Laboratory
1,275 ft²



1-17-19
HB 1014
AH E



> 85 miles of core
450,000 feet of core

150,000 core boxes
55,000 sample boxes

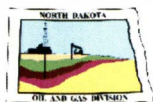
Types of Cores and Samples

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

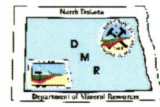
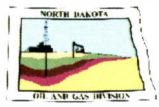
Each aisle contains about 260 tons of rock.
Core library contains 2,200 tons (4.8 million pounds) of rock.



A# E #B1014
1-17-19

CORE LIBRARY

	Described in House (ft)	Shipped (ft)	Core Examined (ft)	Photographed (ft)	Core Photos	Tripod (ft)	Tripod Photos	Reboxed Core (ft)	Thin Sections	Photo-micrographs
2004			24,424	635	984			720		
2005	15,070	2,600	17,670	8,477	13,801			11,175	1,200	7,976
2006	18,701	1,201	19,902	12,745	21,559			4,094	8,023	63,302
2007	42,706	1,932	44,638	18,144	23,689			8,674	6,006	49,735
2008	51,524	3,821	55,345	11,346	15,219			9,209	575	13,214
2009	24,626	158	24,784	11,027	13,536			8,198	0	0
2010	23,656	2,223	25,879	10,863	13,085			25,052	0	0
2011	36,870	2,042	38,912	14,619	13,713			56,815	250	2000
2012	41,763	1,614	42,805	9,851	14,715			94,113	125	1000
2013	77,426	1,753	79,071	9,340	16,689	1,821	248	72,103	200	1600
2014	30,384	2373	32,757	8501	15,920	10,383	2300	39,515	100	800
2015	45,290	227	45,517	9,489	15,818	7,156	1200	10,450	200	1600
2016	25,624	766	26,390	11,340	21,395	8256	1454	500	38	304
2017	49,529	65	49,594	10,042	22,910	2136	140	500		
2018	37,877	1244	39,121	13,583	23,306	0	0	6024	190	1,520
TOTAL	521,046	22,019	566,809	160,002	246,339	27,616	5,342	340,118	16,717	141,531

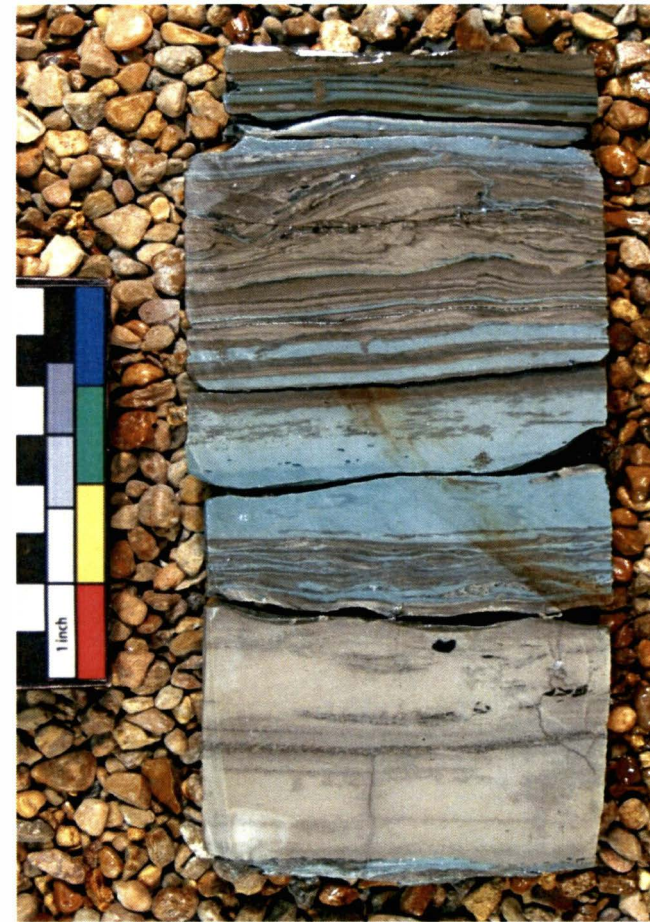


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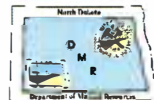
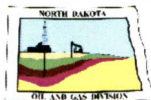
246,339 core photographs



Lodgepole Fm.



Three Forks Fm.



Att E HB 1014
1-17-19

141,531 photomicrographs

NDIC
DMR
https://www.dmr.nd.gov/oilgas/feeservices/thinsectionviewer.asp?fileNumber=11567

File Number : 11567 Get File Number Download Image Print Show Grid

Quad View Full View Help

Box
T131

Depths
08454.2
08457.5
08463.7
08466.4
08474.9
08477.0

Slide Index
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Shots
Shot 0 4mm

Plane

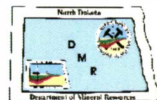
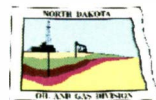
Plane

Plane

Polar

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Bonding

State of North Dakota



Common Bond Structures

General Obligation Bonds

- Full Faith and Credit Pledge
- All legally Available Revenues
- Taxing Power
- Not Subject to Appropriation

Appropriation (Lease) Bonds

- Special Obligation Pledge
- All legally Available Revenues
- No Taxing Power
- Subject to Appropriation

Revenue Bonds

- Revenue Pledge
- Specifically Defined Revenue Source
- No Property Taxing Power
- Covenants to Ensure Revenue Sufficiency
- Not Subject to Appropriation

Grant Anticipation Bonds

- Pledge of Future Grant Funding
- Specifically Defined Revenue Source
- No Taxing Power
- Not Subject to Appropriation



State Agency Debt Paid by Appropriations

State Agency	Rating	Bond Type	Source of Repayment	Outstanding Amount 12-31-18
Building Authority	AA	Lease Revenue/ Appropriation	Biennial appropriations (including General Fund, Local Match Funds, Federal Funds & Lease income)	\$20,855,000
Dept of Transportation	Aa1	Grant Anticipation	Anticipated Federal Highway Grants & Revenue Funds & appropriated State Highway Fund revenues	9,880,000
Total				\$30,735,000

State Agency Revenue Bonds

These Bonds are not repaid from State appropriations

State Agency	Rating	Source of Repayment	Outstanding Amount 12-31-18
Housing Finance Agency	Aa1	Homeowner Mortgage Loan Repayments	\$1,021,915,000
Public Finance Authority	Aaa SRF AA- CFP	Loan repayments from political subdivisions (\$154,715,000 has moral obligation)	497,705,000
Student Loan Trust	Non-rated	Student Loan payments	1,000,000
University System	Various	Parking Fees, Housing Fees, Student Fees	239,208,920 (12-31-16)
Total			\$1,759,828,920

Ratings Impact Bond Interest Rates

- Rating Agencies (Moody's, Standard & Poor's and Fitch) rate both G.O. and Revenue bond credits on a scale in order to rank or categorize the credit worthiness and proximity to default of an Issuer and their obligations
- While many sophisticated Investors do their own credit research, ratings play a critical role in the minds of most market participants and are perceived by the market as a guide of an Issuer's credit worthiness
- Ultimately, credit ratings play a significant role in broadening the investor base for an issuer and usually having a strong rating enhances an Issuer's access to Investors, helping to lower their cost of capital

Rating Scales

- Rating agencies have different rating scales
- Ratings below Baa3/BBB- (Moody's/S&P/Fitch, respectively) are considered "below investment grade" and generally Issuers with such ratings are not considered credit worthy enough for most municipal investors

Investment Grade Rating Scales

Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
S&P/Fitch	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-

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Standard & Poor's ND Rating

Rating History

Date	Action	Rating	Outlook
September 26, 2018	Affirmation	AA-	Stable
February 18, 2016	Downgrade	AA-	Stable
December 13, 2013	Upgrade	AAA	Stable
May 12, 2011	Outlook change	AA-	Positive

General Obligation Debt Nationwide

Use of general obligation (GO) debt varies widely by state
GO debt as % of NTSD

0% 1% - 30% 31% - 60% 61% - 90% More than 90%



Source: Moody's Investors Service
8

Net Tax-Supported Debt

Per Capita & Percentage of Personal Income per Moody's

Net Tax-Supported Debt Per Capita		Rating	Net Tax-Supported Debt as a % of 2016 Personal Income	
1	Connecticut	\$6,544 A1	1	Hawaii 10.4%
2	Massachusetts	\$6,085 Aa1	2	Massachusetts 9.5%
3	Hawaii	\$5,257 Aa1	3	Connecticut 9.5%
4	New Jersey	\$4,281 A3	4	New Jersey 7.0%
5	New York	\$3,082 Aa1	5	Illinois 5.6%
46	Iowa	\$219 Aaa*	46	Iowa 0.5%
47	Montana	\$177 Aa1	47	Montana 0.4%
48	North Dakota	\$133 Aa1*	48	North Dakota 0.2%
49	Wyoming	\$38 NGO**	49	Wyoming 0.1%
50	Nebraska	\$20 Aa1*	50	Nebraska 0.0%

Relative Debt Ratios

- Moody's calculated ND's Net-Tax Supported Debt (NTSD) as \$100,763,000
- Based upon Moody's comparative analysis of state NTSD the following provides what ND's NTSD would be based upon metrics for surrounding states

State	Moody's Rating	Debt Per Capita	ND Equivalent (in \$000s)	As a % of Personal Income	ND Equivalent (in \$000s)	As a % of State GDP
North Dakota	Aa1*	\$133	\$100,763	0.2%	\$100,763	0.19%
Minnesota	Aa1	\$1,430	\$1,083,392	2.8%	\$1,410,682	2.35%
South Dakota	Aaa*	\$694	\$525,786	1.5%	\$755,723	1.25%
Wisconsin	Aa1	\$1,660	\$1,257,643	3.6%	\$1,813,734	3.07%
Montana	Aa1	\$177	\$134,098	0.4%	\$201,526	0.40%
Indiana	Aaa*	\$295	\$223,497	0.7%	\$352,671	0.57%
Iowa	Aaa*	\$219	\$165,918	0.5%	\$251,908	0.37%
Idaho	Aa1*	\$482	\$365,171	1.2%	\$604,578	1.21%
Median of All States		\$987	\$747,768	2.3%	\$1,158,775	2.57%

* Issuer credit rating (No GO debt outstanding)

2019-2021 Proposed Bonding Create Revolving Loan Funds

Bill	SB 2214	Executive Budget Recommendation	SB 2275	Executive Budget Recommendation
Program Name	School Construction Assistance Revolving Loan Fund	School Construction Assistance Revolving Loan Fund	Infrastructure Revolving Loan Fund	Infrastructure Revolving Loan Fund
Amount of Bonding	\$250,000,000	\$250,000,000	\$500,000,000	\$500,000,000
Biennial Debt Service Maximum	Not Specified	Not Specified	\$55,000,000	\$55,000,000
Repayment Source	Appropriation from Foundation Aid Stabilization Fund (new source of repayment)	General Fund monies derived from Legacy Fund Earnings	General Fund monies derived from Legacy Fund Earnings	General Fund monies derived from Legacy Fund Earnings
Use of Proceeds	School Construction Projects	School Construction Projects	Essential Infrastructure Projects for Political Subdivisions and Institutes of Higher Education	Essential Infrastructure Projects for Political Subdivisions and Institutes of Higher Education
Existing Program NDCC	15.1-36-08	15.1-36-08	6-09-49	6-09-49
Determines Projects	Department of Public Instruction	Department of Public Instruction	Bank of North Dakota	Bank of North Dakota
Administers the Fund	Bank of North Dakota	Bank of North Dakota	Bank of North Dakota	Bank of North Dakota
Issues the Bonds	Public Finance Authority	Public Finance Authority	Public Finance Authority	Public Finance Authority

11

Overall Goal

Senate Bills 2214 and 2275 will create revolving loan funds, that when mature, will no longer require biennial appropriations. They will continue to lend funds to meet infrastructure needs.

12

2019-2021 Proposed Bonding

Bill	SB 2268	SB 2297
Program Name	Corridors of Commerce	North Dakota Building Authority
Amount of Bonding	\$100,000,000	\$151,700,000
Biennial Debt Service Maximum	\$16,000,000	Not Specified (legislative limit of 10% of \$.01 sales tax)
Repayment Source	General Fund monies derived from Legacy Fund Earnings	Lease Rental Payments from Funding Recipients
Use of Proceeds	State Highway Projects that improve freight transportation and facilitate commerce	Specific Projects listed: NDSU Dunbar Hall, VCSU Communications and Fine Arts Building, NDSU Agriculture Products Development Center and DSU Pulver Hall
Existing Program NDCC	New	54-17.2
Determines Projects	Department of Transportation	Defined in Bill
Administers the Fund	Department of Transportation	ND Building Authority
Issues the Bonds	Public Finance Authority	ND Building Authority

13

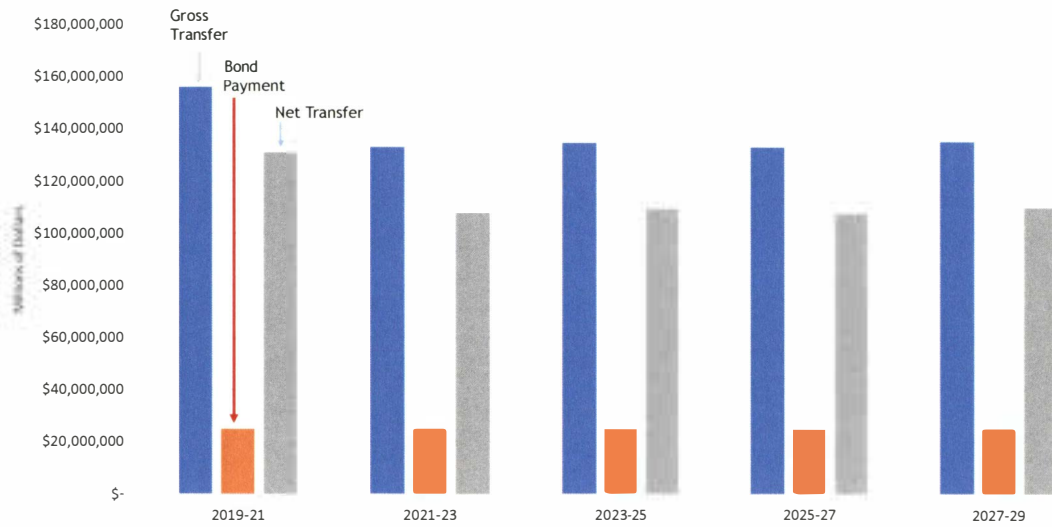
Utilization of Legacy Fund Earnings \$55m Bond Payment Per Biennium



14

Foundation Aid Stabilization Fund

Amount for Appropriation after \$25,000,000 Bond Payment



15

Additional Bonding Information

16

Moody's ND Credit Opinion December 20, 2018

Rating: Aa1 Stable

Credit strengths

- » Conservative state fiscal management practices, most recently highlighted by the state's return to structural balance and restoration of budget stabilization funds
- » Substantial reserves, which are budgeted to grow over the next biennium
- » Very low debt, pension and OPEB liabilities lead to low fixed costs that will support continued financial flexibility

Credit challenges

- » Narrow economy that is concentrated in the energy and agricultural sectors, which are vulnerable to commodity price volatility
- » Very tight labor market
- » Increased reliance on oil and gas tax revenues to support general fund operations
- » Ownership of a bank brings vulnerability to losses, particularly in the event of steep economic deterioration like the recent energy sector contraction

Rating outlook

The stable outlook reflects the state's progress towards structural balance and rapid restoration of reserves as the economy and revenues continue to recover from the 2016 energy recession. Recent declines in oil prices will likely result in some economic and revenue volatility; however, the state's energy economy and financial reserves are well-positioned to weather some short-term disruptions at this time.

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Moody's ND Credit Opinion December 20, 2018

Factors that could lead to an upgrade

- » Meaningful diversification of state economy
- » Reduced general fund exposure to oil and gas tax revenues
- » Reduced exposure to Bank of North Dakota

Factors that could lead to a downgrade

- » Failure to restore structural balance and replenish the budget stabilization fund as currently planned
- » Renewed economic volatility that results in revenue underperformance
- » Depletion of reserves below the previous low
- » A move away from conservative fiscal management

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Standard & Poor's ND Rating December 20, 2018

Rating: AA+ Stable

What We're Watching

- Although the economy is currently showing signs of growth and stability, as a large energy producer, the state is vulnerable to boom-and-bust cycles.
- The continued softness in the agricultural sector, partly due to trade tensions, will also likely limit personal income and economic growth.
- Pension underfunding has increased net pension liabilities; however, the state's proportionate share is manageable, in our view.

Credit Fundamentals

- Strong executive ability to reduce expenditures and demonstrated willingness of the legislature to realign appropriations with estimated revenue collections.
- Very strong budgetary reserves, including a legacy fund at \$5.46 billion, providing North Dakota with sufficient flexibility to weather economic cycles.
- Low debt burden with rapid amortization and no plans to issue new debt within the current biennium.



Bond Terminology

Bond—Evidence of a Loan	<ul style="list-style-type: none"> Buyer of the Bond is the lender or investor Seller of the Bond is the borrower or issuer
Principal or Face Amount or Par Amount	<ul style="list-style-type: none"> Amount of loan
Maturity Date	<ul style="list-style-type: none"> Repayment date of loan
Nominal or Coupon Rate	<ul style="list-style-type: none"> Interest rate paid periodically on the loan Usually expressed as a percentage of par amount
Price	<ul style="list-style-type: none"> Amount a lender will lend in consideration of future receipt of principal and interest payments
Yield	<ul style="list-style-type: none"> Single rate that sets the present value of the principal and interest payments equal to the price



ND General Obligation Bonds

Article X, Section 13 of the North Dakota Constitution

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 first mortgage on real estate for no more than 65% of the value of the real estate.
- 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, and d) providing for the public defense in case of threatened hostilities.

Currently, there are no outstanding General Obligation Bonds of the State.

21

Who Buys Bonds?

Retail Investors

- Wealthy Individuals—"Mom & Pop"
- Retail Proxies
 - Investment/Financial Advisors
 - Bank Trust Departments

Institutional Investors

- Mutual Funds—Fidelity Investments, Vanguard
- Insurance Companies—AIG, Allstate, State Farm, USAA
- Banks
- Corporations

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Bond Issue Process

- Kick-off meeting or conference calls
- Working group calls to discuss
 - Document drafts, e.g., POS/NOS/OS
 - Ratings presentation (if applicable)
 - Pricing scales
- Rating agency calls
- Publish Preliminary Official Statement (POS) & Notice of Sale (NOS)
- Receive rating
- Pre-Pricing Book (only on negotiated sales)
- Bond marketing and pricing period
- Sell bonds - either competitive or negotiated
- Publish the final Official Statement (OS) (and closing certificates)
- Close the issuance
- Issue closing certificates
- Produce the Financial Advisor Memorandum (FAM)
- Transcript produced and distributed by bond counsel

23

Taxable vs Tax-Exempt Bonds

Benefit of Tax-Exempt Bonds

- Cost of financing is generally lower for issuers
- Interest paid to bondholders is not includable in their gross income for federal income tax purposes
- *This tax-exempt status remains throughout the life of the bonds provided that all applicable federal tax laws are satisfied both at the time the bonds are issued and throughout the term of the bonds*
- Interest rate is approximately .5% less than taxable bonds

Primary Objectives of Federal Laws

- No private activity
- No arbitrage

Benefit of Taxable Bonds

- No private activity restrictions
- No arbitrage calculations or compliance with other complex regulations

24

Taxable vs. Tax-Exempt Bonds

Appropriation Bonds are most likely considered:

- *taxable* if the appropriation is tied specifically to investment earnings of the Fund (Legacy Fund, Foundation Stabilization Fund, etc.).
- *tax-exempt* if the appropriation is from the General Fund.

Bond Counsel determines the taxability of the bonds

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Moral Obligation

Generally requires 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.

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Bond Sales Competitive vs. Negotiated

Competitive Sales: An Issuer and their Financial Advisor procure bids from a variety of Underwriters on the obligations they are planning to issue and select one bid (i.e., the lowest costing bid)

Negotiated Solicitation: An Issuer selects an Underwriter or a group of underwriting firms and works with the selected Underwriter(s) to price obligations through negotiation with the Underwriter(s) and Investors

The issuer and financial adviser look at factors such as security type and transaction size typically to help determine the best method of sale to utilize.

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Bond Issue Expenses

Cost of Issuance

- Ratings
- Bond/Tax Counsel
- Financial Advisor
- Registrar/Paying Agent/Trustee
- Printer
- Miscellaneous
- Verification Agent
- Escrow Agent
- Escrow Bidding Agent

Underwriter's Discount

- Management Fee
- Takedown
- Underwriting Risk
- Expenses
 - Underwriter's Counsel
 - Bond Desk
 - CUSIP
 - DTC
 - Out-of-Pocket

Cost of issuance and underwriter's discount can range from 5 to 7% of the bond issue.

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Required Reserves

General Obligation Bonds

- Reserves are not required

Appropriation

- Reserve may be required

Revenue Bonds

- Reserve fund is required
- IRS limits the reserve to the lesser of:
 - 10% of par
 - 125% average annual payment
 - Maximum annual principal and interest payment

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Post-Issuance Compliance

Spend Down Requirements

Pooled bond issuers are required to spend 30% of bond proceeds within 1 year and 95% within 3 years.

Continuing Disclosure

Issuer covenants to provide ongoing disclosure of both routine financial information on an annual basis and periodic notification upon certain events, e.g., defeasance of bonds

Arbitrage Rebate

If the bonds are tax-exempt, the Issuer may be required to rebate investment earnings in excess of the bond yield to the federal government every five years

Rating Maintenance

Issuer may be required to provide ongoing updates to the rating agencies and may be required to pay ongoing surveillance fees for variable rate transactions

30

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1/22/2019

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Contact Information

Karlene Fine
ND Industrial Commission
328-3722

karlene@nd.gov

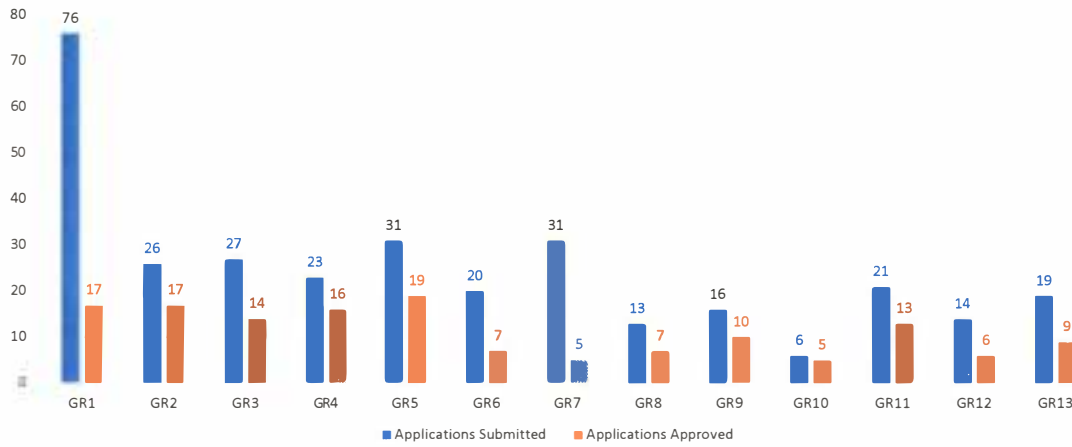
DeAnn Ament
ND Public Finance Authority
426-5723

deament@nd.gov

Kelvin Hullet
Bank of North Dakota

khullet@nd.gov

OHF Applications Submitted and Funded

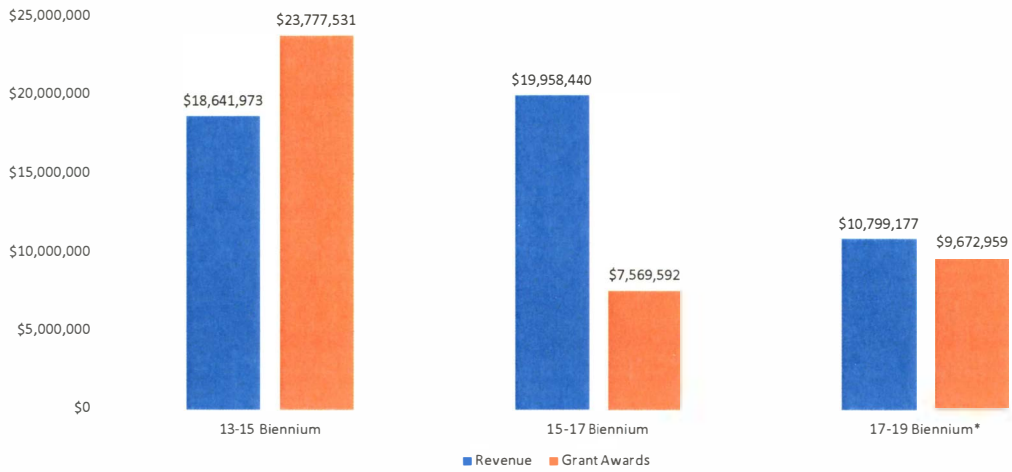


OHF Amount Requested and Awarded



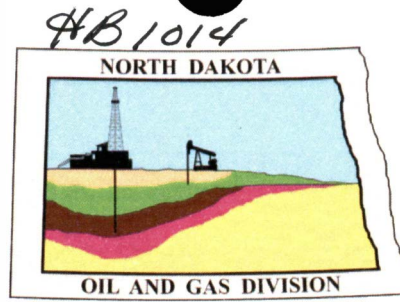
*In millions.

OHF Funds Received and Awarded by Biennium



*Funds received through 10/2018

January 23, 2019



attachment C



RBDMS

01/22/19

NORTHSTAR PROJECT CONTRIBUTION AND IN-KIND WORK

NorthSTAR Cost Distribution

Cost of NorthSTAR Project Build	
Project Build Activities (<i>Solution Provider + DMR Staff In-Kind</i>)	\$ 8,544,005
Additional Resources *	\$ <u>1,000,000</u>
	\$ 9,544,005
Cost Distribution	
GWPC \$ Contribution	\$ 1,996,030
DMR \$ Contribution (<i>Drawn from Fund #317 Reservoir Data Fund</i>)	\$ 650,000
DMR Staff In-Kind Value	\$ 1,897,975
Legislative Ask	\$ <u>5,000,000</u>
	\$ 9,544,005
* Approximate Breakout of Additional Resources	
ITD Cloud	\$ 150,000
ITD Project Management	\$ 250,000
ITD Large Project Fee	\$ 32,500
Atty General Office	\$ 4,000
Software, Licensing, SP Travel	\$ 53,500
Management Reserve**	\$ 510,000

*Additional resources are items outside of Project Build Activities (professional services and development costs) of the NorthSTAR platform.

**Management reserve is for change requests that may be necessary during the life of the project.

Distribution of North Dakota DMR and Solution Provider Work Activities

DMR Staff In-Kind & Solution Provider Online Form Responsibility	
Upload Test Results	Solution Provider
Schedule Test	Solution Provider
APD	Solution Provider
Completion Report	Solution Provider
Request Confidentiality	Solution Provider
Form 4 Sundry Notices and Reports on Wells	DMR Staff In-Kind
Form 14 Application for Injection Approval	Solution Provider
Transfer Assets	Solution Provider
Production Reporting	Solution Provider
Form 16 Salt Water Disposal Wells Source of Water and Method of Transportation	DMR Staff In-Kind
Form 17 Enhanced Recovery Injection Data	DMR Staff In-Kind
Form 17 A Enhanced Recovery Source of Injectate	DMR Staff In-Kind
Form 5 SWD Oil Recovered From Saltwater Disposal Wells Oil Recovered	DMR Staff In-Kind
Form 5 Oil Production Report Oil and Production Data	DMR Staff In-Kind
Form 5B Gas Production Report Gas Produced Data	DMR Staff In-Kind
Form 10 Oil Purchasers Monthly Report	Completed
Form 10A Oil Transporters Monthly Report	Completed
Form 8 Authorization to Purchase and Transport Oil from Lease	DMR Staff In-Kind
Form 12 Gas Processing Plant Report	DMR Staff In-Kind
Form 12A Gas Processing Plant Report of Receipts from Wells	DMR Staff In-Kind
Report of Occurrence	Solution Provider
Spill Clean-Up Report	Solution Provider
Facility Information	Solution Provider
Plan Submission	Solution Provider
Water Sample Data Submission	Solution Provider
Organization Questionnaire	Solution Provider
Compliance Information	Solution Provider
Bond Release	Solution Provider
Bond Information	Solution Provider
Directional Drilling	Solution Provider

AMENDMENTS FOR HB 1014

SECTION XX. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Gross production tax allocation.

f. (1) For the period beginning September 1, 2017, and ending August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding four million dollars per fiscal year and not in an amount that would bring the balance in the fund to more than one hundred million dollars.

(2) After August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding ~~seven~~ three million five hundred thousand dollars per fiscal year and not in an amount that would bring the balance in the fund to more than one hundred million dollars.

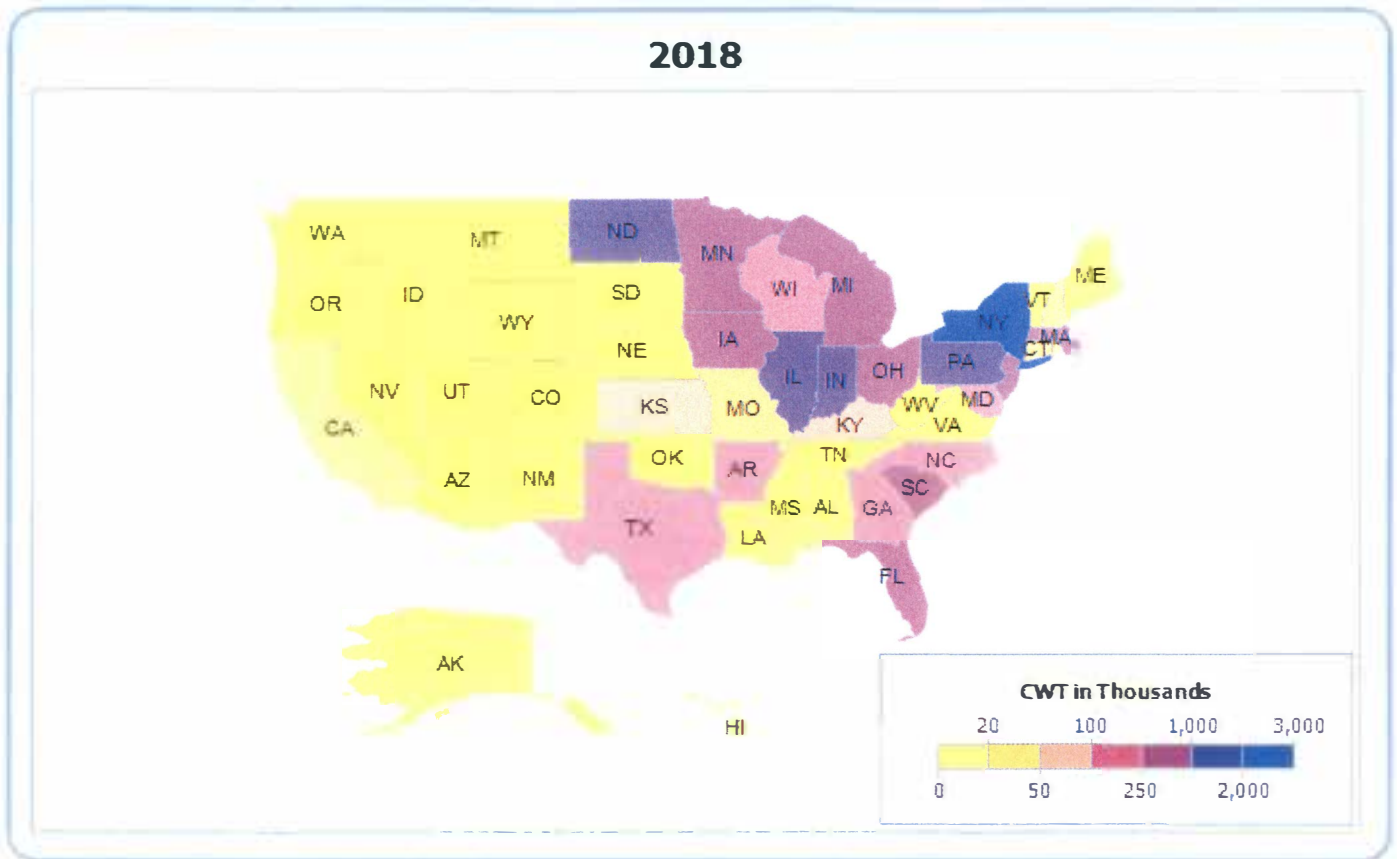
SECTION XX. AMENDMENT. Section 57-51.1-07.3 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

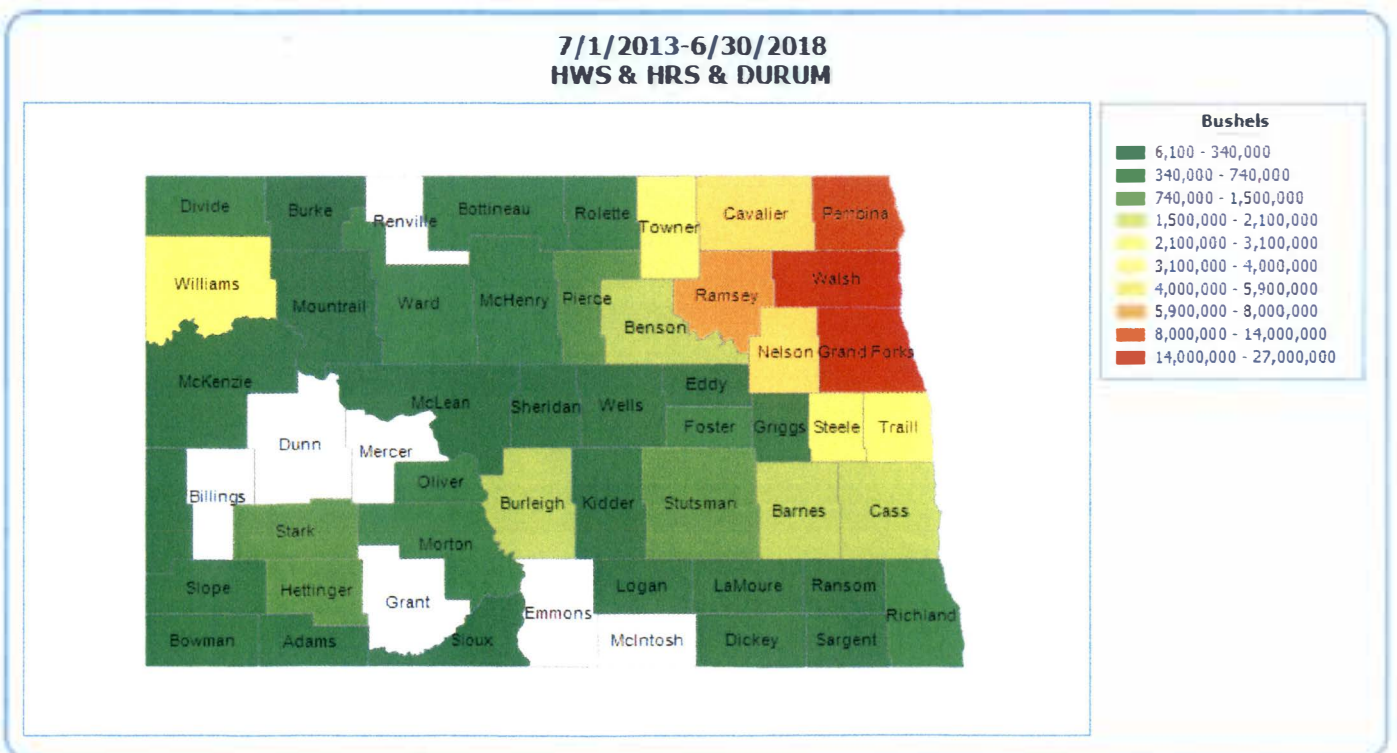
There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, tax relief fund, budget stabilization fund, strategic investment and improvements fund, state disaster relief fund, or lignite research fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to ~~ten~~ eighteen million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.

The industrial commission shall use \$8,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center to conduct one or more pilot studies or demonstration projects of underground storage of produced natural gas. The energy and environmental research center shall provide quarterly reports to the industrial commission and annual reports to legislative management regarding the results and recommendations of the study.

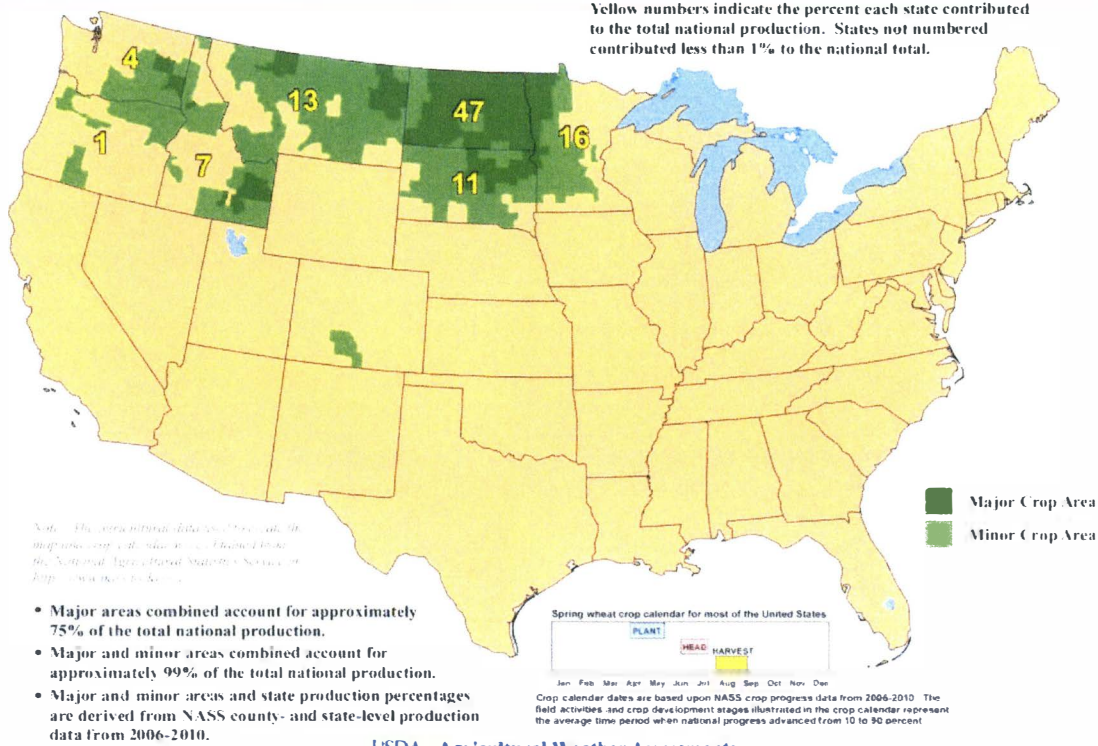
North Dakota Mill Sales



North Dakota Counties Supplying Grain To The State Mill

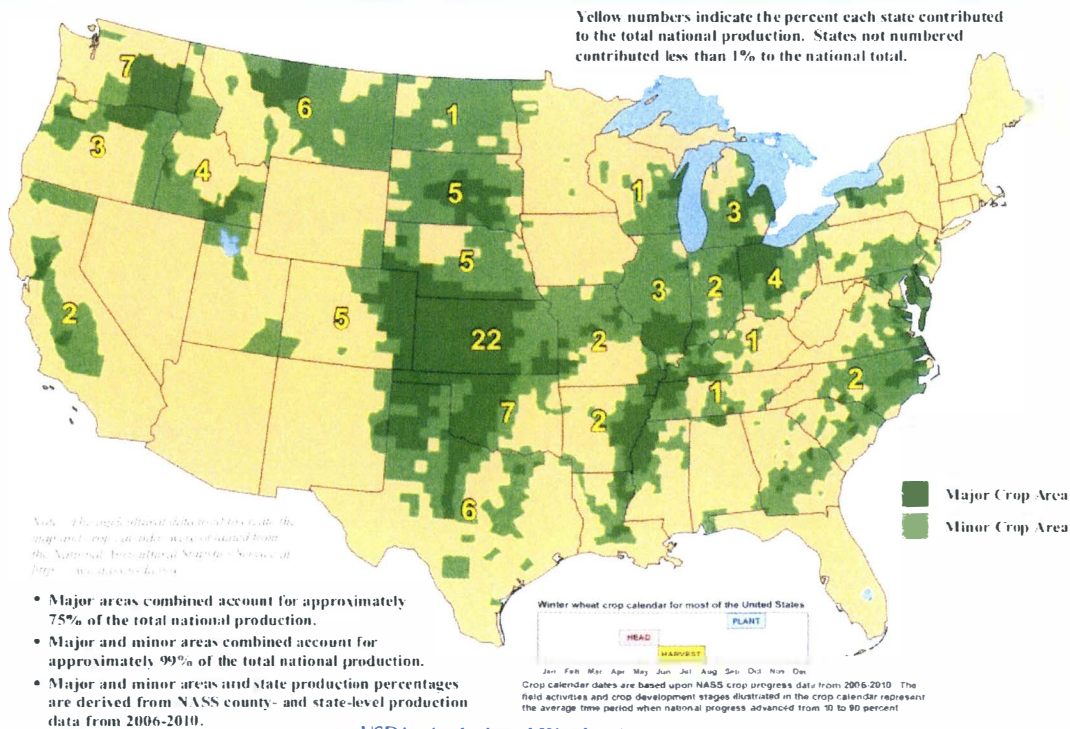


United States: Spring Wheat (excluding durum)



USDA Agricultural Weather Assessments
World Agricultural Outlook Board

United States: Winter Wheat



USDA Agricultural Weather Assessments
World Agricultural Outlook Board

Att. E HB1014
1-23-19

LARGEST U.S. MILLING COMPANIES

TOTAL DAILY CAPACITY (CWTS.)

	<u>WHEAT FLOUR</u>
ARDENT MILLS	482,500
ADM MILLING CO.	288,400
GRAIN CRAFT	163,060
MILLER MILLING	94,600
GENERAL MILLS, INC.	77,500
BAY STATE MILLING CO.	75,140
*NORTH DAKOTA MILL	49,500
BARTLETT MILLING CO.	41,000
THE MENNEL MILLING CO.	40,900
SIEMER MILLING CO.	36,500
SNAVELY'S MILL, INC.	35,600
MONDELEZ	31,000
STAR OF THE WEST MILLING CO.	25,100
CONAGRA FOODS	21,000
MINOT MILLING	20,800
U.S. DURUM MILLING, INC.	19,000
DAKOTA GROWERS PASTA CO.	17,000
KING MILLING CO.	16,500
WILKINS-ROGERS, INC.	14,500
C.H. GUENTHER & SON, INC.	<u>10,000</u>
TOTAL 20 LARGEST COMPANIES	1,559,600

*LARGEST SINGLE SITE FLOUR MILL

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HB1014

US MILLS 10,000 CWTS OR LARGER

- ND Mill
- Ardent Mills
- Bartlett Milling
- Bay State Milling
- ConAgra Foods
- Dakota Growers Pasta
- General Mills
- Grain Craft
- King Milling
- Miller Milling
- Minot Milling
- Mondelez
- ADM Milling
- Siemer Milling
- The Mennel Milling Co.
- US Durum Milling



A.H. E HB1014
1-23-19

Perfection in every grain




Discover the North Dakota Difference

<p>Standard Patent Flours: Dakota Champion Dakota Champion Millers Choice</p> <p>Short Patent Flours: Dakota Pride Dakota Pride Dakota Maid</p> <p>Clear Flour: Dakota Select</p> <p>Long Patent Flour: Dakota Supreme</p>	<p>Specialty Flour: White Whole Flour Malted Barley Flour Whole Whole Wheat Flour</p> <p>Organic Flours: Dakota Maid Organic Spring Wheat Flour's The Dakota Maid Organic Whole Wheat Flour's</p> <p>High gluten Flour: Dakota Chief Dakota Queen Dakota State Capitol Day 55 Dakota Queen Dakota King Dakota Premier</p>	
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Call 1-800-538-7721 to discover the difference.
www.ndmill.com

FSSC 22000 CERTIFIED

Exceptionally high performance




Discover the North Dakota Difference

High Gluten Flours:

- Dakota State
- Dakota Chief
- Empty Builder
- Big 15
- Dakota King
- Dakota Queen



Our high gluten flours are the premium quality flours for today's discriminating bakers. With exceptional mixing and baking characteristics, North Dakota high gluten flours will provide almost any baking demand. Our high gluten flours deliver for the best-tasting rolls, bagels and other high performance doughs.

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Premium organic goodness





Discover the North Dakota Difference

Organic Flours:

- Dakota Maid Organic Spring Wheat Flours
- Dakota Maid Organic Whole Wheat Flours



Our organic flours are the premium quality flours for today's discriminating bakers. With exceptional mixing and baking characteristics, North Dakota's organic flours will deliver size of any baking demands. Our organic flours deliver for a variety of breads and are available in bulk or 50- and 100-pound bags.

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Whole wheat healthy goodness




Discover the North Dakota Difference

Whole Wheat Flours:



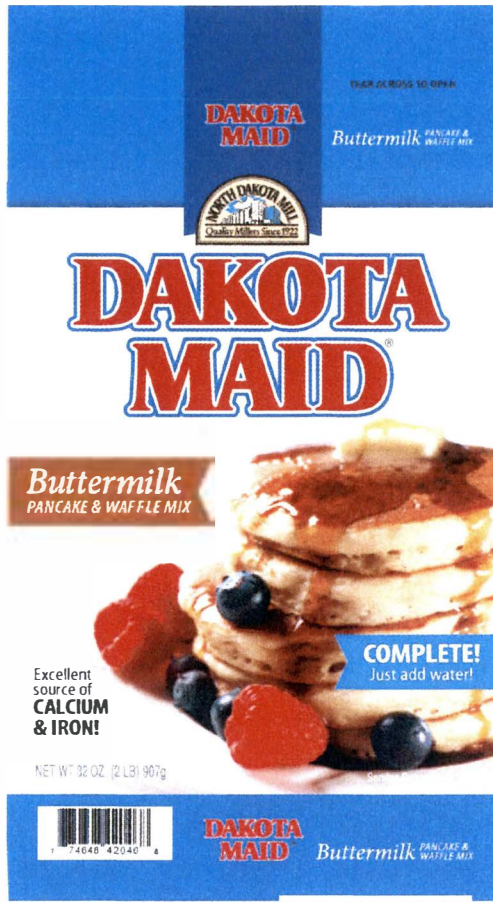
The North Dakota Mill high protein whole wheat flours are milled from the best hard end spring wheat. They are ideal for use in whole wheat breads and rolls or, when blended, for variety breads. Our whole wheat flours are available in low-starch and coarse-granulations in 50-pound and 100-pound bags. Available in 50-pound bags are cracked, cracked and rolled flours. These products are ideal for use in variety breads. White Whole Wheat is also available.

Call 1-800-538-7721 to discover the difference.
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1-23-19



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High Speed Grain Unloading System

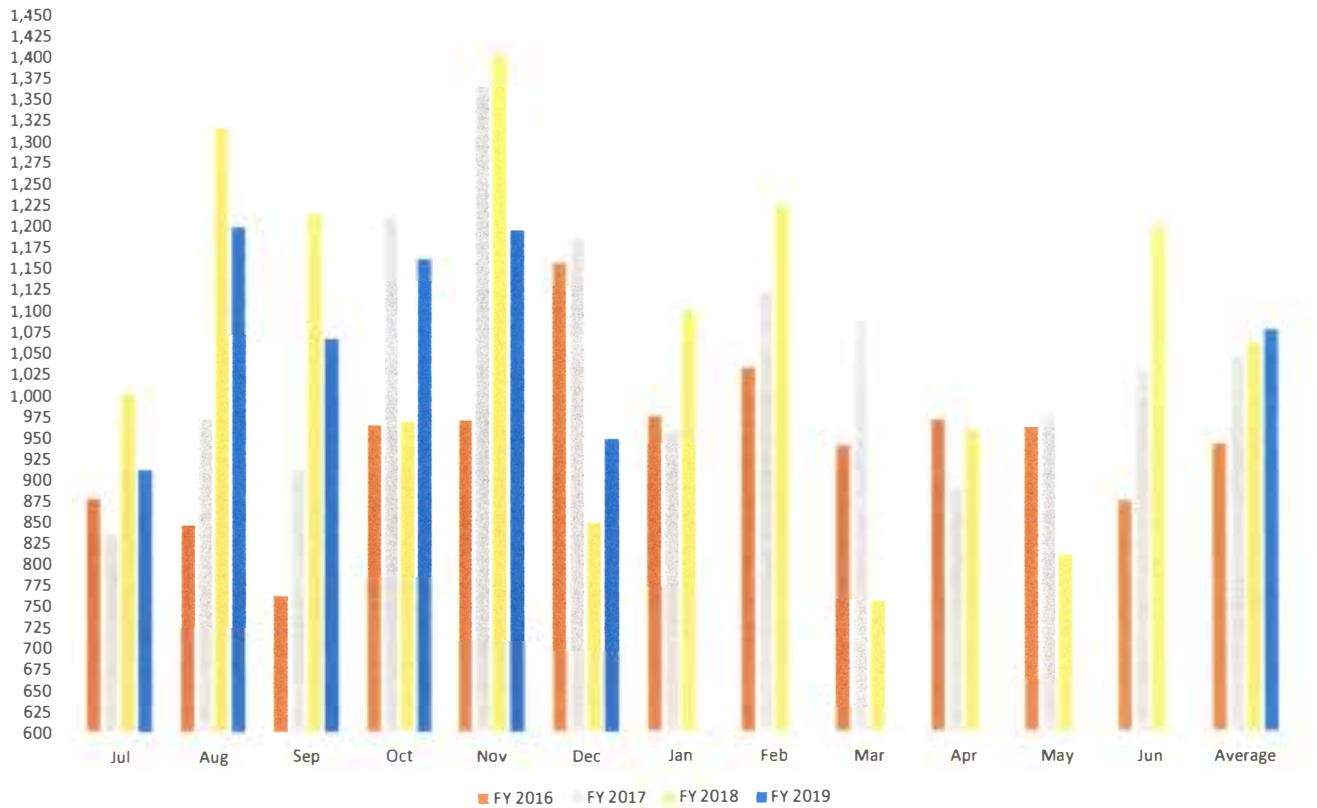


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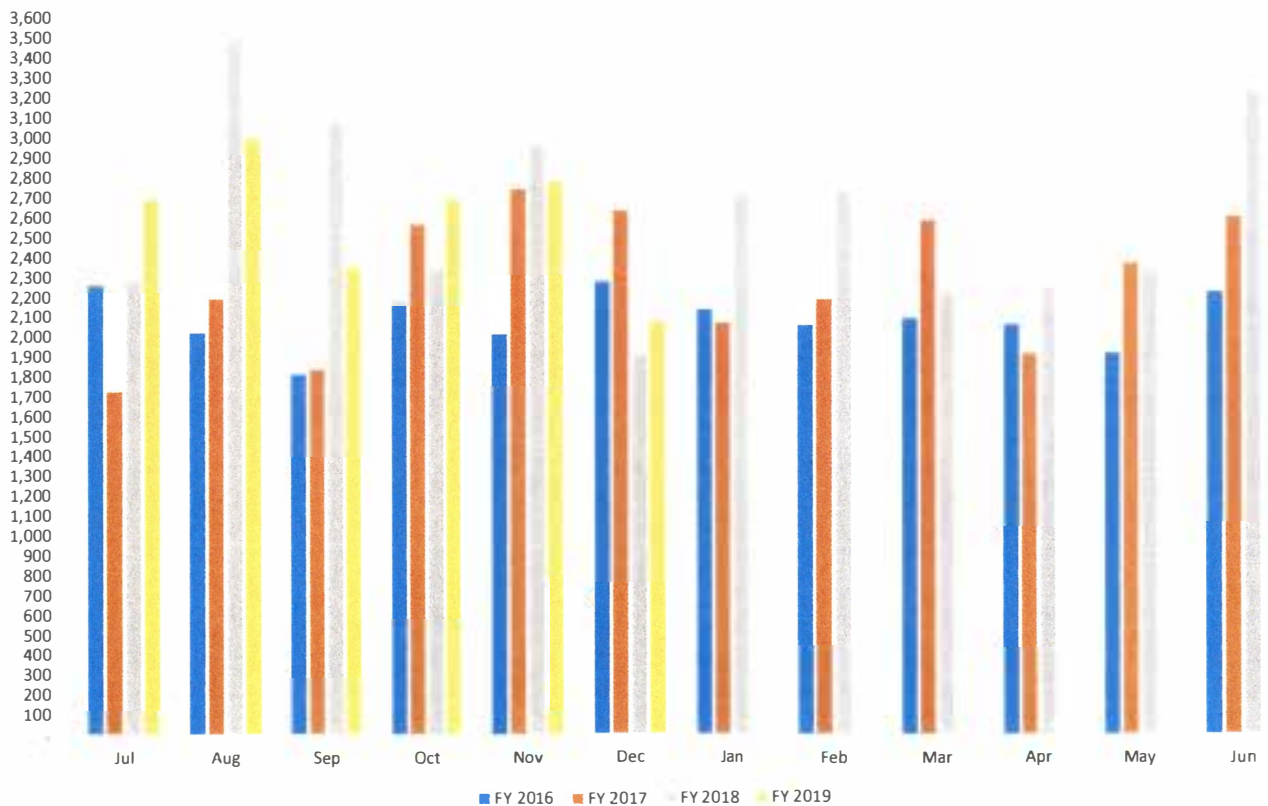
Att. E

HB 1014
1-23-19

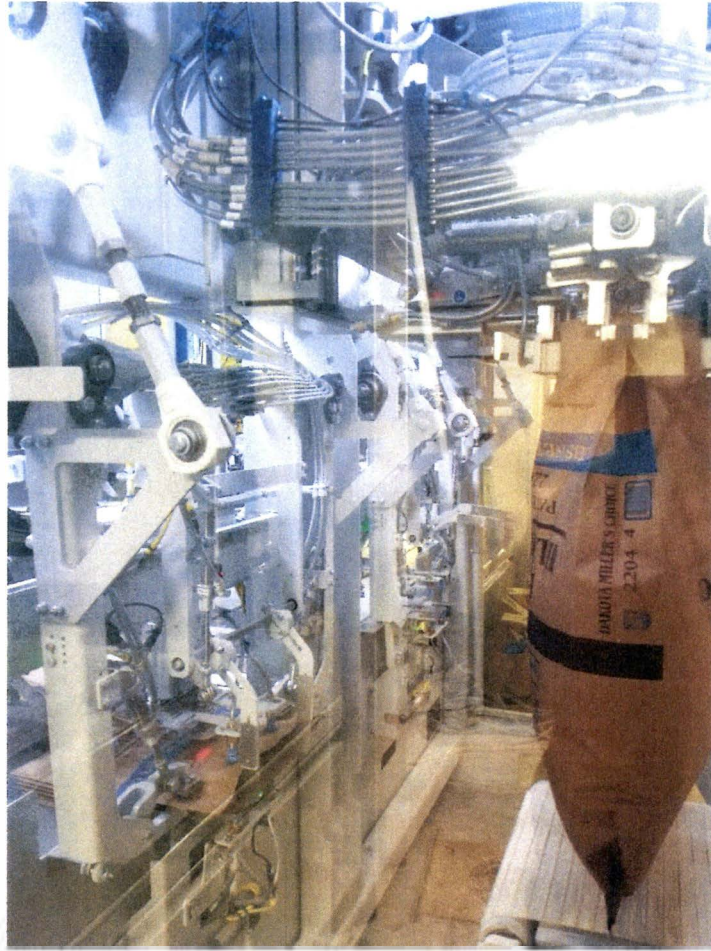
Bushels Received per Terminal Manhour



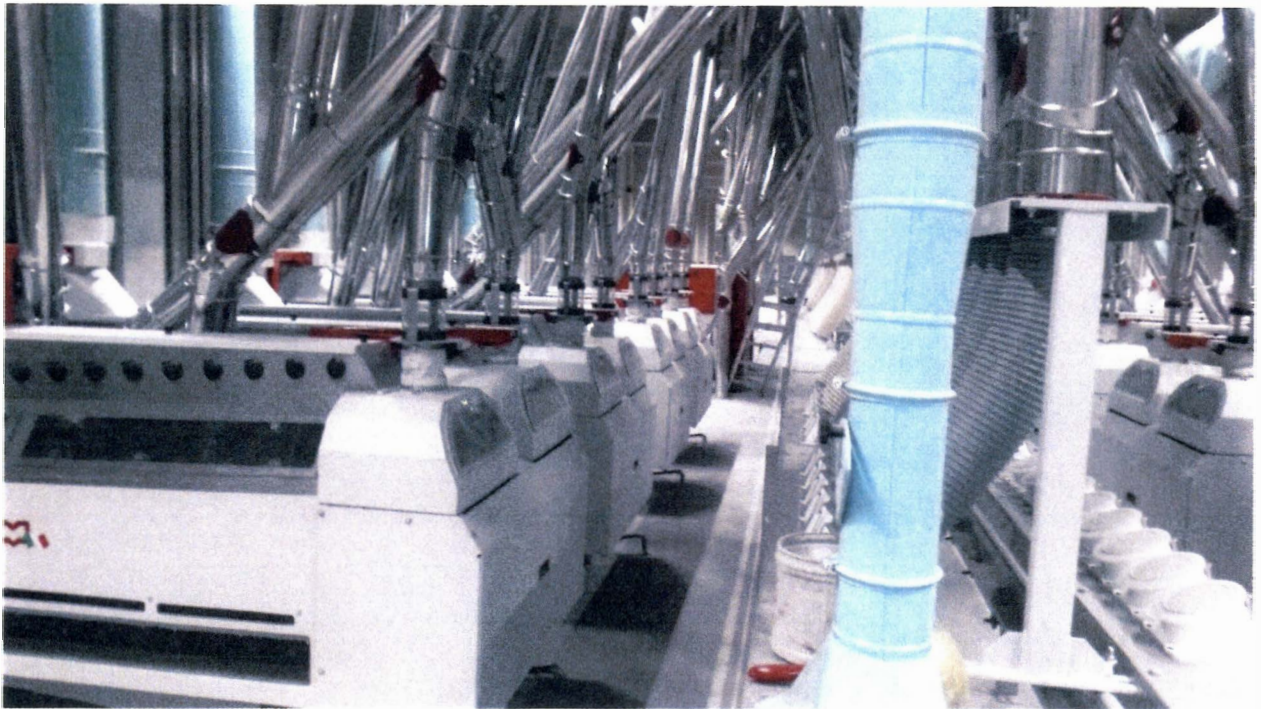
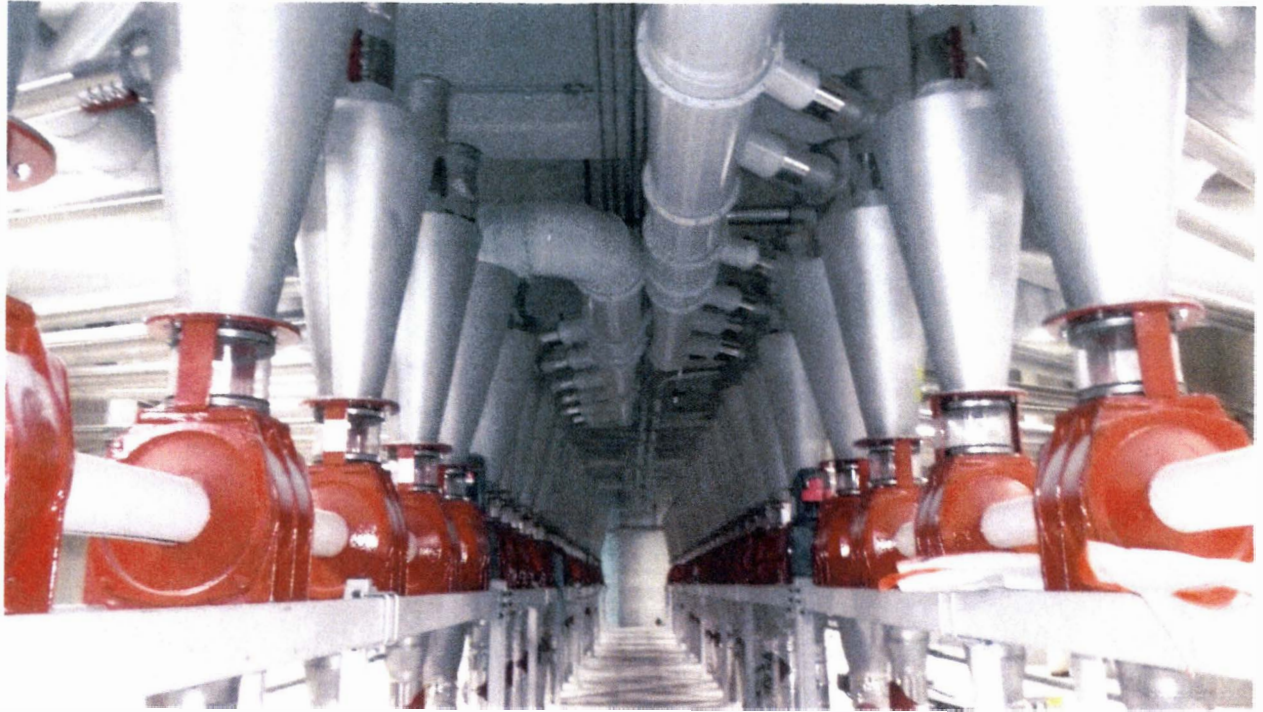
Number of Scale Tickets



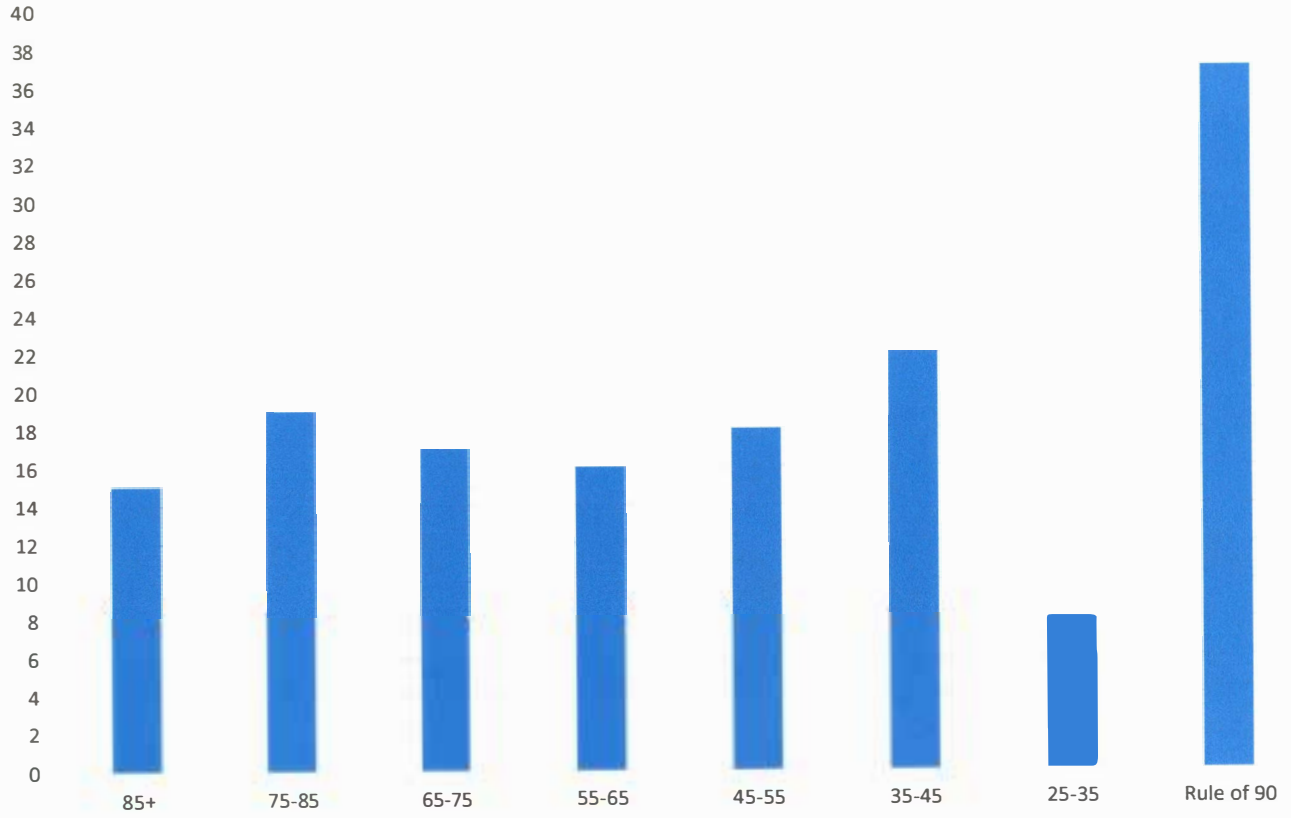
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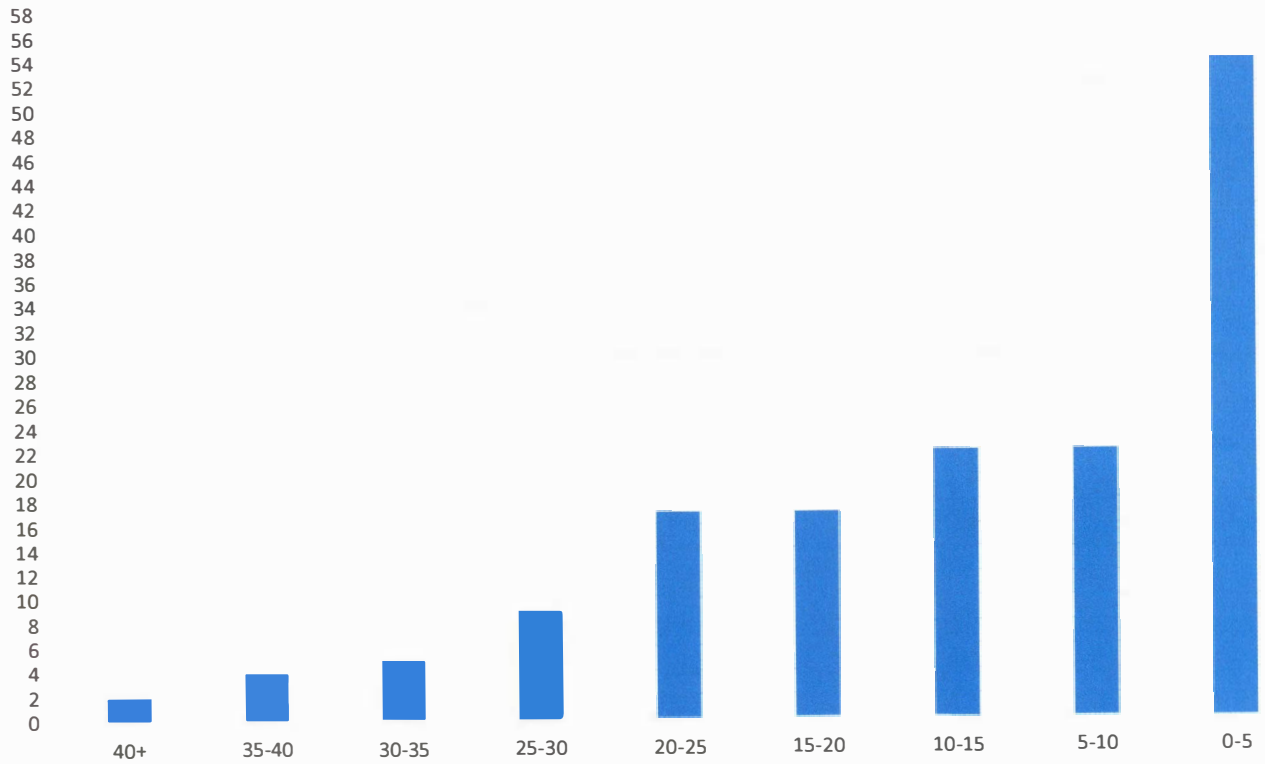
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1-23-19



Number of Employees: Rule of 85 or 90



Number of Employees: Years of Service Average Years of Service 12.3 Years



//

January 23, 2019

AB1014

Stachurski F



**North Dakota Mill & Elevator
FY 2019
Strategic Plan**



The North Dakota Mill and Elevator is the largest flour mill in the United States. It is located in the city of Grand Forks, North Dakota. It is the only state-owned milling facility in the United States. The North Dakota Mill's Facilities include eight milling units, a terminal elevator and a packing warehouse to prepare bagged products for shipment. The Mill's offerings include not only flour, but also products such as bread mixes, pancake mixes and organic wheat products.

Our Mission:

The mission of the North Dakota Mill & Elevator is to promote and provide support to North Dakota agriculture, commerce and industry. Provide superior quality, consistency and service to our customers. Grow the business and provide a profit to our owners – the citizens of North Dakota. Conduct our business with the highest integrity so that our employees, customers, suppliers and owners are proud to be associated with the North Dakota Mill & Elevator.

FY 19 Goals and Objectives

Goal 1: Promote and Support North Dakota Agriculture, Commerce and Industry

Objective 1A: Increase North Dakota Mill Demand for Conventional and Organic Spring Wheat and Durum

Objective 1B: Develop and Market New Agriculture Products

Objective 1C: Work with the Dakota Pride Cooperative, NCI, and other Agriculture Organizations

Objective 1D. Identify and Target New Export Opportunities

Goal 2: Identify and Respond to Emerging Issues in the Flour Milling Industry

Objective 2A: Respond to Changing Grain Market Conditions and Volatility

Objective 2B: Respond to Competitive Threats in the Milling & Baking Industry

Objective 2C: Develop a Strategy to Meet Grain Purchasing Needs

Objective 2D: Manage Transportation Costs to Maintain Competitiveness

Objective 2E. Address Customer Issues

Objective 2F: Focus and Rapidly React to Current Issues

Goal 3: Maximize Profit Potential

- Objective 3A: Increase Gross Margins
- Objective 3B: Minimize Plant Costs
- Objective 3C: Minimize Freight Costs
- Objective 3D: Upgrade Technology
- Objective 3E: Improve Infrastructure
- Objective 3F: Explore Expansion Opportunities

Goal 4: Grow Our Customer Base

- Objective 4A: Maintain a Consistent High Quality Product
- Objective 4B: Continue to Improve Our High Level of Customer Service
- Objective 4C: Identify and Target New Customers and Markets
- Objective 4D: Maintain and Leverage Our FSSC 22000 Certification
- Objective 4E: Optimize Marketing Strategies

Goal 5: Invest in Our Employees

- Objective 5A: Promote Workplace Safety
- Objective 5B: Improve the Retention of our Workforce
- Objective 5C: Recruit Quality People
- Objective 5D: Enhance Workplace Communications
- Objective 5E: Improve Job Performance through Training

Accomplishments for FY 18

1. Purchased 33.2 million bushels of wheat from regional farmers and elevators.
2. Shipped 15,289,777 cwts. of flour to customers.
3. Earned gross revenues of \$339 million.
4. Achieved profits of \$14 million.

5. Completed the building of the High Speed Grain Unloading Project.
6. Passed our FSSC 22000 Surveillance Audit.
7. Met facility safety goals for ninth (9) consecutive year.
8. Generating an economic impact of \$847,025,000 to the Greater Grand Forks area.



ND Mill & Elevator
1823 Mill Road
Grand Forks ND 58208
1-800-538-7721

January 24, 2019

HB 1014

Attachment A

FW: ND Short Lines & DOT Loan Fund

Dan Zink <dan.zink@rvw.net>

Wed 1/23/2019 4:48 PM

To: Vigesaa, Donald W. <dwvigesaa@nd.gov>;

Cc: Brandenburg, Michael D. <mbrandenburg@nd.gov>;

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Rep. Vigesaa,

Thank you for the opportunity to share information about ND short line railroads at your Committee hearing on Tuesday.

At the conclusion of the hearing, you and other committee members asked for additional information on the ND DOT Revolving Loan Program. Below is information I received from the DOT in October of 2018, so it should be fairly current.

I will get updated information from the DOT, but thought this would be helpful in the meantime.

I hope it is Ok I am sharing this info with Rep. Brandenburg since he has also been active in this issue.

In October, I talked to the Rail Program manager at the NDDOT, and he shared the following information regarding the Revolving Loan Program:
(in round numbers)

Funds Available to Lend:	\$ 2.9 mil.
Funds Available but Committed for this Year:	\$ 5.0
Loan Receivables Outstanding:	<u>\$13.4</u>
TOTAL FUND ASSETS:	\$21.3 mil.

Payments to be Received:	
2017-19 Biennium:	\$2.3 mil.
2019-21 Biennium:	\$2.2
2021-23 Biennium:	\$2.2
2023-25 Biennium:	\$2.2
2025-27 Biennium:	\$2.2
2027-29 Biennium:	\$1.0
2029-31 Biennium:	\$1.0

I hope this is the information you were looking for. If not, please let me know.

Thank you for your time, I can make myself available to meet or discuss by phone at your convenience.
-Dan Z.

SCHEDULE OF GOVERNOR'S RECOMMENDED SPENDING FROM THE STRATEGIC INVESTMENT AND IMPROVEMENTS FUND

The 2019-21 biennium executive budget recommends \$504.9 million of one-time appropriations or transfers from the strategic investment and improvements fund (SIIF). In addition, the executive budget provides for a transfer of \$315 million from SIIF to the budget stabilization fund during the 2017-19 biennium, for total recommended spending of \$819.9 million from SIIF. Executive budget recommended spending from SIIF is detailed below:

Description	Amount
Secretary of State (SB 2002)	
Voting system information technology project	\$8,000,000
Office of Management and Budget (SB 2015)	
Transfer to the budget stabilization fund (2017-19 biennium)	315,039,140
Transfer to the public employees retirement fund	265,000,000
Transfer to the preliminary planning revolving loan fund	1,000,000
Litigation funding pool	4,000,000
Comprehensive real estate assessment	2,430,000
Information Technology Department (HB 1021)	
Radio network and cybersecurity information technology projects	66,050,000
North Dakota University System (HB 1003)	
Online curriculum development	5,000,000
North Dakota State University (NDSU) (HB 1003)	
Dunbar Hall project	25,675,000
Valley City State University (HB 1003)	
McCarthy Hall renovation and Foss Hall demolition projects	2,900,000
State Department of Health (HB 1004)	
Implementation of air pollution control primacy	1,040,000
Laboratory repairs	1,220,000
Department of Human Services (SB 2012)	
Medicaid and child welfare information technology projects	4,720,030
Capital projects and extraordinary repairs	5,570,665
Industrial Commission (HB 1014)	
Oil database information technology project	5,000,000
Rare earth elements and fracturing sand studies	270,000
Aeronautics Commission (HB 1006)	
Airport grants	22,000,000
Housing Finance Agency (HB 1014)	
Transfer to the housing incentive fund	20,000,000
Highway Patrol (HB 1011)	
Indoor shooting range addition project	1,220,000
Department of Corrections and Rehabilitation (HB 1015)	
Various information technology projects	665,000
Miscellaneous extraordinary repairs	141,000
Campus studies of the Youth Correctional Center, James River Correctional Center, and State Hospital	750,000
Missouri River Correctional Center conversion to a female facility	2,443,077
Security equipment and redundant fencing	412,000
Adjutant General (SB 2016)	
Anticipated 911 dispatching service revenue shortfall	1,212,253
State Radio information technology upgrades	690,000
Department of Commerce (HB 1018)	
Unmanned aircraft system infrastructure	3,000,000
Tribal college grants	500,000
Nursing grants	850,000
Career exposure tool grants	250,000
Innovate ND program	4,000,000
2020 census marketing	1,000,000
NDSU Main Research Center (HB 1020)	
Extraordinary repairs	1,440,465
Parks and Recreation Department (SB 2019)	
Various capital projects	1,755,000
International Peace Garden capital projects	5,000,000
Department of Transportation (HB 1012)	
Driver's license and traffic system information technology projects	39,626,547
Total	\$819,870,177

19.0202.01002
Title.

Prepared by the Legislative Council staff for
Representative Kempenich
January 24, 2019

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 2, remove the second "and"

Page 1, line 3, after "transfer" insert "; to create and enact a new section to chapter 21-10 of the North Dakota Century Code, relating to the creation of the board of university and school lands investment advisory board; to amend and reenact section 21-10-06 of the North Dakota Century Code, relating to the state investment board; to provide for a study; and to provide for a report to the budget section"

Page 4, after line 22, insert:

"SECTION 7. AMENDMENT. Section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

21-10-06. Funds under management of board - Accounts.

1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:
 - a. State bonding fund.
 - b. Teachers' fund for retirement.
 - c. State fire and tornado fund.
 - d. Workforce safety and insurance fund.
 - e. Public employees retirement system.
 - f. Insurance regulatory trust fund.
 - g. State risk management fund.
 - h. Budget stabilization fund.
 - i. Health care trust fund.
 - j. Cultural endowment fund.
 - k. Petroleum tank release compensation fund.
 - l. Legacy fund.
 - m. A fund under contract with the board pursuant to subsection 3.
 - n. Common schools trust fund, and all other investments under the control of the board of university and school lands.
2. Separate accounting must be maintained for each of the funds listed in subsection 1. The moneys of the individual funds may be commingled for investment purposes when determined advantageous.
3. The state investment board may provide investment services to, and manage the money of, any agency, institution, or political subdivision of the

state, subject to agreement with the industrial commission. The scope of services to be provided by the state investment board to the agency, institution, or political subdivision must be specified in a written contract. The state investment board may charge a fee for providing investment services and any revenue collected must be deposited in the state retirement and investment fund.

SECTION 8. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Board of university and school lands investment advisory board - Report to budget section.

1. The board of university and school lands investment advisory board is created to develop recommendations for the investment of funds in the common schools trust fund and other investments under the control of the board of university and school lands for presentation to the state investment board. The goal of investment for the common schools trust fund is principal preservation while maximizing total return.
2. The board consists of two members of the senate appointed by the senate majority leader, two members of the house of representatives appointed by the house majority leader, the director of the office of management and budget or designee, the president of the Bank of North Dakota or designee, and the tax commissioner or designee.
3. The board shall select a chairman and must meet at the call of the chairman. The board shall report at least semiannually to the budget section.
4. Legislative members are entitled to receive compensation and expense reimbursement as provided under section 54-03-20 and reimbursement for mileage as provided by law for state officers. The legislative council shall pay the compensation and expense reimbursement for the legislative members.
5. The legislative council shall provide staff services to the board of university and school lands investment advisory board. The staff and consultants of the state retirement and investment office shall advise the board in developing asset allocation and investment policies."

Renumber accordingly

**Testimony of Lynn D. Helms
Director, North Dakota Industrial Commission Department of Mineral Resources
January 29, 2019
House Appropriations Government Operations Division
HB 1014**

Critical timing of Risk Based Data Management System (RBDMS) upgrade to NorthStar:

Current RBDMS system runs on Access 2010. Microsoft support for Access 2010 ends 12/31/2020 and there is no RBDMS version that runs on Access 2013.

Current RBDMS system is unable to manage the growing number of wells in North Dakota and has already required limiting information available to field inspectors in order to maintain daily synchronization throughout the system.

Current RBDMS servers will reach the end of extended warranties in October 2019. The upgrade to NorthStar includes moving all DMR database systems to ITD secure cloud storage.

Ground Water Protection Council (GWPC) has committed \$1,996,030, GWPC staff, and contractors to the 2019-2021 DMR project. GWPC has made commitments to upgrade Alaska and Texas next. If the GWPC funds, staff, and contractors are not leveraged in 2019-2021 they will go to Alaska and will not be available again until 2023-2025 at the earliest.

Upgrading the NorthStar system now will allow the gathering system program to be built into the Field Inspection model.

Funding of the project in 2019-2021 can be provided by balancing Gross Production Tax allocations between the Abandoned Well Plugging and Site Restoration Fund (AWPSRF) NDCC 38-08-04.5 and the Oil and Gas Reservoir Data Fund (RDF) NDCC 38-08-04.6:

SECTION XX. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Gross production tax allocation.

f. (1) For the period beginning September 1, 2017 2019, and ending August 31, 2019 2021, the state treasurer shall allocate four percent of the amount available under this subsection to:

(a) the reservoir data fund, but not in an amount exceeding two million five hundred thousand dollars per fiscal year and not in an amount that would bring the balance in the fund to more than six million dollars.

(b) to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding four three million five hundred thousand dollars per fiscal year and not in an amount that would bring the balance in the fund to more than one hundred million dollars.

(2) After August 31, 2019 2021, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year and not in an amount that would bring the balance in the fund to more than one hundred million dollars.

MS Access history:

1992: Microsoft released Access version 1.0 on November 13, 1992, and an Access 1.1 release in May 1993 to improve compatibility with other Microsoft products and to include the Access Basic programming language.

1994: Microsoft specified the minimum hardware requirements for Access v2.0 as: Microsoft Windows v3.1 with 4 MB of RAM required, 6 MB RAM recommended; 8 MB of available hard disk space required, 14 MB hard disk space recommended. The product shipped on seven 1.44 MB diskettes. The manual shows a 1994 copyright date.

With Office 95, Microsoft Access 7.0 (a.k.a. "Access 95") became part of the Microsoft Office Professional Suite, joining Microsoft Excel, Word, and PowerPoint and transitioning from Access Basic to VBA. Since then, Microsoft has released new versions of Microsoft Access with each release of Microsoft Office. This includes Access 97 (version 8.0), Access 2000 (version 9.0), Access 2002 (version 10.0), Access 2003 (version 11.5), Access 2007 (version 12.0), Access 2010 (version 14.0), and Access 2013 (version 15.0).

Testimony of Lynn D. Helms
Director, North Dakota Industrial Commission Department of Mineral Resources
January 29, 2019
House Appropriations Government Operations Division
HB 1014

Demonstration Project(s) for Bakken Produced Gas Storage:

EERC has studied the potential for produced gas storage and determined it is technically and economically feasible based on computer simulations:

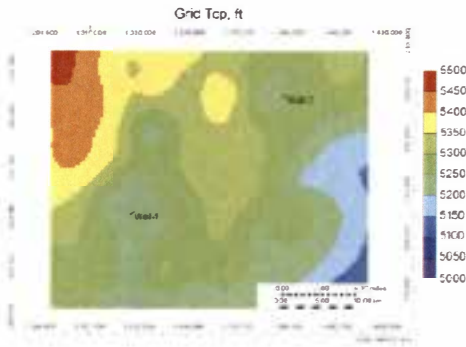


Figure 8. Map view of the simulation model showing the injection well locations and depth of the Broom Creek Formation top. North is toward the top of the image.

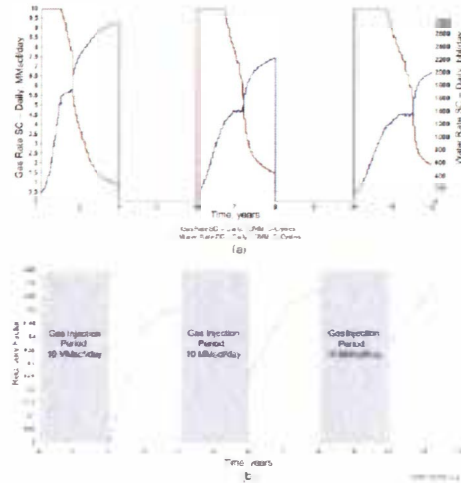


Figure 12. Gas and water production rates, following 1 year of gas injection (a); and recovery factors (b) for a cyclic gas injection and recovery scenario.

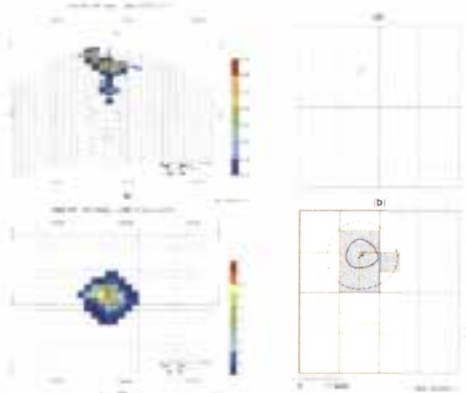


Figure 13. Cross-sectional views (a) and (b) of one simulated gas storage well. (a) shows the well and surrounding reservoir. (b) shows the well and surrounding reservoir with a different view. Both views include a legend for gas saturation and water saturation.

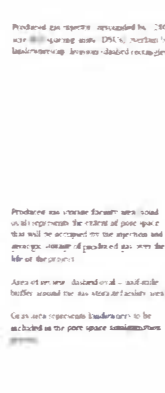


Figure 14. Visual representation of pore space allocation considerations with respect to landowners within a given gas storage project area.

Table with 5 columns: Metric, Cycle 1, Cycle 2, Cycle 3, and Total. Rows include MCFD Inj, Days/Yr, Years, MCF Inj, RF, MCF Prod, Investment, \$/MCF, Oper Cost, Total Cost, and \$/MCF.

A single demonstration project will result in 5 additional well completions, reduce flared volume of 618 million cubic feet, and yield almost \$28 million in additional GPT+OET revenue:

AI.B HB1014
1-29-19

Five well Bakken pad with potential for 20 wells and Produced Gas Storage

Year	Well Count	Oil Production		Gas Production		Gathering Capacity		Excess Gas		Flared Gas		GPT&OET @ \$50/BO & \$0.07/MCF
		BOPD	Annual	MCFD	Annual	MCFD	Annual	MCFD	Annual	MCFD	Annual	
2019	5	6,300	2,299,500	11,598	4,233,380	10,207	3,725,374	1,392	508,006	1,392	508,006	\$11,498,214
2020	5	2,575	939,875	4,741	1,730,310	10,207	3,725,374					\$4,699,707
2021	10	7,625	2,783,125	14,038	5,123,733	10,207	3,725,374	3,831	1,398,359	1,263	461,136	\$13,916,519
2022	10	3,375	1,231,875	6,213	2,267,882	10,207	3,725,374					\$6,159,810
2023	10	1,850	675,250	3,406	1,243,135	10,207	3,725,374					\$3,376,488
2024	10	1,175	428,875	2,163	789,559	10,207	3,725,374					\$2,144,526
2025	15	7,125	2,600,625	13,117	4,787,751	10,207	3,725,374	2,911	1,062,377	1,181	430,898	\$13,003,961
2026	15	3,175	1,158,875	5,845	2,133,489	10,207	3,725,374					\$5,794,784
2027	15	1,825	666,125	3,360	1,226,336	10,207	3,725,374					\$3,330,860
2028	15	1,225	447,125	2,255	823,157	10,207	3,725,374					\$2,235,783
2029	20	7,200	2,628,000	14,581	5,321,963	10,207	3,725,374	4,374	1,596,589	1,312	478,977	\$13,140,929
2030	20	3,325	1,213,625	7,407	2,703,483	10,207	3,725,374					\$6,068,643
Total			17,072,875		32,384,177						1,879,016	\$85,370,225
Difference	5		5,572,820		10,415,021						618,315	\$27,865,981

Five well Bakken pad with potential for 20 wells without Produced Gas Storage

Year	Well Count	Oil Production		Gas Production		Gathering Capacity		Excess Gas		Flared Gas		GPT&OET @ \$50/BO & \$0.07/MCF
		BOPD	Annual	MCFD	Annual	MCFD	Annual	MCFD	Annual	MCFD	Annual	
2019	5	6,300	2,299,500	11,598	4,233,380	10,207	3,725,374	1,392	508,006	1,392	508,006	\$11,498,214
2020	5	2,575	939,875	4,741	1,730,310	10,207	3,725,374					\$4,699,707
2021	5	1,325	483,625	2,439	890,354	10,207	3,725,374					\$2,418,296
2022	5	800	292,000	1,473	537,572	10,207	3,725,374					\$1,460,103
2023	5	525	191,625	967	352,782	10,207	3,725,374					\$958,193
2024	10	6,297	2,298,405	11,593	4,231,364	10,207	3,725,374	1,386	505,990	1,043	380,823	\$11,492,762
2025	10	2,360	861,400	4,345	1,585,837	10,207	3,725,374					\$4,307,304
2026	10	1,285	469,025	2,366	863,475	10,207	3,725,374					\$2,345,291
2027	10	840	306,600	1,546	564,451	10,207	3,725,374					\$1,533,108
2028	10	620	226,300	1,141	416,618	10,207	3,725,374					\$1,131,580
2029	15	5,590	2,040,350	11,320	4,131,913	10,207	3,725,374	1,114	406,539	1,019	371,872	\$10,202,470
2030	15	2,990	1,091,350	6,661	2,431,102	10,207	3,725,374					\$5,457,216
Total			11,500,055		21,969,157						1,260,700	\$57,504,244

State wide implementation following a successful demonstration project could result in 100 additional well completions, reduced flare volume of 111 billion cubic feet, and yield more than \$1 billion in additional GPT+OET revenue:

With 15-20 produced gas storage facilities

Year	Well Count	Oil Production		Gas Production		Gathering Capacity		Excess Gas		Flared Gas		% Annual	GPT&OET @ \$50/BO & \$0.07
		BOPD	Annual	MCFD	Annual	MCFD	Annual	MCFD	Annual	MCFD	Annual		
2019	13500	1,375,000	501,875,000	2,531,375	923,951,875	2,279,500	832,017,500	251,875	91,934,375	251,875	10%	\$2,509,534,565	
2020	14500	1,476,852	539,050,926	2,854,828	1,042,012,392	3,114,500	832,017,500	-259,672		-259,672	0%	\$2,695,472,645	
2021	15500	1,578,704	576,226,852	3,204,299	1,169,569,082	3,359,500	832,017,500	-155,201		-155,201	0%	\$2,881,369,424	
2022	16500	1,680,556	613,402,778	3,581,579	1,307,276,409	3,359,500	832,017,500	222,079	81,058,909	-377,921	0%	\$3,067,291,054	
2023	17500	1,782,407	650,578,704	3,988,577	1,455,830,547	3,359,500	832,017,500	629,077	229,613,047	29,077	1%	\$3,253,170,684	
2024	18500	1,884,259	687,754,630	4,427,320	1,615,971,907	4,359,500	832,017,500	67,820	24,754,407	-532,180	0%	\$3,439,120,313	
2025	19500	1,986,111	724,930,556	4,899,967	1,788,487,826	4,759,500	832,017,500	140,467	51,270,326	-459,533	0%	\$3,625,027,943	
2026	20500	2,087,963	762,106,481	5,408,809	1,974,215,408	5,159,500	832,017,500	249,309	90,997,908	-350,691	0%	\$3,810,935,572	
2027	20500	2,087,963	762,106,481	5,679,250	2,072,926,179	5,559,500	832,017,500	119,750	43,708,679	-480,250	0%	\$3,810,963,572	
2028	20500	2,087,963	762,106,481	5,963,212	2,176,572,488	5,959,500	832,017,500	3,712	1,354,988	-596,288	0%	\$3,810,991,572	
2029	20500	2,087,963	762,106,481	6,261,373	2,285,401,112	5,959,500	832,017,500	301,873	110,183,612	-298,127	0%	\$3,810,991,572	
2030	20500	2,087,963	762,106,481	6,574,442	2,399,671,168	5,959,500	832,017,500	614,942	224,453,668	14,942	0%	\$3,810,991,572	
Total			8,104,351,852		20,211,886,393						102,547,422	\$40,525,860,489	
Difference	100		215,620,370		529,935,807						-110,852,588	\$1,078,479,852	

Without produced gas storage

Year	Well Count	Oil Production		Gas Production		Gathering Capacity		Excess Gas		Flared Gas		% Annual	GPT&OET @ \$50/BO & \$0.07
		BOPD	Annual	MCFD	Annual	MCFD	Annual	MCFD	Annual	MCFD	Annual		
2019	13500	1,375,000	501,875,000	2,531,375	923,951,875	2,279,500	832,017,500	251,875	91,934,375	251,875	10%	\$2,509,534,565	
2020	14500	1,476,852	539,050,926	2,854,828	1,042,012,392	3,114,500	832,017,500	-259,672		-259,672	0%	\$2,695,472,645	
2021	15500	1,578,704	576,226,852	3,204,299	1,169,569,082	3,359,500	832,017,500	-155,201		-155,201	0%	\$2,881,369,424	
2022	16500	1,680,556	613,402,778	3,581,579	1,307,276,409	3,359,500	832,017,500	222,079	81,058,909	222,079	6%	\$3,067,249,054	
2023	16200	1,650,000	602,250,000	3,692,283	1,347,683,135	3,359,500	832,017,500	332,783	121,465,635	332,783	9%	\$3,011,485,165	
2024	17200	1,751,852	639,425,926	4,116,211	1,502,417,124	4,359,500	832,017,500	-243,289	-88,800,376	-243,289	-6%	\$3,197,434,795	
2025	18200	1,853,704	676,601,852	4,573,302	1,669,255,305	4,759,500	832,017,500	-186,198	-67,962,195	-186,198	-4%	\$3,383,342,424	
2026	19200	1,955,556	713,777,778	5,065,812	1,849,021,261	5,159,500	832,017,500	-93,688	-34,196,239	-93,688	-2%	\$3,569,250,054	
2027	20200	2,057,407	750,953,704	5,596,139	2,042,590,674	5,559,500	832,017,500	36,639	13,373,174	36,639	1%	\$3,755,157,684	
2028	20400	2,077,778	758,388,889	5,934,123	2,165,955,061	5,959,500	832,017,500	-25,377	-9,262,439	-25,377	0%	\$3,792,361,609	
2029	20400	2,077,778	758,388,889	6,230,830	2,274,252,814	5,959,500	832,017,500	271,330	99,035,314	271,330	4%	\$3,792,361,609	
2030	20400	2,077,778	758,388,889	6,542,371	2,387,965,455	5,959,500	832,017,500	582,871	212,747,955	582,871	9%	\$3,792,361,609	
Total			7,888,731,481		19,681,950,586						213,400,010	\$39,447,380,637	

Funding of demonstration project(s) can be provided through the Oil and Gas Reserch Fund NDCC 54-17.6:

SECTION XX. AMENDMENT. Section 57-51.1-07.3 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, tax relief fund, budget stabilization fund, strategic investment and improvements fund, state disaster relief fund, or lignite research fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to ~~ten~~ eighteen million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6. The industrial commission shall use \$8,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center to conduct one or more pilot studies or demonstration projects of underground storage of produced natural gas. The energy and environmental research center shall provide quarterly reports to the industrial commission and annual reports to legislative management regarding the results and recommendations of the study.

**Industrial Commission - Budget No. 405
House Bill No. 1014
Base Level Funding Changes**

	Executive Budget Recommendation				House Version				House Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	110.25	\$25,408,987	\$15,343,206	\$40,752,193	110.25	\$25,408,987	\$15,343,206	\$40,752,193	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes		(\$163,450)	\$40,140	(\$123,310)		(\$163,450)	\$40,140	(\$123,310)				\$0
Salary increase		954,104	60,842	1,014,946		571,918	36,477	608,395		(382,186)	(24,365)	(406,551)
Health insurance increase		427,039	26,456	453,495		504,216	31,234	535,450		77,177	4,778	81,955
Retirement contribution increase		125,062	7,935	132,997				0		(125,062)	(7,935)	(132,997)
Transfers \$221,737 to salaries and wages line item				0				0				0
Increases funding for 2 FTE positions (partial funding in 2017-19)		40,464		40,464				0		(40,464)		(40,464)
Adjusts funding for operating expenses		300,827	(36,324)	264,503				0		(300,827)	36,324	(264,503)
Adds funding for computer replacements		70,400		70,400				0		(70,400)		(70,400)
Adds funding for Microsoft Office 365 licensing		76,787	4,409	81,196				0		(76,787)	(4,409)	(81,196)
Reduces funding for bond payments			(2,701,717)	(2,701,717)				0			2,701,717	2,701,717
Total ongoing funding changes	0.00	\$1,831,233	(\$2,598,259)	(\$767,026)	0.00	\$912,684	\$107,851	\$1,020,535	0.00	(\$918,549)	\$2,706,110	\$1,787,561
One-time funding items												
Adds funding for rare earth element study			\$160,000	\$160,000				\$0			(\$160,000)	(\$160,000)
Adds funding for fracturing sand study			110,000	110,000				0			(110,000)	(110,000)
Adds funding for oil database software upgrade			5,000,000	5,000,000				0			(5,000,000)	(5,000,000)
Total one-time funding changes	0.00	\$0	\$5,270,000	\$5,270,000	0.00	\$0	\$0	\$0	0.00	\$0	(\$5,270,000)	(\$5,270,000)
Total Changes to Base Level Funding	0.00	\$1,831,233	\$2,671,741	\$4,502,974	0.00	\$912,684	\$107,851	\$1,020,535	0.00	(\$918,549)	(\$2,563,890)	(\$3,482,439)
2019-21 Total Funding	110.25	\$27,240,220	\$18,014,947	\$45,255,167	110.25	\$26,321,671	\$15,451,057	\$41,772,728	0.00	(\$918,549)	(\$2,563,890)	(\$3,482,439)

Other Sections for Industrial Commission - Budget No. 405

	Executive Budget Recommendation	House Version
Bond payments	Section 3 would provide legislative intent for bond payments, and Section 5 would provide appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2019-21 biennium.	
Administrative cost transfers	Section 9 would allow the Industrial Commission to transfer up to \$1,184,893 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 21 would provide an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.	

AH C HB 1014
1-29-19

Other Sections for Industrial Commission - Budget No. 405

Executive Budget Recommendation

House Version

Strategic investment and improvements fund

Sections 15, 16, and 17 would identify \$5,270,000 from the strategic investment and improvements fund for an information technology project (\$5,000,000), a rare earth element study (\$160,000), and a fracturing sand study (\$110,000).

Lignite research

Section 20 would designate \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Survey review exemption

Section 22 would provide an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review during the 2019-21 biennium.

January 29, 2019

HB1014

Attachment 8



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Memorandum

TO: House Appropriations - Government Operations Division

FR:  Karlene Fine, Industrial Commission Executive Director/Secretary

DT: January 28, 2019

RE: House Bill 1014

Attached are the PowerPoint slides that Bank of North Dakota President Hardmeyer displayed at the work session held last week when we were discussing bonding.

Also requested was information on what the revenues would have been to the Outdoor Heritage Fund if there had not been a \$10 million limit established last session for the 2017-2019 biennium. I have consulted with the Office of Management and Budget. Based on actual receipts through November 2018 and based on the executive forecast for the remainder of the biennium, the transfer the Outdoor Heritage Fund would have received is approximately \$30.1 million.

If you have questions about any of these items, please give me a call at 328-3722.

Karlene

Attachments - PowerPoint Slides

Overview of Infrastructure Revolving Loan Fund Return on Investment

Current Status BND IRLF

Loans Funded:	\$780,22,793
Outstanding Commitments:	\$73,144,674
SIIF Funds Used:	\$50,000,000
BND Funds Used To Date:	\$40,000,000
Remaining BND Funds:	\$60,000,000
Current Cash Balance:	\$12,929,379
Outstanding Loan Balance	\$77,896,178
Fund Balance	\$150,470,850

BND IRLF Evolution Through 2035

<u>As of June 2021</u>		<u>As of June 2025</u>		<u>As of June 2035</u>	
Loans Funded	\$354,067,467	Loans Funded	\$712,067,467	Loans Funded	\$1,061,115,291
Outstanding	\$338,772,368	Outstanding	\$642,002,404	Outstanding	\$746,153,284
Ann. Repayments	\$17,688,738	Ann. Repayments	\$30,651,592	Ann. Repayments	\$47,052,483
Loan Loss Res.	\$5,081,585	Loan Loss Res	\$9,630,036	Loan Loss Res	\$11,192,300
Cash	\$271,122,357	Cash	\$537,906	Cash	\$222,680
Total Assets		Total Assets		Total Assets	
\$604,813,140		\$632,910,274		\$735,183,664	

Assumptions

Bond	\$450,000,000
(Total Amount Advanced in 3-Years.)	

Savings to North Dakota Residents

- Under the Assumptions, by 2035, the IRLF will have Loaned over \$1B to local political subdivisions.
- Assuming a 4.5% Market Rate, Tax Payers Will Save \$527,852,895 in Interest costs by 2035.
- Accelerated construction schedule protect against inflation and increasing costs of construction

Note (Interest on \$1.06B / 30 Years @ 4.5% = \$882,971,755) (Interest on \$1.06B / 30 Years @ 2% = \$355,118,861)

HB 1014
 AH. D
 1-29-19

Overview of School Construction Assistance Revolving Loan Fund Return on Investment

Current Status SCALF

Beginning Loans:	
School Lands:	\$143,012,155
BND Loans Purchased	\$39,474,241
Loan Advances	\$60,000,000
Principal Repayments:	\$24,111,114
Current Cash Balance:	\$13,581,308
Fund Balance	
\$229,772,837	

SCALF Evolution Through 2035

<u>Biennium Ending 2021</u>		<u>Biennium Ending 2025</u>		<u>Biennium Ending 2035</u>	
Loans Funded:	\$150,000,000	Loans Funded:	\$330,000,000	Loans Funded:	\$780,000,000
Outstanding	\$284,597,490	Outstanding	\$391,898,175	Outstanding	\$513,730,377
Ann. Repayments	\$16,926,878	Ann. Repayments	\$27,935,087	Ann. Repayments	\$47,079,394
Loan Loss Res.	\$2,845,975	Loan Loss Res.	\$3,918,983	Loan Loss Res.	\$5,137,306
Cash	\$198,442,645	Cash	\$99,448,927	Cash	\$23,968,722
Total Assets		Total Assets		Total Assets	
\$480,194,160		\$487,428,119		\$532,561,793	

Assumptions

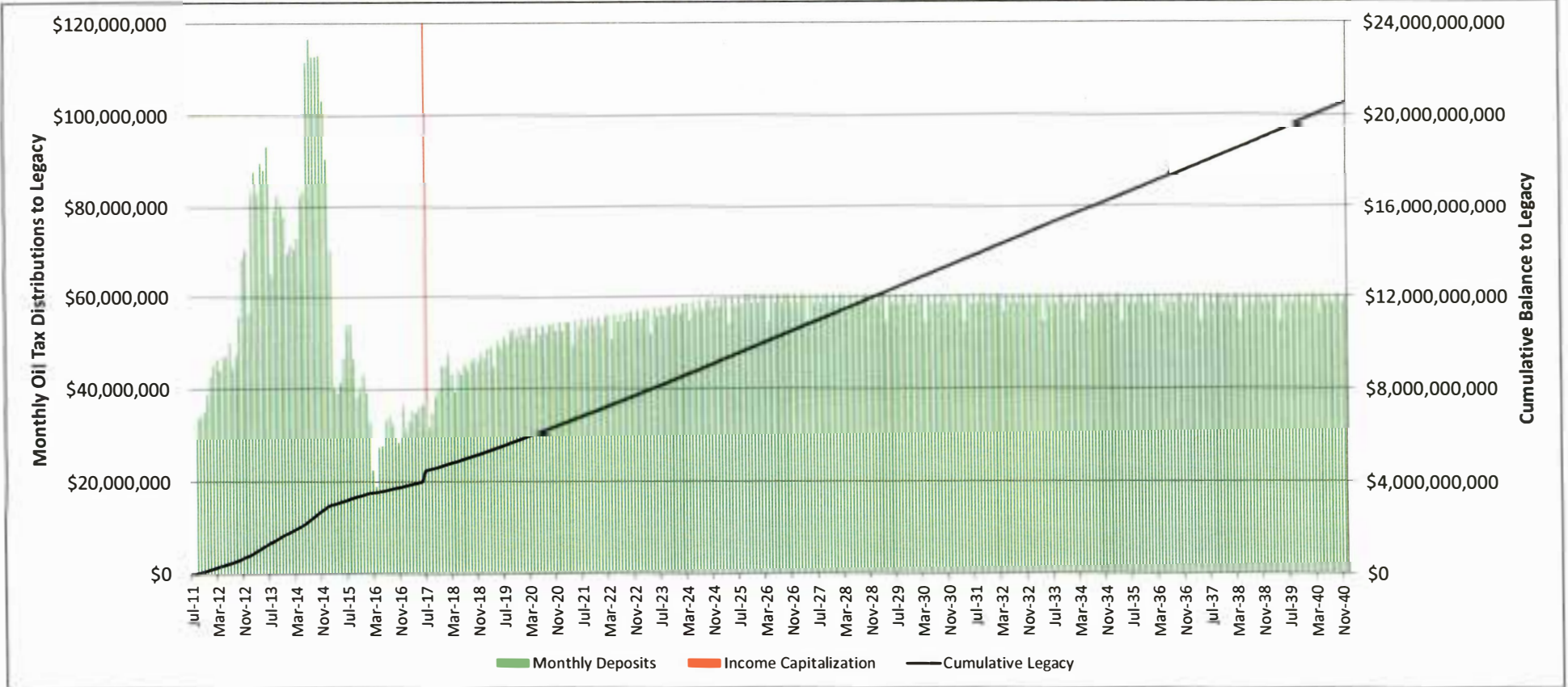
Bond	\$250,000,000
(Total Amount Advanced in 5-Years)	

- Highlights:**
- Under the Assumptions, by 2035, the IRLF will have Loaned \$780,000,000 to local School Districts.
 - Assuming a 4.25% Market Rate, Tax Payers Will Save \$215,475,422 in Interest costs by 2035.
 - Accelerated construction schedule protect against inflation and increasing costs of construction.

Note (Interest on \$780M / 20 Years @ 4.25% = \$385,690,088) (Interest on \$780M / 20 Years @ 2% = \$170,214,666)

AH D HB 1014
1-29-19

Legacy Fund Projection Through 2040



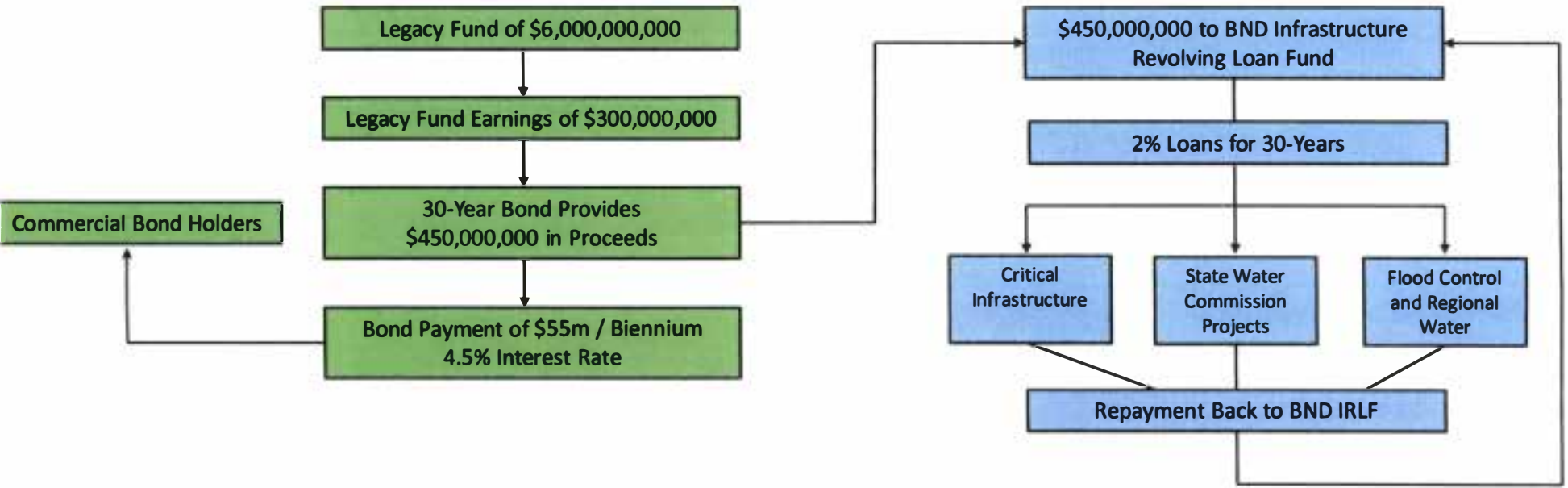
Assumptions
Monthly Production Gain = 10,000 Starting Bakken Price = \$47.00
Daily Oil Production Cap = 1,300,000 Bakken Price Cap = \$56.00

Principal Income Only with No Assumption Of Gains from Interest or Earnings.

4

Utilizing Legacy Fund Earnings As A Repayment Source For Infrastructure Funding

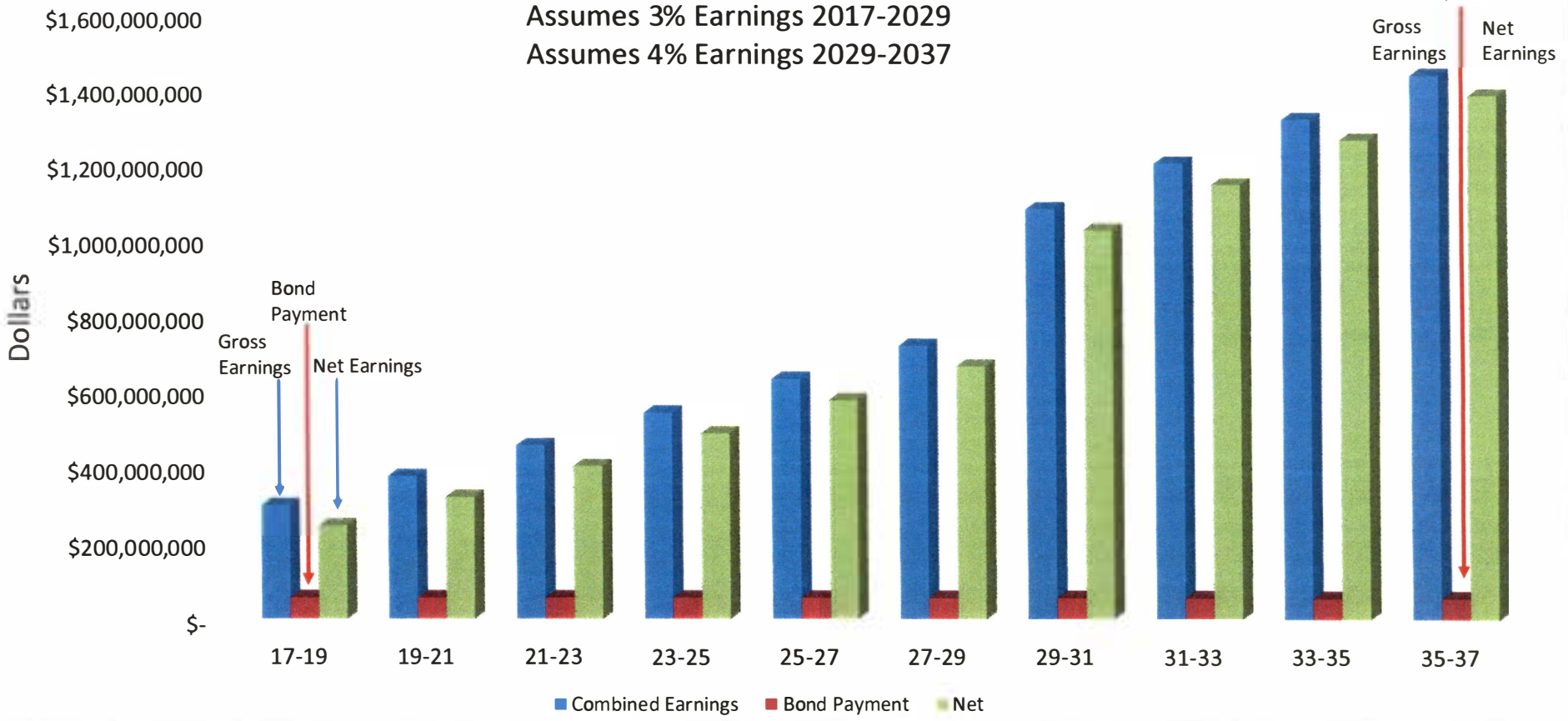
Concept: To "Disconnect" the Repayment and Interest Rate of A Revenue Bond from the Repayment and Interest Rate of a Loan to A Local Political Subdivision.



AH. D HB1014
1-29-19

Utilization of Legacy Fund Earnings \$55m Bond Payment Per Biennium

Assumes 3% Earnings 2017-2029
Assumes 4% Earnings 2029-2037



Project Cost Comparison

<u>\$5 Million Dollar Project</u>	<u>30-Year</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$6.63m	\$1,630,000	\$2,380,000
Market Rate Loan	\$9.01m	\$4,010,000	
<u>\$20 Million Dollar Project</u>	<u>30-Year</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$26.53m	\$6,530,000	\$9,510,000
Market Rate Loan	\$36.04m	\$16,040,000	
<u>\$50 Million Dollar Project</u>	<u>30-Year</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$66.32m	\$16,320,000	\$23,780,000
Market Rate Loan	\$90.10m	\$40,100,000	

Estimated Market Interest Rate 4.5%

January 29, 2019

HB1014

Attachment E

19.0202.01001
Title.

Prepared by the Legislative Council staff for
Representative Brandenburg
January 9, 2019

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 1, after "to" insert "create and enact a new section to chapter 54-17 of the North Dakota Century Code, relating to environmental impact mitigation; to"

Page 5, after line 7, insert:

"**SECTION 8.** A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Direct mitigation payments.

The industrial commission shall deposit into the environmental impact mitigation fund, any payments or funds to mitigate any assessed adverse direct environmental, wildlife, or economic impact of any project."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment creates a new section to North Dakota Century Code Chapter 54-17 to require the Industrial Commission to deposit payments for the mitigation of any assessed adverse direct environmental, wildlife, or economic impact of any project, into the environmental impact mitigation fund.

January 29, 2019

HB 1014

Attachment 7

**Bank of North Dakota - Budget No. 471
House Bill No. 1014
Base Level Funding Changes**

	Executive Budget Recommendation				House Version				House Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	181.50	\$0	\$59,299,204	\$59,299,204	181.50	\$0	\$59,299,204	\$59,299,204	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$230,000	\$230,000			\$230,000	\$230,000				\$0
Salary increase			1,493,034	1,493,034			894,823	894,823			(598,211)	(598,211)
Health insurance increase			687,776	687,776			812,098	812,098			124,322	124,322
Retirement contribution increase			187,205	187,205				0			(187,205)	(187,205)
Adjusts funding for postage and temporary salaries			(75,550)	(75,550)				0			75,550	75,550
Increases funding for information technology costs			1,071,800	1,071,800				0			(1,071,800)	(1,071,800)
Adds funding for Microsoft Office 365 licensing			37,352	37,352				0			(37,352)	(37,352)
Increases funding for professional development and services			139,508	139,508				0			(139,508)	(139,508)
Increases funding for utilities, insurance, and other operating costs			55,000	55,000				0			(55,000)	(55,000)
Increases funding for contingency expenses			1,000,000	1,000,000				0			(1,000,000)	(1,000,000)
Adds funding for information technology equipment			700,000	700,000				0			(700,000)	(700,000)
Total ongoing funding changes	0.00	\$0	\$5,526,125	\$5,526,125	0.00	\$0	\$1,936,921	\$1,936,921	0.00	\$0	(\$3,589,204)	(\$3,589,204)
One-time funding items												
Transfer to infrastructure revolving loan fund		\$55,000,000		\$55,000,000				\$0			(\$55,000,000)	(\$55,000,000)
Transfer to school construction loan fund		25,000,000		25,000,000				0			(25,000,000)	(25,000,000)
Total one-time funding changes	0.00	\$80,000,000	\$0	\$80,000,000	0.00	\$0	\$0	\$0	0.00	(\$80,000,000)	\$0	(\$80,000,000)
Total Changes to Base Level Funding	0.00	\$80,000,000	\$5,526,125	\$85,526,125	0.00	\$0	\$1,936,921	\$1,936,921	0.00	(\$80,000,000)	(\$3,589,204)	(\$83,589,204)
2019-21 Total Funding	181.50	\$80,000,000	\$64,825,329	\$144,825,329	181.50	\$0	\$61,236,125	\$61,236,125	0.00	(\$80,000,000)	(\$3,589,204)	(\$83,589,204)

Other Sections for Bank of North Dakota - Budget No. 471

	Executive Budget Recommendation	House Version
Transfer to general fund	Section 6 would provide for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium.	
Transfer to infrastructure revolving loan fund	Section 7 would provide for a transfer of \$55 million from the general fund to the infrastructure revolving loan fund.	
Transfer to school construction loan fund	Section 8 would provide for a transfer of \$25 million from the general fund to a school construction loan fund.	
Transfer to partnership in assisting community expansion (PACE) fund	Section 10 would provide for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.	
Transfer to Ag PACE fund	Section 11 would provide for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.	

AH: F HB 1014
1-29-19

Other Sections for Bank of North Dakota - Budget No. 471

Executive Budget Recommendation

House Version

Transfer to biofuels PACE fund	Section 12 would provide for a transfer of \$1 million from the Bank's current earnings undivided profits to the biofuels PACE fund for the 2019-21 biennium.
Transfer to beginning farmer revolving loan fund	Section 13 would provide for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.
Transfer to school construction loan fund	Section 14 would provide for a transfer of \$5 million from the Bank's current earnings and undivided profits to a school construction loan fund for the 2019-21 biennium.
Transfer to North Dakota development fund	Section 19 would provide for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.

January 30, 2019

HB1014

Attachment A

**Housing Finance Agency - Budget No. 473
House Bill No. 1014
Base Level Funding Changes**

	Executive Budget Recommendation				House Version				House Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	44.00	\$0	\$44,530,239	\$44,530,239	44.00	\$0	\$44,530,239	\$44,530,239	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$221,665	\$221,665			\$221,665	\$221,665				\$0
Salary increase			348,730	348,730			208,965	208,965			(139,765)	(139,765)
Health insurance increase			166,276	166,276			196,332	196,332			30,056	30,056
Retirement contribution increase			44,141	44,141				0			(44,141)	(44,141)
Reduces funding for temporary employees			(57,219)	(57,219)				0			57,219	57,219
Increases funding for mortgage servicing premium expenses			602,921	602,921				0			(602,921)	(602,921)
Increases funding for program grants			20,000	20,000				0			(20,000)	(20,000)
Adds funding for federal housing grants			1,651,772	1,651,772				0			(1,651,772)	(1,651,772)
Total ongoing funding changes	0.00	\$0	\$2,998,286	\$2,998,286	0.00	\$0	\$626,962	\$626,962	0.00	\$0	(\$2,371,324)	(\$2,371,324)
One-time funding items												
Transfer housing incentive fund			\$20,000,000	\$20,000,000				\$0			(\$20,000,000)	(\$20,000,000)
Total one-time funding changes	0.00	\$0	\$20,000,000	\$20,000,000	0.00	\$0	\$0	\$0	0.00	\$0	(\$20,000,000)	(\$20,000,000)
Total Changes to Base Level Funding	0.00	\$0	\$22,998,286	\$22,998,286	0.00	\$0	\$626,962	\$626,962	0.00	\$0	(\$22,371,324)	(\$22,371,324)
2019-21 Total Funding	44.00	\$0	\$67,528,525	\$67,528,525	44.00	\$0	\$45,157,201	\$45,157,201	0.00	\$0	(\$22,371,324)	(\$22,371,324)

Other Sections for Housing Finance Agency - Budget No. 473

	Executive Budget Recommendation	House Version
Transfer to housing incentive fund	Section 18 would provide a transfer of \$20 million from the strategic investment and improvements fund to the housing incentive fund.	

Mill and Elevator Association - Budget No. 475
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version				House Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	153.00	\$0	\$68,213,519	\$68,213,519	153.00	\$0	\$68,213,519	\$68,213,519	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$3,477,828	\$3,477,828			\$3,477,828	\$3,477,828				\$0
Health insurance increase			578,184	578,184			682,698	682,698			104,514	104,514
Retirement contribution increase			206,550	206,550				0			(206,550)	(206,550)
Increases funding for overtime			2,227,085	2,227,085				0			(2,227,085)	(2,227,085)
Increases funding for temporary employees			311,600	311,600				0			(311,600)	(311,600)
Adds funding for 4 FTE positions	4.00		570,165	570,165				0	(4.00)		(570,165)	(570,165)
Adds funding for increases in operating costs			1,642,000	1,642,000				0			(1,642,000)	(1,642,000)
Total ongoing funding changes	4.00	\$0	\$9,013,412	\$9,013,412	0.00	\$0	\$4,160,526	\$4,160,526	(4.00)	\$0	(\$4,852,886)	(\$4,852,886)
One-time funding items												
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	4.00	\$0	\$9,013,412	\$9,013,412	0.00	\$0	\$4,160,526	\$4,160,526	(4.00)	\$0	(\$4,852,886)	(\$4,852,886)
2019-21 Total Funding	157.00	\$0	\$77,226,931	\$77,226,931	153.00	\$0	\$72,374,045	\$72,374,045	(4.00)	\$0	(\$4,852,886)	(\$4,852,886)

Other Sections for Mill and Elevator Association - Budget No. 475

Executive Budget Recommendation	House Version
The executive budget did not include any other sections related to the Mill and Elevator Association.	

January 30, 2019

HB 1014

Attachment C

Legislation Proposing Bonding in the 2019-2021 Legislative Session

Bill	SB 2214	SB 2268	SB 2275	SB 2297
Program Name	School Construction Assistance Revolving Loan Fund	Corridors of Commerce	Infrastructure Revolving Loan Fund	North Dakota Building Authority
Amount of Bonding	\$250,000,000	\$100,000,000	\$500,000,000	\$151,700,000
Biennial Debt Service Maximum	Not Specified - \$25,000,000 intent	\$16,000,000	\$55,000,000	Within legislative cap of 10% of \$.01 sales tax - \$25,000,000 intent
Repayment Source	Appropriation from Foundation Aid Stabilization Fund	General Fund monies derived from Legacy Fund Earnings	General Fund monies derived from Legacy Fund Earnings	Lease Rental Payments from Funding Recipients
Use of Proceeds	School Construction Projects	State Highway Projects that improve freight transportation and facilitate commerce	Essential Infrastructure Projects for Political Subdivisions and Institutions of Higher Education	Specific Projects listed: NDSU Dunbar Hall, VCSU Communications and Fine Arts Building, NDSU Agriculture Products Development Center and DSU Pulver Hall
Existing Program NDCC	15.1-36-08	New	6-09-49	54-17.2
Determines Projects	Department of Public Instruction	Department of Transportation	Bank of North Dakota	Defined in Bill
Administers the Fund	Bank of North Dakota	Department of Transportation	Bank of North Dakota	ND Building Authority
Issues the Bonds	Public Finance Authority	Public Finance Authority	Public Finance Authority	ND Building Authority

2019-2021 Required Biennial Debt Service	
Foundation Aid (SB 2214)	\$25,000,000
Legacy Fund Earnings	\$71,000,000
General Fund (SB 2297)	\$0
Total	\$96,000,000

Future Required Biennial Debt Service	
Foundation Aid (SB 2214)	\$25,000,000
Legacy Fund Earnings	\$71,000,000
General Fund (SB 2297)	\$25,000,000
Total	\$121,000,000

January 30, 2019

HB1014

Attachment D

Legacy Fund - Bonded Debt Service Requirements by Biennium (SB 2268 and SB 2275)									
	Bond Issue #1 Infrastructure		Bond Issue #2 Infrastructure		Bond Issue #2A Corridors of Commerce		Biennial Debt Service Requirements	Appropriation	Carryover
	Proceeds	Payment	Proceeds	Payment	Proceeds	Payment			
July 1, 2019	\$200,000,000						19-21 Biennium \$24,989,868	\$30,000,000	\$5,010,132
January 1, 2020		\$4,500,000							
July 1, 2020		\$9,239,868	\$200,000,000		\$100,000,000				
January 1, 2021		\$4,500,000		\$4,500,000		\$2,250,000	21-23 Biennium \$68,699,340	\$63,689,208	
July 1, 2021		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2022		\$4,500,000		\$4,500,000		\$2,250,000			
July 1, 2022		\$9,239,868		\$9,239,868		\$4,619,934	23-25 Biennium \$68,699,340	\$68,699,340	
January 1, 2023		\$4,500,000		\$4,500,000		\$2,250,000			
July 1, 2023		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2024		\$4,500,000		\$4,500,000		\$2,250,000	25-27 Biennium \$68,699,340	\$68,699,340	
July 1, 2024		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2025		\$4,500,000		\$4,500,000		\$2,250,000			
July 1, 2025		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2026		\$4,500,000		\$4,500,000		\$2,250,000			
July 1, 2026		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2027		\$4,500,000		\$4,500,000		\$2,250,000			

Implementation of Bonding Strategy

SB 2275 assumes the Legislature will authorize up to \$500m in bonding utilizing \$55m per biennium for bond payments. SB 2268 assumes the Legislature will authorize up to \$100m in bonding utilizing \$16m per biennium for bond payments. Based on the anticipated Legacy Fund earnings transfer, the total \$71m may not be available in the first (2019-2021) biennium.

It is virtually impossible to deploy \$400m+ infrastructure funding in a one-or-two year period. To aid the Legislature in evaluating how to fund this proposal, the above graph outlines a potential deployment schedule for the bonding over a 2-year period with a \$200m bond issue each year in July for infrastructure. Due to timing with the Corridors of Commerce, the above demonstrates the \$100m bonds to be issued in 2020.

Utilizing this type of structure enables the Legislature to "build into" the full \$71m payment over the course of 2-biennia.

House Bill No. 1014 - Proposed Amendment
Representative Mock

**SECTION __. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - OIL AND GAS
RESEARCH FUND - PILOT PROJECT FOR UNDERGROUND GAS STORAGE.**

1. Notwithstanding the provisions of section 57-51.1-07.3, during the 2019-21 biennium, the state treasurer shall deposit two percent of the oil and gas gross production tax and oil extraction tax revenues, up to \$18,000,000, into the oil and gas research fund before depositing oil and gas tax revenues under section 57-51.1-07.5.
2. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$8,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center for a pilot project relating to the underground storage of produced natural gas. The pilot project may include studies and demonstration projects. During the 2019-20 interim, the energy and environmental research center shall provide quarterly reports to the industrial commission and at least one report to the legislative management regarding the results and recommendations of the pilot project.

19.0201.01002
Title.

Prepared by the Legislative Council staff for
Representative Delzer
February 5, 2019

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1013

Page 1, line 2, replace "and" with "to amend and reenact subdivision e of subsection 1 of section 57-51-15 of the North Dakota Century Code, relating to oil and gas gross production tax revenue allocations to the North Dakota outdoor heritage fund;"

Page 1, line 2, after "funds" insert "; to provide an effective date; and to provide an expiration date"

Page 2, after line 17, insert:

"SECTION 4. AMENDMENT. Subdivision e of subsection 1 of section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

- e. (1) ~~For the period beginning September 1, 2017, and ending August 31, 2019, the state treasurer shall allocate eight percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding ten million dollars per biennium. For purposes of this paragraph, "biennium" means the period beginning September first of each odd numbered calendar year and ending August thirty first of the following odd numbered calendar year.~~
- (2) ~~After August 31, 2019, the state treasurer shall allocate eight~~Eight percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding twenty million seven million five hundred thousand dollars per fiscal year.

SECTION 5. EFFECTIVE DATE - EXPIRATION DATE. Section 4 of this Act is effective for taxable events occurring after June 30, 2019, and through June 30, 2021, and after that date is ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment limits the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund to \$7.5 million per fiscal year for the 2019-21 biennium, after which the allocations are limited to the current law amount of \$20 million per fiscal year.

February 7, 2019

HB 1014

Attachment B

House Bill No. 1013 - Proposed Amendment
Representative Delzer

**SECTION __. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - NORTH DAKOTA
OUTDOOR HERITAGE FUND.**

Notwithstanding the provisions of section 57-51-15 relating to the allocations to the North Dakota outdoor heritage fund, for the period beginning September 1, 2019 and ending August 31, 2021, the state treasurer shall allocate eight percent of the oil and gas gross production tax revenue available under subsection 1 of section 57-51-15 to the North Dakota outdoor heritage fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year.

**TESTIMONY, HOUSE APPROPRIATIONS GOVERNMENT
OPERATIONS COMMITTEE
JANUARY 16, 2019
HOUSE BILL 1014**

Mr. Chairman and members of the Committee, below is the detail of Bank of North Dakota's proposed enhancement to its budget for informational technology costs as requested by Representative Mock.

	2017-2019 Budget	2019-2021 Budget	Enhancement
IT Data Processing	\$3,982,000	\$3,583,800	(\$ 398,200)
Systems and Programming	\$ 700,000	\$ 400,000	(\$ 300,000)
IT System Access Fee	<u>\$1,529,000</u>	<u>\$3,104,000</u>	<u>\$1,575,000</u>
Total	\$6,211,000	\$7,087,800	\$ 876,800

The main item in BND's budget that impacts the identified \$1 million net increase in overall information technology costs relates to the IT System Access Fee for existing and new software systems. While we budget for existing access fees to increase by 10% for the biennium, new access fees for systems anticipated to be put in place during the 2019-2021 biennium account for most of the \$1.5 million increase in access fees. These systems include new systems for mortgage and commercial loan processing and a new system to replace the current student loan system that was utilized for both federal and alternative student loans. As mentioned during our testimony, BND weighs the advantage of acquiring a new system by assessing the gains to internal efficiencies as well as the impact on our customers.

Other systems in the queue for 2019-2021 include a system to enhance our enterprise risk management and new software to make our account analysis process more efficient.

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HB1014

Below is the detail list of the IT projects in the budget. As a note, our legacy student loan and mortgage systems are antiquated causing resource shortages in programming and increased security risks. They also do not offer features and functionality to properly service our customers.

- With the implementation of the new student loan system, we will be required to run parallel (old system and the new system) for a period of 3-6 months, this requires that we continue to pay the old vendor for a period of time in addition to conversion costs. This amounts to approximately \$240,000 to \$400,000.
- The cost of implementation fees for the new student loan system will be approximately \$380,000.
- With the movement to the new student loan system we are moving from a ITD hosted solution to a vendor hosted solution. This moves costs from IT Data Processing category to the IT System Access fee by approximately \$400,000.
- The upgrade to Baker Hill (commercial processing) is approximately \$225,000, we are in the first stage of upgrading now, with the majority of the work to come the end of 2019 first part of 2020.
- The replacement of our mortgage processing system will cost approximately \$170,000. We are in the RFP stage, responses due at the end of the month.

Mill and Elevator Association - Budget No. 475
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version				House Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	153.00	\$0	\$68,213,519	\$68,213,519	153.00	\$0	\$68,213,519	\$68,213,519	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$3,477,828	\$3,477,828			\$3,477,828	\$3,477,828				\$0
Health insurance increase			578,184	578,184			682,698	682,698			104,514	104,514
Retirement contribution increase			206,550	206,550				0			(206,550)	(206,550)
Increases funding for overtime			2,227,085	2,227,085				0			(2,227,085)	(2,227,085)
Increases funding for temporary employees			311,600	311,600				0			(311,600)	(311,600)
Adds funding for FTE positions	4.00		570,165	570,165	2.00		286,083	286,083	(2.00)		(284,082)	(284,082)
Adds funding for increases in operating costs			1,642,000	1,642,000				0			(1,642,000)	(1,642,000)
Total ongoing funding changes	4.00	\$0	\$9,013,412	\$9,013,412	2.00	\$0	\$4,446,609	\$4,446,609	(2.00)	\$0	(\$4,566,803)	(\$4,566,803)
One-time funding items												
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	4.00	\$0	\$9,013,412	\$9,013,412	2.00	\$0	\$4,446,609	\$4,446,609	(2.00)	\$0	(\$4,566,803)	(\$4,566,803)
2019-21 Total Funding	157.00	\$0	\$77,226,931	\$77,226,931	155.00	\$0	\$72,660,128	\$72,660,128	(2.00)	\$0	(\$4,566,803)	(\$4,566,803)

Other Sections for Mill and Elevator Association - Budget No. 475

Executive Budget Recommendation	House Version
The executive budget did not include any other sections related to the Mill and Elevator Association.	

19.0202.01003
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee

February 8, 2019

Fiscal No. 1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 2, replace the second "and" with "to amend and reenact subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code, relating to the fund balance of the abandoned oil and gas well plugging and site reclamation fund; to provide a contingent authorization;"

Page 1, line 3, after "transfer" insert "; and to provide an exemption"

Page 1, replace lines 13 through 23 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>(221,737)</u>	0
Total all funds	\$40,752,193	\$4,045,381	\$44,797,574
Less estimated income	<u>15,343,206</u>	<u>2,644,219</u>	<u>17,987,425</u>
Total general fund	\$25,408,987	\$1,401,162	\$26,810,149
Full-time equivalent positions	110.25	2.00	112.25"

Page 2, replace lines 2 through 9 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Bank of North Dakota operations	\$58,489,204	\$4,165,031	\$62,654,235
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$4,865,031	\$64,164,235
Full-time equivalent positions	181.50	0.00	181.50"

Page 2, replace lines 12 through 19 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,844,436	\$47,374,675
Full-time equivalent positions	44.00	0.00	44.00"

Page 2, replace lines 22 through 29 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>

Total special funds	\$68,213,519	\$8,626,293	\$76,839,812
Full-time equivalent positions	153.00	2.00	155.00"

Page 3, replace lines 1 through 5 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Grand total general fund	\$25,408,987	\$1,401,162	\$26,810,149
Grand total special funds	<u>187,386,168</u>	<u>18,979,979</u>	<u>206,366,147</u>
Grand total all funds	\$212,795,155	\$20,381,141	\$233,176,296"

Page 3, line 6, after "FUNDING" insert "- EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SEVENTH LEGISLATIVE ASSEMBLY"

Page 3, line 7, after "biennium" insert "and the 2019-21 biennium one-time funding items included in the appropriation in section 1 of this Act"

Page 3, replace lines 9 through 13 with:

"Litigation	\$1,000,000	\$0
Industrial water supply asset study	150,000	0
Soil remediation studies	5,000,000	0
Survey review	800,000	0
Rare earth elements study	0	160,000
Fracturing sand study	0	110,000
Oil database software upgrade	<u>0</u>	<u>5,000,000</u>
Total special funds	\$6,950,000	\$5,270,000

The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The industrial commission shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 3, line 14, replace "\$13,210,484" with "\$10,508,767"

Page 3, replace lines 17 through 29 with:

"North Dakota university system	\$4,959,448
North Dakota university system - energy conservation projects	415,664
Department of corrections and rehabilitation	689,299
Department of corrections and rehabilitation - energy conservation projects	16,180
State department of health	644,884
Job service North Dakota	434,847
Office of management and budget	567,125
Attorney general's office	647,500
State historical society	1,177,875
Parks and recreation department	66,875
Research and extension service	483,337
Veterans' home	<u>405,733</u>
Total	\$10,508,767

SECTION 4. APPROPRIATION - HOUSING FINANCE AGENCY - ADDITIONAL INCOME. In addition to the amount appropriated to the housing finance agency in subdivision 3 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, 2019, and ending June 30, 2021. The

housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency resulting in an increase in appropriation authority."

Page 3, line 30, replace "**APPROPRIATION**" with "**AUTHORIZATION**"

Page 3, line 30, remove "**FUNDING**"

Page 3, line 31, replace "The amount of \$221,737 from the general fund and two" with "Two"

Page 4, line 1, replace "may be spent only" with "are authorized"

Page 4, line 4, replace "eighteen thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 5, remove "may spend \$221,737 from the contingencies line item and"

Page 4, line 6, remove "eighteen"

Page 4, line 7, replace "thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 9, replace "\$1,103,779" with "\$1,150,782"

Page 4, line 10, remove "special funds"

Page 4, line 10, remove "line item"

Page 4, line 22, after "president" insert ". For legislative council budget status reporting purposes, the transfer under this section is considered an ongoing revenue source"

Page 4, after line 22, insert:

"SECTION 8. TRANSFER - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, 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, 2019, and ending June 30, 2021.

SECTION 9. TRANSFER - 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, 2019, and ending June 30, 2021.

SECTION 10. TRANSFER - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$1,000,000, 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, 2019, and ending June 30, 2021.

SECTION 11. TRANSFER - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, 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, 2019, and ending June 30, 2021.

SECTION 12. TRANSFER - NORTH DAKOTA DEVELOPMENT FUND. The Bank of North Dakota shall transfer the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the North

Dakota development fund established under chapter 10-30.5 during the biennium beginning July 1, 2019, and ending June 30, 2021. Funding transferred under this section must be used to purchase existing venture capital assets held by the Bank of North Dakota.

SECTION 13. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The operating expenses line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.

SECTION 14. ESTIMATED INCOME - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND. The capital assets line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$5,000,000 from the abandoned oil and gas well plugging and site reclamation fund for a risk-based data management system information technology project.

SECTION 15. AMENDMENT. Subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

- f. (1) For the period beginning September 1, 2017, and ending August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding four million dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~ fifty million dollars.
- (2) After August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~ fifty million dollars.

SECTION 16. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - NORTH DAKOTA OUTDOOR HERITAGE FUND. Notwithstanding the provisions of section 57-51-15 relating to the allocations to the North Dakota outdoor heritage fund, for the period beginning September 1, 2019, and ending August 31, 2021, the state treasurer shall allocate eight percent of the oil and gas gross production tax revenue available under subsection 1 of section 57-51-15 to the North Dakota outdoor heritage fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year.

SECTION 17. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - OIL AND GAS RESEARCH FUND - PILOT PROJECT FOR UNDERGROUND GAS STORAGE.

- 1. Notwithstanding the provisions of section 57-51.1-07.3 relating to the allocations to the oil and gas research fund, for the period beginning August 1, 2019, and ending July 31, 2021, the state treasurer shall deposit two percent of the oil and gas gross production tax and oil extraction tax revenues, up to \$14,000,000, into the oil and gas research fund before depositing oil and gas tax revenues under section 57-51.1-07.5.

2. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$4,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center for a pilot project relating to the underground storage of produced natural gas. The pilot project may include studies and demonstration projects. During the 2019-20 interim, the energy and environmental research center shall provide quarterly reports to the industrial commission and at least one report to the legislative management regarding the results and recommendations of the pilot project.

SECTION 18. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount of \$1,103,779 appropriated to the industrial commission in subdivision 1 of section 1 of chapter 39 of the 2017 Session Laws and transferred pursuant to section 8 of chapter 39 of the 2017 Session Laws is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 19. EXEMPTION - SURVEY REVIEW - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The amount of \$800,000 appropriated from the strategic investment and improvements fund in section 2 of chapter 426 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for expert legal testimony associated with the survey review during the biennium beginning July 1, 2019, and ending June 30, 2021."

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	\$40,752,193	\$4,045,381	\$44,797,574
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,401,162	\$26,810,149
FTE	110.25	2.00	112.25
Bank of North Dakota			
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50
Housing Finance Agency			
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00
Mill and Elevator			
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00

Att. A #B1014 2/11/19

Bill total			
Total all funds	\$212,795,155	\$20,381,141	\$233,176,296
Less estimated income	187,386,168	18,979,979	206,366,147
General fund	\$25,408,987	\$1,401,162	\$26,810,149
FTE	488.75	4.00	492.75

House Bill No. 1014 - Industrial Commission - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets		5,000,000	5,000,000
Grants - Bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	221,737	(221,737)	
Total all funds	\$40,752,193	\$4,045,381	\$44,797,574
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,401,162	\$26,810,149
FTE	110.25	2.00	112.25

Department 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for 2017-19 Contingent FTE Positions ³	Adds Contingent FTE Positions ⁴	Adjusts Funding for Operating Expenses ⁵	Reduces Funding for Bond Payments ⁶
Salaries and wages	(\$123,310)	\$1,143,845	\$262,201			
Operating expenses					\$416,099	
Capital assets						
Grants - Bond payments						(\$2,701,717)
Contingencies			(221,737)			
Total all funds	(\$123,310)	\$1,143,845	\$40,464	\$0	\$416,099	(\$2,701,717)
Less estimated income	40,140	67,711	0	0	(31,915)	(2,701,717)
General fund	(\$163,450)	\$1,076,134	\$40,464	\$0	\$448,014	\$0
FTE	0.00	0.00	0.00	2.00	0.00	0.00

	Adds One-Time Funding for Studies and an Information Technology Project ⁷	Total House Changes
Salaries and wages		\$1,282,736
Operating expenses	\$270,000	686,099
Capital assets	5,000,000	5,000,000
Grants - Bond payments		(2,701,717)
Contingencies		(221,737)
Total all funds	\$5,270,000	\$4,045,381
Less estimated income	5,270,000	2,644,219
General fund	\$0	\$1,401,162
FTE	0.00	2.00

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	General Fund	Other Funds	Total
Salary increase	\$571,918	\$36,477	\$608,395
Health insurance increase	504,216	31,234	535,450
Total	\$1,076,134	\$67,711	\$1,143,845

³ Funding of \$221,737 is transferred from the contingencies line item to the salaries and wages line item, and funding of \$40,464 is added related to 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium.

⁴ Contingent authorization is provided for 2 FTE positions. The FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 20,800 as identified in Section 5 of the bill.

⁵ Funding is adjusted for operating expenses as follows:

	General Fund	Other Funds	Total
Adjusts funding for travel and building leases	\$300,827	(\$36,324)	\$264,503
Adds funding for computer replacements	70,400	0	70,400
Adds funding for Microsoft Office 365 licensing	76,787	4,409	81,196
Total	\$448,014	(\$31,915)	\$416,099

⁶ Funding for bond payments is reduced by \$2,701,717, from \$13,210,484 to \$10,508,767.

⁷ Funding is added for the following one-time items:

	Total
Rare earth element study (strategic investment and improvements fund)	\$160,000
Fracturing sand study (strategic investment and improvements fund)	110,000
Information technology project (abandoned oil and gas well plugging and site reclamation fund)	5,000,000
Total	\$5,270,000

This amendment also includes the following items related to the Industrial Commission:

- Provides legislative intent for bond payments.
- Identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions are available if the total number of wells capable of production and injection exceeds 20,800.
- Allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services and provides an exemption to allow any unspent 2017-19 biennium appropriations for administrative costs to continue in the 2019-21 biennium.
- Identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.
- Identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project.
- Limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.
- Decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.
- Increases the oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.
- Provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review in the 2019-21 biennium.
- Provides intent that \$4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	\$810,000	\$700,000	\$1,510,000
Bank of North Dakota operations	58,489,204	4,165,031	62,654,235
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50

Department 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for Bank Operations ³	Adds Funding for Bank Contingencies ⁴	Adds Funding for Information Technology Equipment and Software ⁵	Total House Changes
Capital assets					\$700,000	\$700,000
Bank of North Dakota operations	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000		4,165,031
Total all funds	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000	\$700,000	\$4,865,031
Less estimated income	230,000	1,706,921	1,228,110	1,000,000	700,000	4,865,031
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Other Funds
Salary increase	\$894,823
Health insurance increase	812,098
Total	\$1,706,921

³ Funding is adjusted for Bank of North Dakota operations, as follows:

	Total
Adjusts funding for postage and temporary salaries	(\$75,550)
Increases funding for information technology costs	876,800
Adds funding for Microsoft Office 365 licensing	37,352
Increases funding for professional development and services	139,508
Increases funding for utilities, insurance, and other operating expenses	250,000
Total	\$1,228,110

⁴ Funding of \$1 million is added for Bank of North Dakota contingencies to provide total contingency funding of \$3.5 million.

⁵ Funding is added for information technology equipment and software.

This amendment also includes the following items related to the Bank of North Dakota:

- Transfer \$140 million of Bank profits to the general fund and identifies the transfer as an ongoing revenue source for Legislative Council budget status reporting purposes.

- Transfer \$26 million of Bank profits to the partnership in assisting community expansion (PACE) fund.
- Transfer \$3 million of Bank profits to the Ag PACE fund.
- Transfer \$1 million of Bank profits to the biofuels PACE fund.
- Transfer \$6 million of Bank profits to the beginning farmer revolving loan fund.
- Transfer \$15 million of Bank profits to the North Dakota development fund and requires the funding be used to purchase existing venture capital assets held by the Bank.

House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
HFA contingencies	100,000		100,000
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Removes Funding for Temporary Employees ³	Adds Funding for Mortgage Servicing Premium Expenses ⁴	Adds Funding for Grants ⁵	Total House Changes
Salaries and wages	\$221,665	\$405,297	(\$57,219)			\$569,743
Operating expenses				\$602,921		602,921
Grants					\$1,671,772	1,671,772
HFA contingencies						
Total all funds	\$221,665	\$405,297	(\$57,219)	\$602,921	\$1,671,772	\$2,844,436
Less estimated income	221,665	405,297	(57,219)	602,921	1,671,772	2,844,436
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Total
Salary increase	\$208,965
Health insurance increase	196,332
Total	\$405,297

³ Funding is removed for temporary employees.

⁴ Funding is added for mortgage servicing premium expenses related to an increasing loan volume.

⁵ Funding of \$1,671,772 is added for grants, including \$20,000 for program grants and \$1,651,772 for federal housing grants.

This amendment also adds a section related to the Housing Finance Agency to provide appropriation authority for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium and requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

A# A HB10.14
2/11/19

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000		500,000
Agriculture promotion	210,000		210,000
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00

Department 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Benefit Increases ²	Increases Funding for Overtime and Temporary Employees ³	Adds FTE Positions ⁴	Adds Funding for Operating Expenses ⁵	Total House Changes
Salaries and wages	\$3,477,828	\$682,698	\$2,538,685	\$285,082		\$6,984,293
Operating expenses					\$1,642,000	1,642,000
Contingencies						
Agriculture promotion						
Total all funds	\$3,477,828	\$682,698	\$2,538,685	\$285,082	\$1,642,000	\$8,626,293
Less estimated income	3,477,828	682,698	2,538,685	285,082	1,642,000	8,626,293
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00	0.00	2.00

- ¹ Funding is adjusted for base payroll changes, including salary increases.
- ² Funding is added for increases in health insurance premiums from \$1,241 to \$1,427 per month.
- ³ Funding is increased for overtime expenses (\$2,227,085) and temporary employees (\$311,600).
- ⁴ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,070).
- ⁵ Funding is added for operating expenses for increased costs related to utilities, insurance, and repairs.

No other sections were included by the House related to the Mill and Elevator Association.

19.0202.01004
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee
February 12, 2019

Fiscal No. 2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 2, replace the second "and" with "to amend and reenact subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code, relating to the fund balance of the abandoned oil and gas well plugging and site reclamation fund; to provide a contingent authorization;"

Page 1, line 3, after "transfer" insert "; and to provide an exemption"

Page 1, replace lines 13 through 23 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>7,807</u>	<u>229,544</u>
Total all funds	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	<u>15,343,206</u>	<u>2,644,219</u>	<u>17,987,425</u>
Total general fund	\$25,408,987	\$1,630,706	\$27,039,693
Full-time equivalent positions	110.25	2.00	112.25"

Page 2, replace lines 2 through 9 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Bank of North Dakota operations	\$58,489,204	\$4,165,031	\$62,654,235
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$4,865,031	\$64,164,235
Full-time equivalent positions	181.50	0.00	181.50"

Page 2, replace lines 12 through 19 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,844,436	\$47,374,675
Full-time equivalent positions	44.00	0.00	44.00"

Page 2, replace lines 22 through 29 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>

Total special funds	\$68,213,519	\$8,626,293	\$76,839,812
Full-time equivalent positions	153.00	2.00	155.00"

Page 3, replace lines 1 through 5 with:

"		<u>Adjustments or</u>	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Grand total general fund	\$25,408,987	\$1,630,706	\$27,039,693
Grand total special funds	187,386,168	18,979,979	206,366,147
Grand total all funds	\$212,795,155	\$20,610,685	\$233,405,840"

Page 3, line 6, after "FUNDING" insert "- EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SEVENTH LEGISLATIVE ASSEMBLY"

Page 3, line 7, after "biennium" insert "and the 2019-21 biennium one-time funding items included in the appropriation in section 1 of this Act"

Page 3, replace lines 9 through 13 with:

"Litigation	\$1,000,000	\$0
Industrial water supply asset study	150,000	0
Soil remediation studies	5,000,000	0
Survey review	800,000	0
Rare earth elements study	0	160,000
Fracturing sand study	0	110,000
Oil database software upgrade	0	5,000,000
Total special funds	\$6,950,000	\$5,270,000

The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The industrial commission shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 3, line 14, replace "\$13,210,484" with "\$10,508,767"

Page 3, replace lines 17 through 29 with:

"North Dakota university system	\$4,959,448
North Dakota university system - energy conservation projects	415,664
Department of corrections and rehabilitation	689,299
Department of corrections and rehabilitation - energy conservation projects	16,180
State department of health	644,884
Job service North Dakota	434,847
Office of management and budget	567,125
Attorney general's office	647,500
State historical society	1,177,875
Parks and recreation department	66,875
Research and extension service	483,337
Veterans' home	405,733
Total	\$10,508,767

SECTION 4. APPROPRIATION - HOUSING FINANCE AGENCY - ADDITIONAL INCOME. In addition to the amount appropriated to the housing finance agency in subdivision 3 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, 2019, and ending June 30, 2021. The

housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency resulting in an increase in appropriation authority."

Page 3, line 31, replace "\$221,737" with "\$229,544"

Page 4, line 4, replace "eighteen thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 5, replace "\$221,737" with "\$229,544"

Page 4, line 6, remove "eighteen"

Page 4, line 7, replace "thousand two hundred" with "twenty thousand eight hundred"

Page 4, line 9, replace "\$1,103,779" with "\$1,150,782"

Page 4, line 10, remove "special funds"

Page 4, line 10, remove "line item"

Page 4, line 22, after "president" insert ". For legislative council budget status reporting purposes, the transfer under this section is considered an ongoing revenue source"

Page 4, after line 22, insert:

"SECTION 8. TRANSFER - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, 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, 2019, and ending June 30, 2021.

SECTION 9. TRANSFER - 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, 2019, and ending June 30, 2021.

SECTION 10. TRANSFER - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$1,000,000, 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, 2019, and ending June 30, 2021.

SECTION 11. TRANSFER - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, 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, 2019, and ending June 30, 2021.

SECTION 12. TRANSFER - NORTH DAKOTA DEVELOPMENT FUND. The Bank of North Dakota shall transfer the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the North Dakota development fund established under chapter 10-30.5 during the biennium beginning July 1, 2019, and ending June 30, 2021. Funding transferred under this section must be used to purchase existing venture capital assets held by the Bank of North Dakota.

SECTION 13. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The operating expenses line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.

SECTION 14. ESTIMATED INCOME - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND. The capital assets line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$5,000,000 from the abandoned oil and gas well plugging and site reclamation fund for a risk-based data management system information technology project.

SECTION 15. AMENDMENT. Subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

- f. (1) For the period beginning September 1, 2017, and ending August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding four million dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~fifty million dollars.
- (2) After August 31, 2019, the state treasurer shall allocate four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year and not in an amount that would bring the balance in the fund to more than ~~one hundred~~fifty million dollars.

SECTION 16. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - NORTH DAKOTA OUTDOOR HERITAGE FUND. Notwithstanding the provisions of section 57-51-15 relating to the allocations to the North Dakota outdoor heritage fund, for the period beginning September 1, 2019, and ending August 31, 2021, the state treasurer shall allocate eight percent of the oil and gas gross production tax revenue available under subsection 1 of section 57-51-15 to the North Dakota outdoor heritage fund, but not in an amount exceeding seven million five hundred thousand dollars per fiscal year.

SECTION 17. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - OIL AND GAS RESEARCH FUND - PILOT PROJECT FOR UNDERGROUND GAS STORAGE.

- 1. Notwithstanding the provisions of section 57-51.1-07.3 relating to the allocations to the oil and gas research fund, for the period beginning August 1, 2019, and ending July 31, 2021, the state treasurer shall deposit two percent of the oil and gas gross production tax and oil extraction tax revenues, up to \$14,000,000, into the oil and gas research fund before depositing oil and gas tax revenues under section 57-51.1-07.5.
- 2. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$4,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center for a pilot project relating to the

underground storage of produced natural gas. The pilot project may include studies and demonstration projects. During the 2019-20 interim, the energy and environmental research center shall provide quarterly reports to the industrial commission and at least one report to the legislative management regarding the results and recommendations of the pilot project.

SECTION 18. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount of \$1,103,779 appropriated to the industrial commission in subdivision 1 of section 1 of chapter 39 of the 2017 Session Laws and transferred pursuant to section 8 of chapter 39 of the 2017 Session Laws is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 19. EXEMPTION - SURVEY REVIEW - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The amount of \$800,000 appropriated from the strategic investment and improvements fund in section 2 of chapter 426 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for expert legal testimony associated with the survey review during the biennium beginning July 1, 2019, and ending June 30, 2021."

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	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,630,706	\$27,039,693
FTE	110.25	2.00	112.25
Bank of North Dakota			
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50
Housing Finance Agency			
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00
Mill and Elevator			
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00
Bill total			
Total all funds	\$212,795,155	\$20,610,685	\$233,405,840
Less estimated income	187,386,168	18,979,979	206,366,147
General fund	\$25,408,987	\$1,630,706	\$27,039,693

FTE 488.75 4.00 492.75

House Bill No. 1014 - Industrial Commission - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets		5,000,000	5,000,000
Grants - Bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	221,737	7,807	229,544
Total all funds	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,630,706	\$27,039,693
FTE	110.25	2.00	112.25

Department 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for 2017-19 Contingent FTE Positions ³	Adds Contingent FTE Positions ⁴	Adjusts Funding for Operating Expenses ⁵	Reduces Funding for Bond Payments ⁶
Salaries and wages	(\$123,310)	\$1,143,845	\$262,201			
Operating expenses					\$416,099	
Capital assets						
Grants - Bond payments						(\$2,701,717)
Contingencies			(221,737)	\$229,544		
Total all funds	(\$123,310)	\$1,143,845	\$40,464	\$229,544	\$416,099	(\$2,701,717)
Less estimated income	40,140	67,711	0	0	(31,915)	(2,701,717)
General fund	(\$163,450)	\$1,076,134	\$40,464	\$229,544	\$448,014	\$0
FTE	0.00	0.00	0.00	2.00	0.00	0.00

	Adds One-Time Funding for Studies and an Information Technology Project ⁷	Total House Changes
Salaries and wages		\$1,282,736
Operating expenses	\$270,000	686,099
Capital assets	5,000,000	5,000,000
Grants - Bond payments		(2,701,717)
Contingencies		7,807
Total all funds	\$5,270,000	\$4,274,925
Less estimated income	5,270,000	2,644,219
General fund	\$0	\$1,630,706
FTE	0.00	2.00

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	General Fund	Other Funds	Total
Salary increase	\$571,918	\$36,477	\$608,395
Health insurance increase	504,216	31,234	535,450
Total	\$1,076,134	\$67,711	\$1,143,845

³ Funding of \$221,737 is transferred from the contingencies line item to the salaries and wages line item, and funding of \$40,464 is added related to 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium.

HH A

HB 1014
2-13-19

⁴ Contingent funding and authorization is provided for 2 FTE positions. The FTE positions and related funding are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 20,800 as identified in Section 5 of the bill.

⁵ Funding is adjusted for operating expenses as follows:

	General Fund	Other Funds	Total
Adjusts funding for travel and building leases	\$300,827	(\$36,324)	\$264,503
Adds funding for computer replacements	70,400	0	70,400
Adds funding for Microsoft Office 365 licensing	76,787	4,409	81,196
Total	\$448,014	(\$31,915)	\$416,099

⁶ Funding for bond payments is reduced by \$2,701,717, from \$13,210,484 to \$10,508,767.

⁷ Funding is added for the following one-time items:

	Total
Rare earth element study (strategic investment and improvements fund)	\$160,000
Fracturing sand study (strategic investment and improvements fund)	110,000
Information technology project (abandoned oil and gas well plugging and site reclamation fund)	5,000,000
Total	\$5,270,000

This amendment also includes the following items related to the Industrial Commission:

- Provides legislative intent for bond payments.
- Identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions and related funding are available if the total number of wells capable of production and injection exceeds 20,800.
- Allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services and provides an exemption to allow any unspent 2017-19 biennium appropriations for administrative costs to continue in the 2019-21 biennium.
- Identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.
- Identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project.
- Limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.
- Decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.
- Increases the oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.
- Provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review in the 2019-21 biennium.
- Provides intent that \$4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	\$810,000	\$700,000	\$1,510,000
Bank of North Dakota operations	58,489,204	4,165,031	62,654,235
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50

A.H. A

HB 1014
2-13-19

Department 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for Bank Operations ³	Adds Funding for Bank Contingencies ⁴	Adds Funding for Information Technology Equipment and Software ⁵	Total House Changes
Capital assets					\$700,000	\$700,000
Bank of North Dakota operations	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000		4,165,031
Total all funds	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000	\$700,000	\$4,865,031
Less estimated income	230,000	1,706,921	1,228,110	1,000,000	700,000	4,865,031
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Other Funds
Salary increase	\$894,823
Health insurance increase	812,098
Total	\$1,706,921

³ Funding is adjusted for Bank of North Dakota operations, as follows:

	Total
Adjusts funding for postage and temporary salaries	(\$75,550)
Increases funding for information technology costs	876,800
Adds funding for Microsoft Office 365 licensing	37,352
Increases funding for professional development and services	139,508
Increases funding for utilities, insurance, and other operating expenses	250,000
Total	\$1,228,110

⁴ Funding of \$1 million is added for Bank of North Dakota contingencies to provide total contingency funding of \$3.5 million.

⁵ Funding is added for information technology equipment and software.

This amendment also includes the following items related to the Bank of North Dakota:

- Transfer \$140 million of Bank profits to the general fund and identifies the transfer as an ongoing revenue source for Legislative Council budget status reporting purposes.
- Transfer \$26 million of Bank profits to the partnership in assisting community expansion (PACE) fund.
- Transfer \$3 million of Bank profits to the Ag PACE fund.
- Transfer \$1 million of Bank profits to the biofuels PACE fund.
- Transfer \$6 million of Bank profits to the beginning farmer revolving loan fund.
- Transfer \$15 million of Bank profits to the North Dakota development fund and requires the funding be used to purchase existing venture capital assets held by the Bank.

House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
HFA contingencies	100,000		100,000
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Removes Funding for Temporary Employees ³	Adds Funding for Mortgage Servicing Premium Expenses ⁴	Adds Funding for Grants ⁵	Total House Changes
Salaries and wages	\$221,665	\$405,297	(\$57,219)			\$569,743
Operating expenses				\$602,921		602,921
Grants					\$1,671,772	1,671,772
HFA contingencies						
Total all funds	\$221,665	\$405,297	(\$57,219)	\$602,921	\$1,671,772	\$2,844,436
Less estimated income	221,665	405,297	(57,219)	602,921	1,671,772	2,844,436
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	Total
Salary increase	\$208,965
Health insurance increase	196,332
Total	\$405,297

³ Funding is removed for temporary employees.

⁴ Funding is added for mortgage servicing premium expenses related to an increasing loan volume.

⁵ Funding of \$1,671,772 is added for grants, including \$20,000 for program grants and \$1,651,772 for federal housing grants.

This amendment also adds a section related to the Housing Finance Agency to provide appropriation authority for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium and requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000		500,000
Agriculture promotion	210,000		210,000
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00

Department 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Benefit Increases ²	Increases Funding for Overtime and Temporary Employees ³	Adds FTE Positions ⁴	Adds Funding for Operating Expenses ⁵	Total House Changes
Salaries and wages	\$3,477,828	\$682,698	\$2,538,685	\$285,082		\$6,984,293
Operating expenses					\$1,642,000	1,642,000
Contingencies						
Agriculture promotion						
Total all funds	\$3,477,828	\$682,698	\$2,538,685	\$285,082	\$1,642,000	\$8,626,293
Less estimated income	3,477,828	682,698	2,538,685	285,082	1,642,000	8,626,293
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00	0.00	2.00

¹ Funding is adjusted for base payroll changes, including salary increases.

² Funding is added for increases in health insurance premiums from \$1,241 to \$1,427 per month.

³ Funding is increased for overtime expenses (\$2,227,085) and temporary employees (\$311,600).

⁴ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,070).

⁵ Funding is added for operating expenses for increased costs related to utilities, insurance, and repairs.

No other sections were included by the House related to the Mill and Elevator Association.

**Department 405 - Industrial Commission
House Bill No. 1014**

Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	110.25	\$27,240,220	\$18,014,947	\$45,255,167
2017-19 Legislative Appropriations	110.25	25,408,987	22,293,206	47,702,193
Increase (Decrease)	0.00	\$1,831,233	(\$4,278,259)	(\$2,447,026)

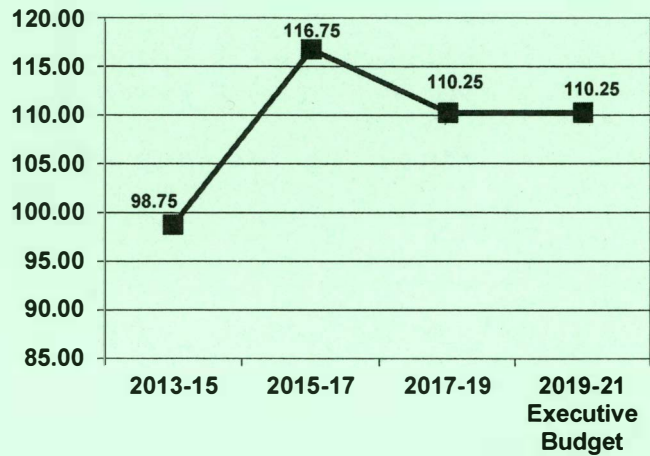
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 Executive Budget	\$27,240,220	\$0	\$27,240,220
2017-19 Legislative Appropriations	25,408,987	0	25,408,987
Increase (Decrease)	\$1,831,233	\$0	\$1,831,233

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$27,240,220	\$18,014,947	\$45,255,167
2019-21 Base Level	25,408,987	15,343,206	40,752,193
Increase (Decrease)	\$1,831,233	\$2,671,741	\$4,502,974

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
(With First House Changes in Bold)**

- | | General Fund | Other Funds | Total |
|--|--------------|-------------|-------------|
| 1. Provides funding for state employee salary and benefit increases of which \$1,014,946 is for salary increases, \$453,495 is for health insurance increases, and \$132,997 is for retirement increases. The House added funding for salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month. The House did not add funding for retirement contribution increases. | \$1,506,205 | \$95,233 | \$1,601,438 |
| 2. Transfers \$221,737 from the contingencies line item to the salaries and wages line item. The House also added \$229,544 from the general fund and 2 FTE positions, contingent upon the total number of oil wells capable of production and injection exceeding 20,800. | \$0 | \$0 | \$0 |

3. Increases funding for 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium	\$40,464	\$0	\$40,464
4. Adjusts funding for operating expenses primarily related to travel and building leases	\$300,827	(\$36,324)	\$264,503
5. Adds funding for computer replacements	\$70,400	\$0	\$70,400
6. Adds funding for Microsoft Office 365 licensing	\$76,787	\$4,409	\$81,196
7. Reduces funding for bond payments	\$0	(\$2,701,717)	(\$2,701,717)
8. Adds one-time funding from the strategic investment and improvements fund for a rare earth element study	\$0	\$160,000	\$160,000
9. Adds one-time funding from the strategic investment and improvements fund for a fracturing sand study	\$0	\$110,000	\$110,000
10. Adds one-time funding from the strategic investment and improvements fund for an oil database software upgrade. The House added one-time funding of \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an oil database software upgrade.	\$0	\$5,000,000	\$5,000,000

Other Sections in House Bill No. 1014

Bond payments - Section 3 provides legislative intent for bond payments.

Contingent FTE positions - Section 5 identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions and related funding are available if the total number of wells capable of production and injection exceeds 20,800.

Administrative cost transfers - Section 6 allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 18 provides an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.

Strategic investment and improvements fund - Section 13 identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study (\$160,000) and a fracturing sand study (\$110,000).

Abandoned oil and gas well plugging and site reclamation fund - Section 14 identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project. Section 15 limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.

North Dakota outdoor heritage fund - Section 16 decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.

Oil and gas research fund - Section 17 increases the oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium only by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.

Survey review exemption - Section 19 provides an exemption allowing the Industrial Commission to continue any unspent 2017-19 biennium appropriation authority for a survey review during the 2019-21 biennium.

Lignite research - Section 20 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Deficiency Appropriation

Senate Bill No. 2024 - Provides a deficiency appropriation of \$500,000 from the general fund to the Industrial Commission for litigation expenses.

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 2017-18 interim identified an audit finding related to the untimely approval of meeting minutes, the same as the prior audit.

Major Related Legislation

Senate Bill No. 2037 - Establishes a radioactive waste disposal site regulatory program administered by the Industrial Commission.

Senate Bill No. 2123 - Clarifies the requirements for plugging and reclaiming well sites to include pipeline facilities and saltwater handling facilities.

Senate Bill No. 2214 - Authorizes the Public Finance Authority to issue up to \$250 million of bonds to support the school construction assistance revolving loan fund, increasing the amount available in the fund for low-interest rate loans to school districts for school construction projects.

Senate Bill No. 2249 - Provides a continuing appropriation to the Industrial Commission to distribute funding to a state energy research center for energy and environmental research projects.

Senate Bill No. 2268 - Authorizes the Public Finance Authority to issue up to \$100 million of bonds to support the corridors of commerce program, increasing the amount available for various qualifying highway construction projects.

Senate Bill No. 2275 - Authorizes the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund, increasing the amount available in the infrastructure revolving loan fund for low-interest rate loans to political subdivisions and institutions of higher education for infrastructure projects and increasing the amount available in the resources trust fund for water projects.

Senate Bill No. 2297 - Authorizes the North Dakota Building Authority to issue up to \$152 million of bonds for various capital projects at institutions of higher education.

Industrial Commission - 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
2019-21 Biennium Base Level	110.25	\$25,408,987	\$15,343,206	\$40,752,193	110.25	\$25,408,987	\$15,343,206	\$40,752,193
2019-21 Ongoing Funding Changes								
Base payroll changes		(\$163,450)	\$40,140	(\$123,310)		(\$163,450)	\$40,140	(\$123,310)
Salary increase		954,104	60,842	1,014,946		571,918	36,477	608,395
Health insurance increase		427,039	26,456	453,495		504,216	31,234	535,450
Retirement contribution increase		125,062	7,935	132,997				0
Transfers \$221,737 to salaries and wages line item				0				0
Increases funding for 2 FTE positions (partial funding in 2017-19)		40,464		40,464		40,464		40,464
Adds contingent FTE positions	2.00			0	2.00	229,544		229,544
Adjusts funding for operating expenses		300,827	(36,324)	264,503		300,827	(36,324)	264,503
Adds funding for computer replacements		70,400		70,400		70,400		70,400
Adds funding for Microsoft Office 365 licensing		76,787	4,409	81,196		76,787	4,409	81,196
Reduces funding for bond payments			(2,701,717)	(2,701,717)			(2,701,717)	(2,701,717)
Total ongoing funding changes	0.00	\$1,831,233	(\$2,598,259)	(\$767,026)	2.00	\$1,630,706	(\$2,625,781)	(\$995,075)
One-time funding items								
Adds funding for rare earth element study			\$160,000	\$160,000			\$160,000	\$160,000
Adds funding for fracturing sand study			110,000	110,000			110,000	110,000
Adds funding for oil database software updgrade			5,000,000	5,000,000			5,000,000	5,000,000
Total one-time funding changes	0.00	\$0	\$5,270,000	\$5,270,000	0.00	\$0	\$5,270,000	\$5,270,000
Total Changes to Base Level Funding	0.00	\$1,831,233	\$2,671,741	\$4,502,974	2.00	\$1,630,706	\$2,644,219	\$4,274,925
2019-21 Total Funding	110.25	\$27,240,220	\$18,014,947	\$45,255,167	112.25	\$27,039,693	\$17,987,425	\$45,027,118

Other Sections for Industrial Commission - Budget No. 405

	Executive Budget Recommendation	House Version
Bond payments	Section 3 would provide legislative intent for bond payments, and Section 5 would provide appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2019-21 biennium.	Section 3 provides legislative intent for bond payments.
Contingent FTE Positions		Section 5 identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions and related funding are available if the total number of wells capable of production and injection exceeds 20,800.

Other Sections for Industrial Commission - Budget No. 405

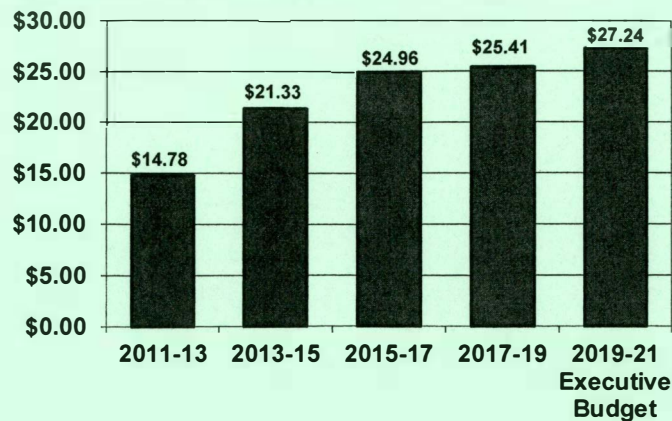
	<u>Executive Budget Recommendation</u>	<u>House Version</u>
Administrative cost transfers	Section 9 would allow the Industrial Commission to transfer up to \$1,184,893 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 21 would provide an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.	Section 6 allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 18 provides an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.
Strategic investment and improvements fund	Sections 15, 16, and 17 would identify \$5,270,000 from the strategic investment and improvements fund for an information technology project (\$5,000,000), a rare earth element study (\$160,000), and a fracturing sand study (\$110,000).	Section 13 identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.
Abandoned oil and gas well plugging and site reclamation fund		Section 14 identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project. Section 15 limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.
North Dakota outdoor heritage fund		Section 16 decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.
Oil and gas research fund		Section 17 increases 2019-21 biennium oil and gas tax revenue allocations to the oil and gas research fund by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.
Survey review exemption	Section 22 would provide an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review during the 2019-21 biennium.	Section 19 provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review during the 2019-21 biennium.
Lignite research	Section 20 would designate \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.	Section 20 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Department 405 - Industrial Commission

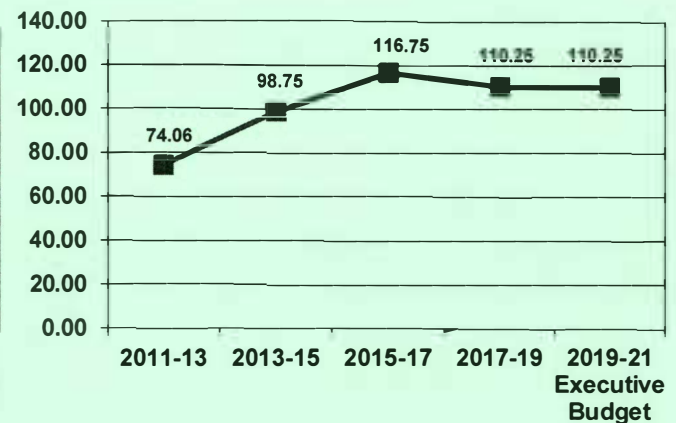
Historical Appropriations Information

Ongoing General Fund Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing General Fund Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing general fund appropriations	\$14,776,213	\$21,333,325	\$24,957,746	\$25,408,987	\$27,240,220
Increase (decrease) from previous biennium	N/A	\$6,557,112	\$3,624,421	\$451,241	\$1,831,233
Percentage increase (decrease) from previous biennium	N/A	44.4%	17.0%	1.8%	7.2%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	44.4%	68.9%	72.0%	84.4%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2013-15 Biennium

- Added funding for 2 FTE engineering technician positions authorized by the Emergency Commission in the 2011-13 biennium \$390,820
- Added funding for 4 FTE engineering technician positions, 1 FTE geology analyst position, and 1 FTE accounting specialist position \$930,223
- Added funding for 1 FTE geologist position \$215,251
- Added funding for 3 FTE petroleum engineering field inspector positions, 3 FTE engineering technician field inspector positions, and 1 FTE engineering technician core library specialist position \$1,356,581
- Added funding for 1 FTE petroleum engineering production supervisor position, 1 FTE engineering technician measurement analyst position, and 2 FTE administrative assistant positions \$534,900
- Added funding for 3 FTE contingent engineering technician positions \$586,230
- Removed funding for the carbon dioxide storage facility administration fund, including 1 FTE position, which had been added in the 2011-13 biennium (\$532,000)
- Added funding to allow the department to hire 5 FTE positions prior to the start of the biennium \$61,751
- Added funding for lease payments in a new space for the additional staff \$224,868
- Added funding for travel expenses related to State Fleet Services rate increases \$244,872

2015-17 Biennium

- Added funding for 7 FTE engineering technician positions \$1,513,195
- Added funding for 1 FTE petroleum engineering position \$162,018
- Added funding for 1 FTE safety officer position \$187,717
- Added funding for 1 FTE human resources specialist position \$139,380
- Added funding for 1 FTE budget specialist position \$174,519

6. Added funding for 1 FTE reclamation specialist position	\$230,911
7. Added funding for 1 FTE surface geologist position	\$244,192
8. Added funding for 2 FTE survey engineering technician positions	\$323,769
9. Added funding for 1 FTE pipeline regulatory supervisor position	\$240,339
10. Added funding for 1 FTE pipeline regulatory administrative assistant position	\$139,639
11. Added funding for operating expenses, including travel and ongoing costs related to the core library	\$233,125

2017-19 Biennium

1. Removed 8.5 FTE positions, including 6.5 FTE engineering technician positions and 2 FTE administrative assistant positions	(\$577,999)
2. Added funding for contingent FTE engineering technician positions	\$221,737
3. Added funding for operating expenses primarily related to travel, information technology software and services, and professional services	\$448,753

2019-21 Biennium (Executive Budget Recommendation)

1. Increases funding for 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium. The House also added \$229,544 from the general fund and 2 FTE positions, contingent upon the total number of oil wells capable of production and injection exceeding 20,800.	\$40,464
2. Adjusts funding for operating expenses primarily related to travel and building leases	\$300,827
3. Adds funding for computer replacements	\$70,400
4. Adds funding for Microsoft Office 365 licensing	\$76,787

Department 471 - Bank of North Dakota
House Bill No. 1014

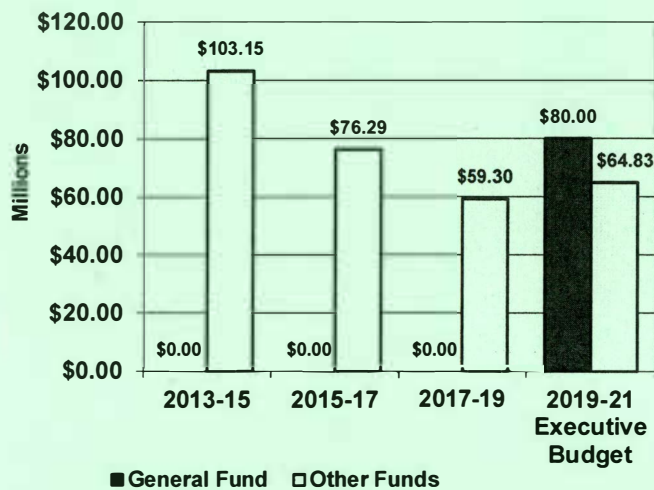
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	181.50	\$80,000,000	\$64,825,329	\$144,825,329
2017-19 Legislative Appropriations	181.50	0	59,299,204	59,299,204
Increase (Decrease)	0.00	\$80,000,000	\$5,526,125	\$85,526,125

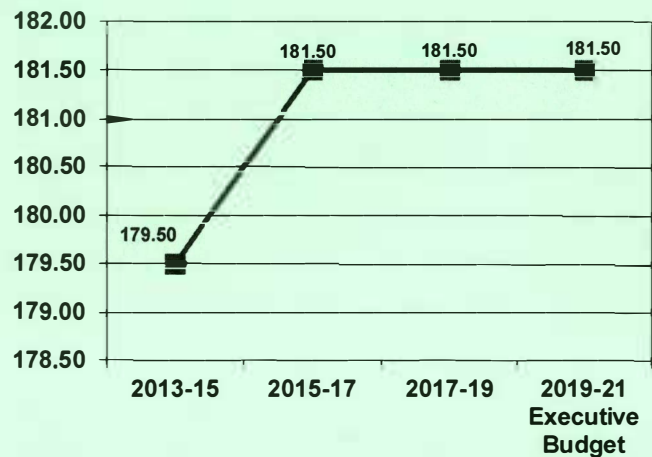
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 Executive Budget	\$0	\$80,000,000	\$80,000,000
2017-19 Legislative Appropriations	0	0	0
Increase (Decrease)	\$0	\$80,000,000	\$80,000,000

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$80,000,000	\$64,825,329	\$144,825,329
2019-21 Base Level	0	59,299,204	59,299,204
Increase (Decrease)	\$80,000,000	\$5,526,125	\$85,526,125

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
(With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$1,493,034 is for salary increases, \$687,776 is for health insurance increases, and \$187,205 is for retirement increases. The House added funding for salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month. The House did not add funding for retirement contribution increases.	\$0	\$2,368,015	\$2,368,015
2. Adjusts funding for postage and temporary salaries	\$0	(\$75,550)	(\$75,550)
3. Increases funding for information technology costs	\$0	\$1,071,800	\$1,071,800
4. Adds funding for Microsoft Office 365 licensing	\$0	\$37,352	\$37,352

5. Increases funding for professional development and other professional services	\$0	\$139,508	\$139,508
6. Increases funding for utilities, insurance, and other operating expenses	\$0	\$55,000	\$55,000
7. Increases funding for contingency expenses	\$0	\$1,000,000	\$1,000,000
8. Adds funding for information technology equipment	\$0	\$700,000	\$700,000
9. Adds one-time funding from the general fund (legacy fund earnings) for a transfer to the infrastructure revolving loan fund. The House did not include a transfer from the general fund to the infrastructure revolving loan fund.	\$55,000,000	\$0	\$55,000,000
10. Adds one-time funding from the general fund (legacy fund earnings) for a transfer to a school construction loan fund. The House did not include a transfer from the general fund to the school construction loan fund.	\$25,000,000	\$0	\$25,000,000

Other Sections in House Bill No. 1014

Transfer to general fund - Section 7 provides for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium.

Transfer to partnership in assisting community expansion (PACE) fund - Section 8 provides for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.

Transfer to Ag PACE fund - Section 9 provides for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.

Transfer to biofuels PACE fund - Section 10 provides for a transfer of \$1 million from the Bank's current earnings undivided profits to the biofuels PACE fund for the 2019-21 biennium.

Transfer to beginning farmer revolving loan fund - Section 11 provides for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.

Transfer to North Dakota development fund - Section 12 provides for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.

Deficiency Appropriation

Senate Bill No. 2024 - provides a deficiency appropriation of \$1 million from the general fund to the Bank of North Dakota for interest repayments on loans obtained to respond to unlawful activity associated with the construction of the Dakota Access Pipeline.

Continuing Appropriations

PACE - North Dakota Century Code Section 6-09.14-02 - Buy down interest rates on loans for new or expanding businesses.

Agriculture PACE - Section 6-09.13-04 - Buy down interest rates on agriculture-related loans.

Beginning farmer revolving loan fund - Section 6-09-15.5 - Direct loans or to buy down 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.

North Dakota achieving a better life experience plan - Section 6-09-38.1 - Savings plans for individuals with disabilities.

Rebuilders loan program - Section 6-09-46 - Loan program for residents to rebuild flood-damaged homes related to a flood event during 2011.

Medical facility infrastructure loan fund - Section 6-09-47 - Loans for medical facility construction.

Federal student loan proceeds - Section 6-09-48 - Funds received in relation to federal student loans used to support the functions of the Bank of North Dakota related to higher education programs.

Infrastructure revolving loan fund - Section 6-09-49 - Loans for political subdivision infrastructure projects.

Significant Audit Findings

The financial statement audit for the Bank of North Dakota conducted by Eide Bailly LLP, during the 2017-18 interim identified no significant findings.

Major Related Legislation

House Bill No. 1028 - Requires the Bank of North Dakota to provide a \$50 million line of credit to the Public Employees Retirement System for the administration of a self-insurance health plan.

House Bill No. 1092 - Clarifies the Bank's authorization to use funds to support the Bank's education programs, including the higher education savings plan.

House Bill No. 1106 - Requires the Bank to provide a \$25 million line of credit to the reinsurance association of North Dakota to provide reimbursements to insurers participating in an invisible reinsurance pool for the individual health insurance market.

House Bill No. 1141 - Exempts officers and employees of the Bank from the employee classification system.

House Bill No. 1171 - Creates a skilled workforce student loan repayment program and transfers \$5 million of Bank profits to provide grants to repay eligible student loans.

House Bill No. 1333 - Creates an innovation loan fund to support technology advancement and transfers \$3 million of Bank profits to provide low-interest rate loans to qualifying new or expanding businesses.

House Bill No. 1435 - Requires the Bank to provide a \$120 million line of credit to the Information Technology Department for the development of the statewide interoperable radio network.

House Bill No. 1494 - Requires the Bank to set interest rates at the market rate for loans to political subdivisions if the political subdivision imposes additional taxes or fees to repay the loan.

Senate Bill No. 2008 - Section 3 provides for a transfer of up to \$900,000 from the beginning farmer revolving loan fund to the Public Service Commission for costs associated with a rail rate complaint case.

Senate Bill No. 2039 - Establishes a skilled workforce scholarship program administered by the Bank and transfers \$10 million from the Bank's current earnings and undivided profits for the program.

Senate Bill No. 2098 - Removes requirements specifying the terms, rates, and maximum amounts for residential loans issued by the Bank.

Senate Bill No. 2099 - Removes a requirement for the Governor to establish a task force to review loan applications under the Bank's medical facility infrastructure loan fund.

Senate Bill No. 2197 - Clarifies the interest rates that the Bank may charge on loans issued to family farmers.

Senate Bill No. 2214 - Authorizes the Bank to use up to \$5 million from the school construction assistance revolving loan fund to continue interest rate buydowns on school construction loans held by the Bank.

Senate Bill No. 2276 - Provides legislative intent to expand the investments of the legacy fund to include Bank programs.

Senate Bill No. 2282 - Creates an economic diversification grant program administered by the Bank to provide grants to research universities to support the innovation of new businesses and new products and transfers 15 percent of the legacy fund earnings for the program.

Senate Bill No. 2296 - Increases the limit for fuel production facility loan guarantees to \$50 million.

Senate Bill No. 2357 - Authorizes the Bank to implement a loan guarantee program for North Dakota residents employed by the federal government who are impacted by a federal government shutdown.

**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
2019-21 Biennium Base Level	181.50	\$0	\$59,299,204	\$59,299,204	181.50	\$0	\$59,299,204	\$59,299,204
2019-21 Ongoing Funding Changes								
Base payroll changes			\$230,000	\$230,000			\$230,000	\$230,000
Salary increase			1,493,034	1,493,034			894,823	894,823
Health insurance increase			687,776	687,776			812,098	812,098
Retirement contribution increase			187,205	187,205				0
Adjusts funding for postage and temporary salaries			(75,550)	(75,550)			(75,550)	(75,550)
Increases funding for information technology costs			876,800	876,800			876,800	876,800
Adds funding for Microsoft Office 365 licensing			37,352	37,352			37,352	37,352
Increases funding for professional development and services			139,508	139,508			139,508	139,508
Increases funding for utilities, insurance, and other operating costs			250,000	250,000			250,000	250,000
Increases funding for contingency expenses			1,000,000	1,000,000			1,000,000	1,000,000
Adds funding for information technology equipment			700,000	700,000			700,000	700,000
Total ongoing funding changes	0.00	\$0	\$5,526,125	\$5,526,125	0.00	\$0	\$4,865,031	\$4,865,031
One-time funding items								
Transfer to infrastructure revolving loan fund		\$55,000,000		\$55,000,000				\$0
Transfer to school construction loan fund		25,000,000		25,000,000				0
Total one-time funding changes	0.00	\$80,000,000	\$0	\$80,000,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$80,000,000	\$5,526,125	\$85,526,125	0.00	\$0	\$4,865,031	\$4,865,031
2019-21 Total Funding	181.50	\$80,000,000	\$64,825,329	\$144,825,329	181.50	\$0	\$64,164,235	\$64,164,235

Other Sections for Bank of North Dakota - Budget No. 471

	Executive Budget Recommendation	House Version
Transfer to general fund	Section 6 would provide for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium.	Section 7 provides for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium and identifies the transfer as an ongoing revenue source.
Transfer to infrastructure revolving loan fund	Section 7 would provide for a transfer of \$55 million from the general fund to the infrastructure revolving loan fund.	
Transfer to school construction loan fund	Section 8 would provide for a transfer of \$25 million from the general fund to a school construction loan fund.	
Transfer to partnership in assisting community expansion (PACE) fund	Section 10 would provide for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.	Section 8 provides for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.
Transfer to Ag PACE fund	Section 11 would provide for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.	Section 9 provides for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.

Other Sections for Bank of North Dakota - Budget No. 471

Transfer to biofuels PACE fund

Transfer to beginning farmer revolving loan fund

Transfer to school construction loan fund

Transfer to North Dakota development fund

Executive Budget Recommendation

Section 12 would provide for a transfer of \$1 million from the Bank's current earnings and undivided profits to the biofuels PACE fund for the 2019-21 biennium.

Section 13 would provide for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.

Section 14 would provide for a transfer of \$5 million from the Bank's current earnings and undivided profits to a school construction loan fund for the 2019-21 biennium.

Section 19 would provide for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.

House Version

Section 10 provides for a transfer of \$1 million from the Bank's current earnings and undivided profits to the biofuels PACE fund for the 2019-21 biennium.

Section 11 provides for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.

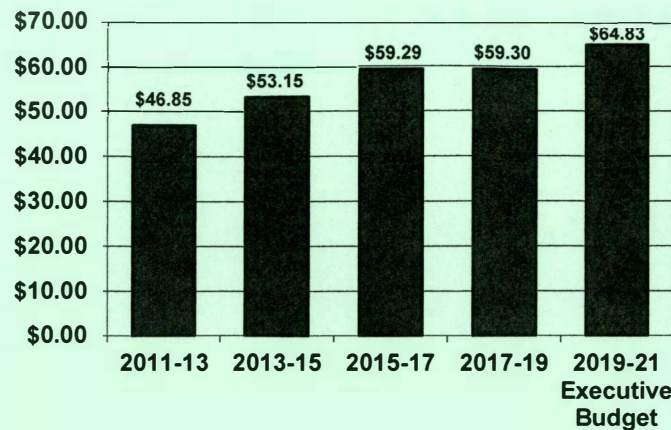
Section 12 provides for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.

Department 471 - Bank of North Dakota

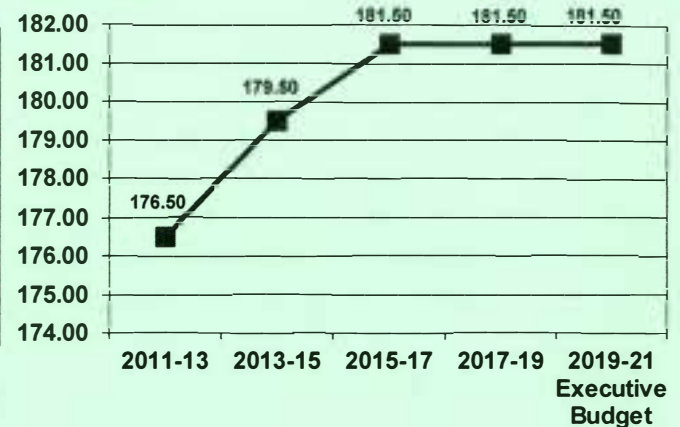
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$46,853,155	\$53,150,147	\$59,287,301	\$59,299,204	\$64,825,329
Increase (decrease) from previous biennium	N/A	\$6,296,992	\$6,137,154	\$11,903	5,526,125
Percentage increase (decrease) from previous biennium	N/A	13.4%	11.5%	0.0%	9.3%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	13.4%	26.5%	26.6%	38.4%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

- Added funding for 3 FTE positions, including a loan officer position, a compliance officer position, and a collection officer position \$503,698
- Added funding operating expenses \$1,931,000
- Added funding for information technology equipment \$745,000

2015-17 Biennium

- Added funding for 2 FTE positions, including a credit analyst position and an information technology security position \$387,645
- Added funding for operating expenses, including \$2.5 million for information technology costs and \$800,000 for audit fees \$3,968,123

2017-19 Biennium

- Provided funding for additional salary increases related to higher starting salaries for new employees and higher than anticipated salary adjustments for market rate adjustments \$1,459,131
- Reduced funding for operating expenses primarily related to marketing activities that were funded with a federal grant that expired in calendar year 2016 as well as cost-savings from efficiencies (\$2,385,776)
- Added funding for information technology equipment \$65,000

2019-21 Biennium (Executive Budget Recommendation)

- Adjusts funding for postage and temporary salaries (\$75,550)
- Increases funding for information technology costs \$1,071,800
- Adds funding for Microsoft Office 365 licensing \$37,352
- Increases funding for professional development and other professional services \$139,508
- Increases funding for utilities, insurance, and other operating expenses \$55,000

- 6. Increases funding for contingency expenses
- 7. Adds funding for information technology equipment

\$1,000,000
\$700,000

Department 473 - Housing Finance Agency
House Bill No. 1014

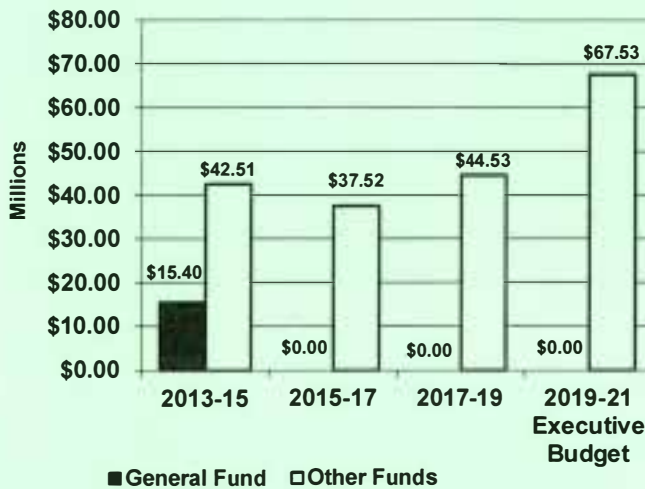
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	44.00	\$0	\$67,528,525	\$67,528,525
2017-19 Legislative Appropriations	44.00	0	44,530,239	44,530,239
Increase (Decrease)	0.00	\$0	\$22,998,286	\$22,998,286

Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$47,528,525	\$20,000,000	\$67,528,525
2017-19 Legislative Appropriations	44,530,239	0	44,530,239
Increase (Decrease)	\$2,998,286	\$20,000,000	\$22,998,286

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$47,528,525	\$47,528,525
2019-21 Base Level	0	44,530,239	44,530,239
Increase (Decrease)	\$0	\$2,998,286	\$2,998,286

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
(With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$348,730 is for salary increases, \$166,276 is for health insurance increases, and \$44,141 is for retirement increases. The House added funding for salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month. The House did not add funding for retirement contribution increases.	\$0	\$559,147	\$559,147
2. Reduces funding for temporary employees	\$0	(\$57,219)	(\$57,219)
3. Increases funding for mortgage servicing premium expenses	\$0	\$602,921	\$602,921
4. Increases funding for program grants	\$0	\$20,000	\$20,000
5. Adds funding for federal housing grants	\$0	\$1,651,772	\$1,651,772

- | | | | |
|--|-----|--------------|--------------|
| 6. Adds one-time funding from the strategic investment and improvements fund for a transfer to the housing incentive fund. The House did not include a transfer from the strategic investment and improvements fund to the housing incentive fund. | \$0 | \$20,000,000 | \$20,000,000 |
|--|-----|--------------|--------------|

Other Sections in House Bill No. 1014

Additional appropriation authority - Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Continuing Appropriations

Housing incentive fund - North Dakota Century Code Section 54-17-40 - Provides grants for housing projects.

Significant Audit Findings

The financial statement audit for the Housing Finance Agency conducted by Brady, Martz & Associates, PC, during the 2017-18 interim identified no significant findings.

Major Related Legislation

Senate Bill No. 2271 - Provides a one-time transfer of \$10 million from the general fund to the housing incentive fund for grants to support housing projects that address unmet housing needs.

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
2019-21 Biennium Base Level	44.00	\$0	\$44,530,239	\$44,530,239	44.00	\$0	\$44,530,239	\$44,530,239
2019-21 Ongoing Funding Changes								
Base payroll changes			\$221,665	\$221,665			\$221,665	\$221,665
Salary increase			348,730	348,730			208,965	208,965
Health insurance increase			166,276	166,276			196,332	196,332
Retirement contribution increase			44,141	44,141				0
Removes funding for temporary employees			(57,219)	(57,219)			(57,219)	(57,219)
Increases funding for mortgage servicing premium expenses			602,921	602,921			602,921	602,921
Increases funding for program grants			20,000	20,000			20,000	20,000
Adds funding for federal housing grants			1,651,772	1,651,772			1,651,772	1,651,772
Total ongoing funding changes	0.00	\$0	\$2,998,286	\$2,998,286	0.00	\$0	\$2,844,436	\$2,844,436
One-time funding items								
Transfer housing incentive fund			\$20,000,000	\$20,000,000				\$0
Total one-time funding changes	0.00	\$0	\$20,000,000	\$20,000,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$22,998,286	\$22,998,286	0.00	\$0	\$2,844,436	\$2,844,436
2019-21 Total Funding	44.00	\$0	\$67,528,525	\$67,528,525	44.00	\$0	\$47,374,675	\$47,374,675

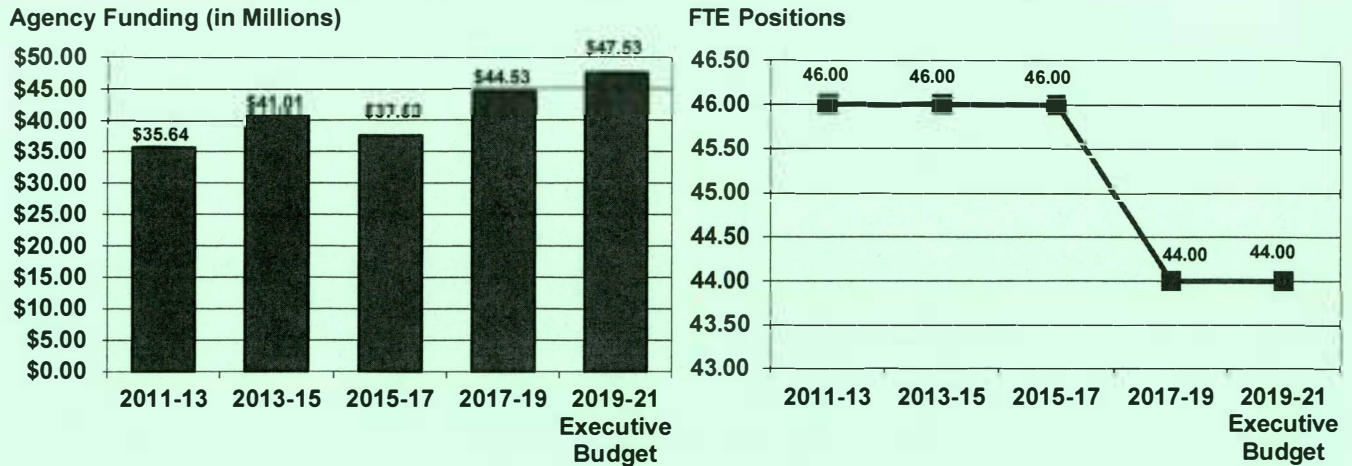
Other Sections for Housing Finance Agency - Budget No. 473

	Executive Budget Recommendation	House Version
Additional appropriation authority	Section 4 would provide appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.
Transfer to housing incentive fund	Section 18 would provide a transfer of \$20 million from the strategic investment and improvements fund to the housing incentive fund.	

Department 473 - Housing Finance Agency

Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$35,640,046	\$41,007,497	\$37,520,089	\$44,530,239	\$47,528,525
Increase (decrease) from previous biennium	N/A	\$5,367,451	(\$3,487,408)	\$7,010,150	\$2,998,286
Percentage increase (decrease) from previous biennium	N/A	15.1%	(8.5%)	18.7%	6.7%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	15.1%	5.3%	24.9%	33.4%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

1. Added funding for grants under the federal Neighborhood Stabilization Program \$4,000,000
2. Increased funding for program outreach \$131,000

2015-17 Biennium

1. Reduced funding for federal Housing and Urban Development grants (\$2,214,445)
2. Reduced funding for housing development grant programs (\$1,287,825)

2017-19 Biennium

1. Removed funding for 2 FTE positions and reduced funding for salaries and wages related to a vacant FTE position (\$322,044)
2. Increased funding for operating expenses to continue additional expenses relating to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of House Bill No. 1014 (2015) \$970,000
3. Added funding for federal Housing and Urban Development grants related to distributions from the federal housing trust fund \$6,017,048
4. Increased funding for operating expenses \$29,080
5. Reduced grant funding for the helping hand program, technical assistance, and program outreach (\$153,000)

2019-21 Biennium (Executive Budget Recommendation)

1. Reduces funding for temporary employees (\$57,219)
2. Increases funding for mortgage servicing premium expenses \$602,921
3. Increases funding for program grants \$20,000
4. Adds funding for federal housing grants \$1,651,772

Department 475 - Mill and Elevator Association
House Bill No. 1014

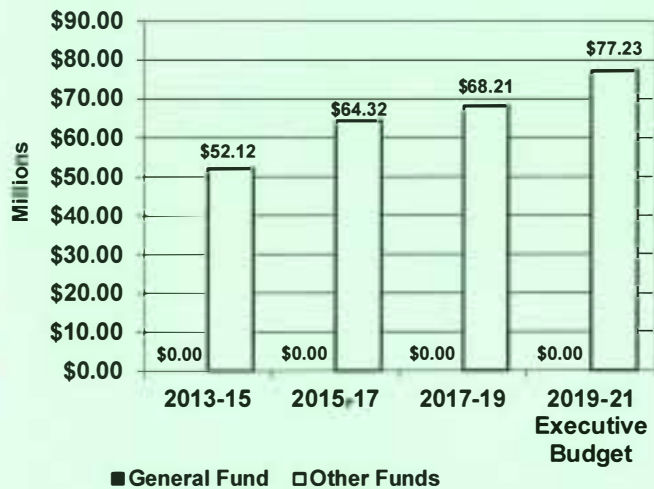
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	157.00	\$0	\$77,226,931	\$77,226,931
2017-19 Legislative Appropriations	153.00	0	68,213,519	68,213,519
Increase (Decrease)	4.00	\$0	\$9,013,412	\$9,013,412

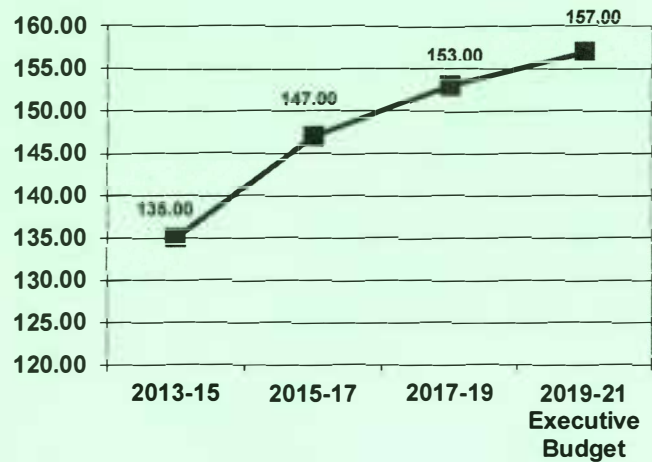
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$77,226,931	\$0	\$77,226,931
2017-19 Legislative Appropriations	68,213,519	0	68,213,519
Increase (Decrease)	\$9,013,412	\$0	\$9,013,412

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$77,226,931	\$77,226,931
2019-21 Base Level	0	68,213,519	68,213,519
Increase (Decrease)	\$0	\$9,013,412	\$9,013,412

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
(With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for base payroll changes, including salary increases	\$0	\$3,477,828	\$3,477,828
2. Provides funding for state employee benefit increases, of which \$578,184 is for health insurance increases and \$206,550 is for retirement increases. The House added funding increases in health insurance premiums from \$1,241 to \$1,427 per month. The House did not add funding for retirement contribution increases.	\$0	\$784,734	\$784,734
3. Increases funding for overtime	\$0	\$2,227,085	\$2,227,085
4. Increases funding for temporary employees	\$0	\$311,600	\$311,600

5. Adds funding for 4 FTE positions, including 2 food safety workers and 2 utility workers. The House added \$285,082 and 2 FTE positions, including 1 food safety worker and 1 utility worker.	\$0	\$570,165	\$570,165
6. Adds funding for increased costs related to utilities, insurance, and repairs	\$0	\$1,642,000	\$1,642,000

Other Sections in House Bill No. 1014

The House did not include any other sections related to the Mill and Elevator Association.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Significant Audit Findings

The financial statement audit for the Mill and Elevator Association conducted by the State Auditor's office during the 2017-18 interim identified no significant findings.

Major Related Legislation

At this time, no major related legislation has been introduced affecting this agency.

Mill and Elevator Association - Budget No. 475
House Bill No. 1014
Base Level Funding Changes

	<u>Executive Budget Recommendation</u>				<u>House Version</u>			
	<u>FTE Positions</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>	<u>FTE Positions</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
2019-21 Biennium Base Level	153.00	\$0	\$68,213,519	\$68,213,519	153.00	\$0	\$68,213,519	\$68,213,519
2019-21 Ongoing Funding Changes								
Base payroll changes			\$3,477,828	\$3,477,828			\$3,477,828	\$3,477,828
Health insurance increase			578,184	578,184			682,698	682,698
Retirement contribution increase			206,550	206,550				0
Increases funding for overtime			2,227,085	2,227,085			2,227,085	2,227,085
Increases funding for temporary employees			311,600	311,600			311,600	311,600
Adds funding for FTE positions	4.00		570,165	570,165	2.00		285,082	285,082
Adds funding for increases in operating costs			1,642,000	1,642,000			1,642,000	1,642,000
Total ongoing funding changes	4.00	\$0	\$9,013,412	\$9,013,412	2.00	\$0	\$8,626,293	\$8,626,293
One-time funding items								
No 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	4.00	\$0	\$9,013,412	\$9,013,412	2.00	\$0	\$8,626,293	\$8,626,293
2019-21 Total Funding	157.00	\$0	\$77,226,931	\$77,226,931	155.00	\$0	\$76,839,812	\$76,839,812

Other Sections for Mill and Elevator Association - Budget No. 475

Executive Budget Recommendation

The executive budget did not include any other sections related to the Mill and Elevator Association.

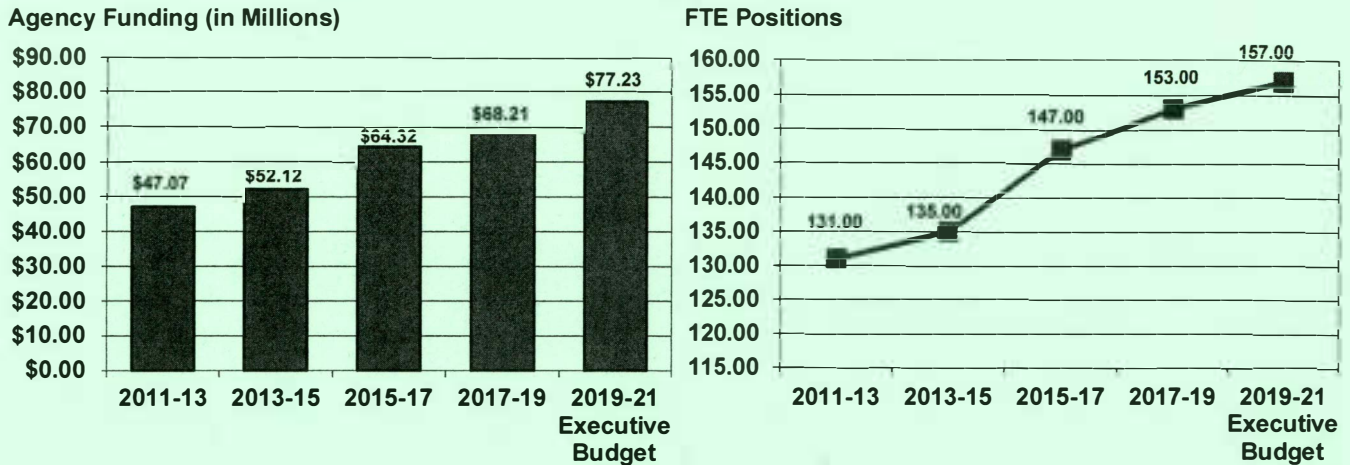
House Version

The House did not include any other sections related to the Mill and Elevator Association.

Department 475 - Mill and Elevator Association

Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$47,071,877	\$52,123,557	\$64,315,898	\$68,213,519	\$77,226,931
Increase (decrease) from previous biennium	N/A	\$5,051,680	\$12,192,341	\$3,897,621	\$9,013,412
Percentage increase (decrease) from previous biennium	N/A	10.7%	23.4%	6.1%	13.2%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	10.7%	36.6%	44.9%	64.1%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

- Added funding for 4 FTE positions, including a supervisor position, an information system analyst position, a rail car checker position, and a sales representative position \$622,678
- Added funding for operating expenses related to production increases \$1,352,131

2015-17 Biennium

- Added funding for 12 FTE positions, including 3 mill operator positions, 3 rail car loader positions, 2 flour packer positions, 2 utility worker positions, 1 electrician position, and 1 maintenance worker position \$1,643,906
- Added funding for operating expenses related to a new milling unit \$5,531,000
- Increased funding for contingencies to provide total funding of \$500,000 \$100,000

2017-19 Biennium

- Provided funding for base payroll changes, including salary increases \$2,539,491
- Reduced funding for salaries and wages, primarily related to overtime (\$684,923)
- Added funding for 6 FTE positions, including 2 grain handling positions, 2 food safety positions, 1 flour packer position, and 1 utility worker position \$768,893
- Adds funding for operating expenses related to utilities, supplies, and repairs \$868,000

2019-21 Biennium (Executive Budget Recommendation)

- Provides funding for base payroll changes, including salary increases \$3,477,828
- Provides funding for state employee benefit increases, of which \$578,184 is for health insurance increases and \$206,550 is for retirement increases. The House added funding increases in health insurance premiums from \$1,241 to \$1,427 per month. The House did not add funding for retirement contribution increases. \$784,734

3. Increases funding for overtime	\$2,227,085
4. Increases funding for temporary employees	\$311,600
5. Adds funding for 4 FTE positions, including 2 food safety workers and 2 utility workers. The House added \$285,082 and 2 FTE positions, including 1 food safety worker and 1 utility worker.	\$570,165
6. Adds funding for increased costs related to utilities, insurance, and repairs	\$1,642,000

**GOVERNOR'S RECOMMENDATION FOR THE
INDUSTRIAL COMMISSION AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

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, 2019, and ending June 30, 2020, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	<u>Base level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$22,014,084	\$1,740,329	\$23,754,413
Operating Expenses	5,305,888	686,099	5,991,987
Capital Assets	-	5,000,000	5,000,000
Grants - Bond Payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>(221,737)</u>	<u>0</u>
Total all funds	\$40,752,193	\$4,502,974	\$45,255,167
Less estimated income	<u>15,343,206</u>	<u>2,671,741</u>	<u>18,014,947</u>
Total general fund	\$25,408,987	\$1,831,233	\$27,240,220
Full-time equivalent positions	110.25	0.00	110.25

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Bank of North Dakota operations	\$58,489,204	\$84,826,125	\$143,315,329
Capital assets	810,000	700,000	1,510,000
Total all funds	\$59,299,204	\$85,526,125	\$144,825,329
Less estimated income	<u>59,299,204</u>	<u>5,526,125</u>	<u>64,825,329</u>
Total general fund	\$0	\$80,000,000	\$80,000,000
Full-time equivalent positions	181.50	0.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$39,308,519	\$7,371,412	\$46,679,931
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
Total from mill and elevator fund	\$68,213,519	\$9,013,412	\$77,226,931
Full-time equivalent positions	153.00	4.00	157.00

Subdivision 4.

HOUSING FINANCE AGENCY

Adjustments or

	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,892,056	\$723,593	\$8,615,649
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	21,671,772	53,466,600
Housing finance agency contingencies	100,000	0	100,000
Total special funds	\$44,530,239	\$22,998,286	\$67,528,525
Full-time equivalent positions	44.00	0.00	44.00

Subdivision 5.

BILL TOTAL

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Grand total general fund	\$25,408,987	\$81,831,233	\$107,240,220
Grand total special funds	187,386,168	40,209,564	227,595,732
Grand total all funds	\$212,795,155	\$122,040,797	\$334,835,952

SECTION 2. ONE-TIME FUNDING – EFFECT ON BASE BUDGET – REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the grand total appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
Litigation	\$1,000,000	\$0
Industrial water supply asset study	150,000	0
Soil remediation study	5,000,000	0
Ordinary high-water mark survey review	800,000	0
Housing incentive fund	0	20,000,000
Infrastructure loan fund	0	55,000,000
School construction loan fund	0	25,000,000
Equipment - BND	0	700,000
RBDMS upgrade	0	5,000,000
Rare earth study	0	160,000
Proppant sand study	0	110,000
Total all funds	\$6,950,000	\$105,970,000
Total special fund	<u>6,950,000</u>	<u>25,970,000</u>
Total general fund	\$0	\$80,000,000

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The industrial commission shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of \$10,508,767 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, 2019, and ending June 30, 2021:

North Dakota university system	\$4,959,448
North Dakota university system - energy conservation projects	415,664
Department of corrections and rehabilitation	689,299
Department of corrections and rehabilitation – energy conservation projects	16,180
State department of health	644,884
Job service North Dakota	434,847
Office of management and budget	567,125
Office of attorney general	647,500

State historical society	1,177,875
Parks and recreation department	66,875
Research and extension service	483,337
Veterans' home	405,733
Total	\$10,508,767

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, 2019, and ending June 30, 2021.

SECTION 5. APPROPRIATION - ADDITIONAL FUNDS FROM BONDS - 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, 2019, and ending June 30, 2021.

SECTION 6. TRANSFER - BANK OF NORTH DAKOTA PROFITS TO THE GENERAL FUND. During the biennium beginning July 1, 2019, and ending June 30, 2021, the industrial commission shall transfer to the state general fund \$140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota. The moneys must be transferred in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 7. TRANSFER - INFRASTRUCTURE REVOLVING LOAN FUND. The Bank of North Dakota and total general fund line items in subdivision 2 of section 1 of this Act includes the sum of \$55,000,000 which the office of management and budget shall transfer to the infrastructure revolving loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 8. TRANSFER - SCHOOL CONSTRUCTION LOAN FUND. The Bank of North Dakota and total general fund line items in subdivision 2 of section 1 of this Act includes the sum of \$25,000,000 which the office of management and budget shall transfer to the school construction loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 9. TRANSFER - ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND. The sum of \$1,184,893, 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, 2019, and ending June 30, 2021, 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 10. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, 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, 2019, and ending June 30, 2021.

SECTION 11. 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, 2019, and ending June 30, 2021.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of

\$1,000,000, 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, 2019, and ending June 30, 2021.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, 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, 2019, and ending June 30, 2021.

SECTION 14. TRANSFER - BANK OF NORTH DAKOTA – SCHOOL CONSTRUCTION LOAN FUND. The Bank of North Dakota shall transfer the sum of \$5,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the school construction loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 15. ESTIMATED INCOME – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The less estimated income line item in subdivision 1 of section 1 of this Act includes \$5,000,000 from the strategic investment and improvements fund for a risk based data management system upgrade.

SECTION 16. ESTIMATED INCOME – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The less estimated income line item in subdivision 1 of section 1 of this Act includes \$160,000 from the strategic investment and improvements fund for a rare earth research project.

SECTION 17. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The less estimated income line item in subdivision 1 of section 1 of this Act includes \$110,000 from the strategic investment and improvements fund for a proppant sand research project.

SECTION 18. SPECIAL FUNDS TRANSFER – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO HOUSING INCENTIVE FUND. The less estimated income line item in subdivision 4 of section 1 of this Act includes the sum of \$20,000,000, or so much of the sum as may be necessary, from the strategic investment and improvements fund which may be transferred at the direction of the housing finance agency for the purpose of a transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 19. TRANSFER – BANK OF NORTH DAKOTA – TRANSFER TO THE NORTH DAKOTA DEVELOPMENT FUND INC. The Bank of North Dakota shall transfer the sum of \$15,000,000, from the Bank's current earnings and undivided profits to the North Dakota Development Fund Inc. during the biennium beginning July 1, 2019 and ending June 30, 2021. The funding must be used in accordance with N.D.C.C. 10-30.5 and to purchase existing New Venture Capital assets held by the Bank of North Dakota.

SECTION 20. 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 pursuant to this section may also 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 21. EXEMPTION – INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 39 of the 2017 Session Laws and transferred pursuant to section 8 of chapter 39 of the 2017 Session Laws is not subject

to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2019, and ending June 30, 2021.

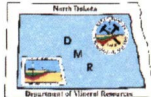
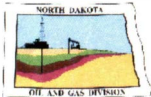
SECTION 22. EXEMPTION – ORDINARY HIGH-WATER MARK SURVEY REVIEW. The amount appropriated to the industrial commission in section 1 of chapter 39 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for expert legal testimony relating to the review during the biennium beginning July 1, 2019, and June 30, 2021.

Senate Appropriations Committee HB 1014

March 4, 2019

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission

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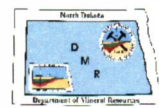
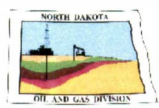
NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES

The Legislature created the Industrial Commission of North Dakota in 1919 to conduct and manage, on behalf of the State, certain utilities, industries, enterprises, and business projects established by state law. The Industrial Commission has jurisdiction over oil and gas resources, the investigation and publication of geological information and the regulation of coal exploration, geophysical exploration, geothermal energy, paleontology resources, subsurface minerals, geophysical exploration, and carbon dioxide underground storage in North Dakota through the Department of Mineral Resources Geological Survey and Oil and Gas Division.

The Industrial Commission appoints the Director of the Department of Mineral Resources, who serves as Director of the Oil and Gas Division and appoints the State Geologist and Assistant Director of the Oil and Gas Division.



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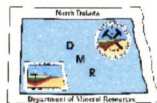
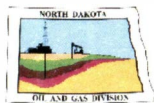
NORTH DAKOTA OIL AND GAS DIVISION

The Oil and Gas Division, headed by the Director, was formed in 1981 to provide the technical expertise needed for enforcement of Industrial Commission jurisdiction over statutes, rules, regulations, and orders pertaining to geophysical exploration, drilling, production of oil and gas, restoration of drilling and production sites, and proper disposal of oil field brine and other oil field wastes in North Dakota.

The Division facilitates the electronic storage of and provides access to oil and gas production, reservoir, well, and geophysical exploration data for use by industry, royalty owners, and other governmental agencies and citizens.

In 2009, regulation of carbon dioxide storage was added to the Oil and Gas Division responsibilities. In 2013, regulation of underground gathering pipeline infrastructure was added to the Oil and Gas Division's responsibilities. In 2015, this authority was broadened to include bonding requirements on underground gathering pipelines.

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OIL AND GAS REGULATORY PROGRAMS

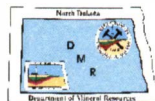
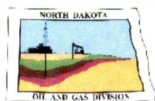
Oil and Gas Exploration and Production (NDCC 38-08)

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)

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.

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OIL AND GAS REGULATORY PROGRAMS

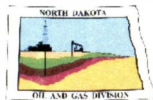
Pipeline (NDCC 38-08-27)

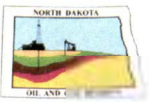
The application of this section is limited to an underground gathering pipeline that is designed or intended to transfer crude oil or produced water from a production facility for disposal, storage, or sale purposes and which was placed into service after August 1, 2015. Upon request, the operator shall provide the commission the underground gathering pipeline engineering construction design drawings and specifications, list of independent inspectors, and a plan for leak protection and monitoring for the underground gathering pipeline. Within sixty days of an underground gathering pipeline being placed into service, the operator of that pipeline shall file with the commission an independent inspector's certificate of hydrostatic or pneumatic testing of the underground gathering pipeline.

Carbon Dioxide Geological Storage (NDCC 38-22-01)

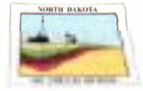
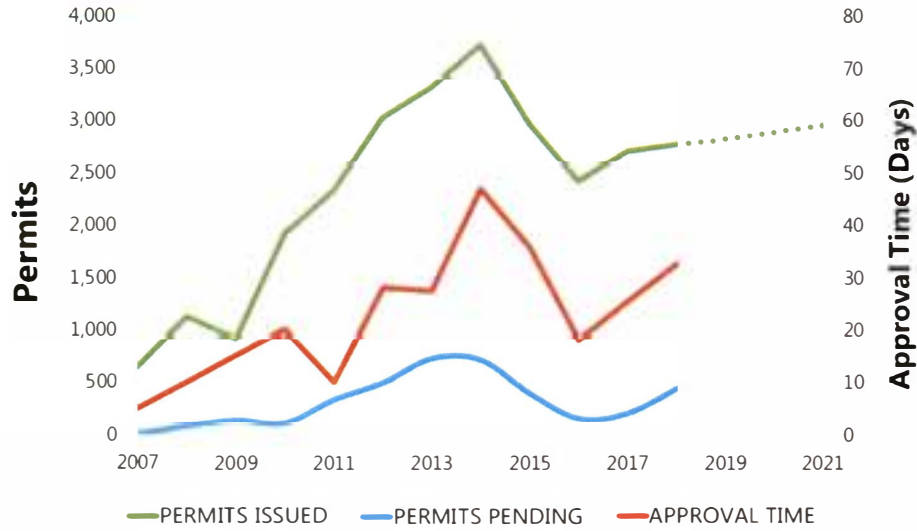
It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and 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.

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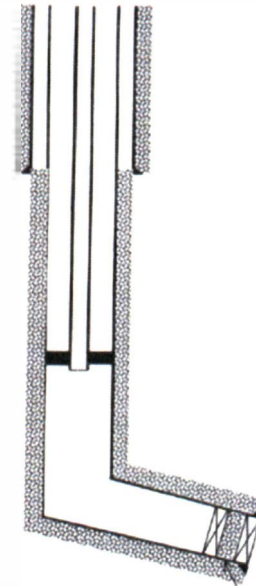
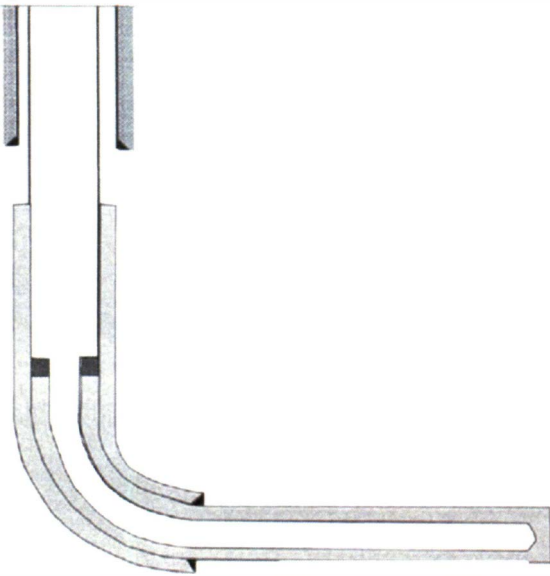




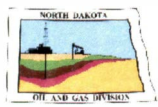
North Dakota Oil & Gas Permits Issued

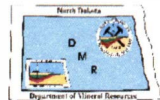
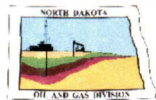
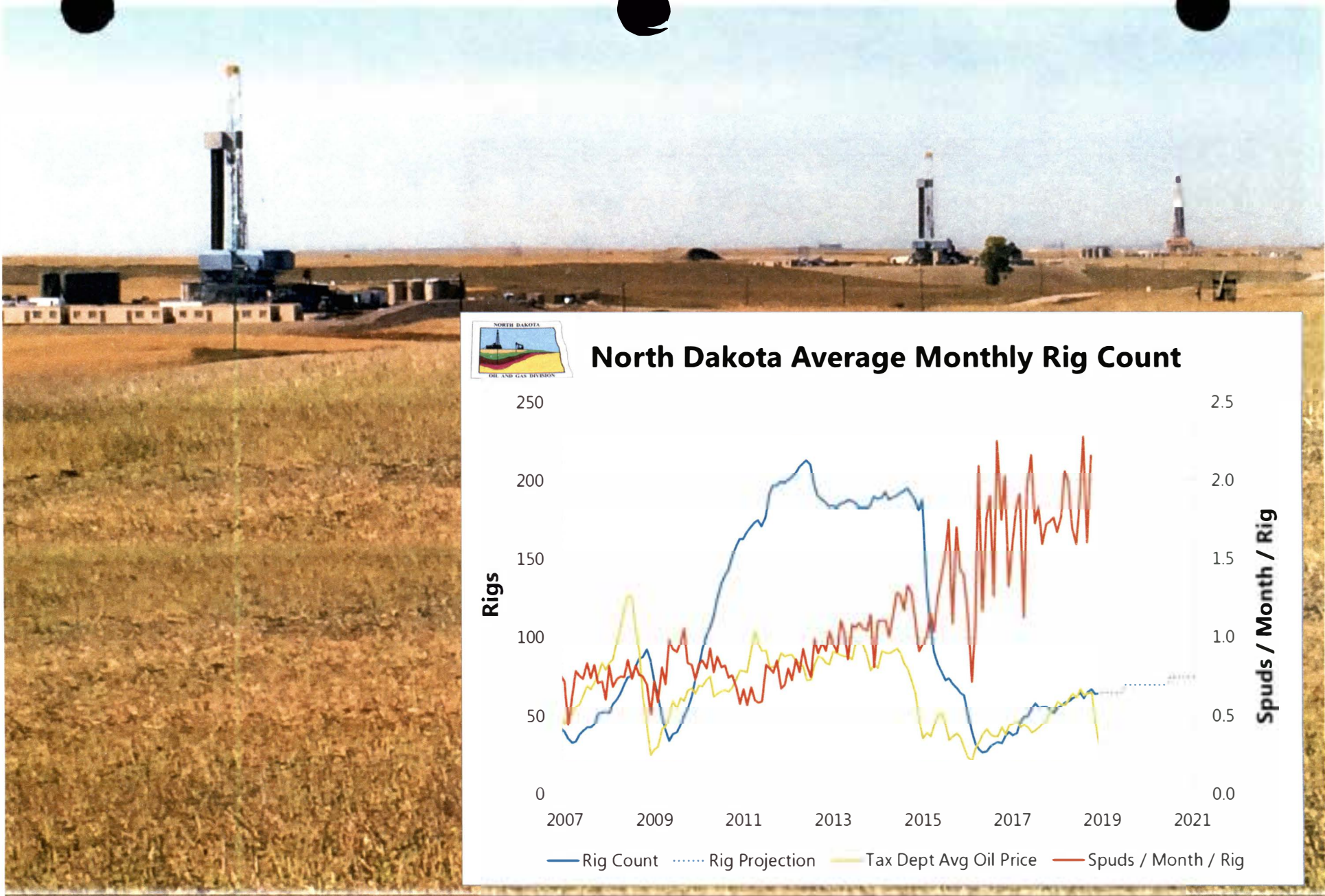


North Dakota UIC Permits Issued



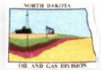
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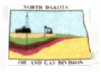
66th Legislative Assembly
 Department of Mineral Resources
 North Dakota Industrial Commission

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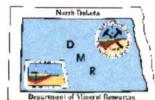
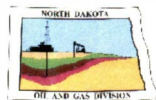
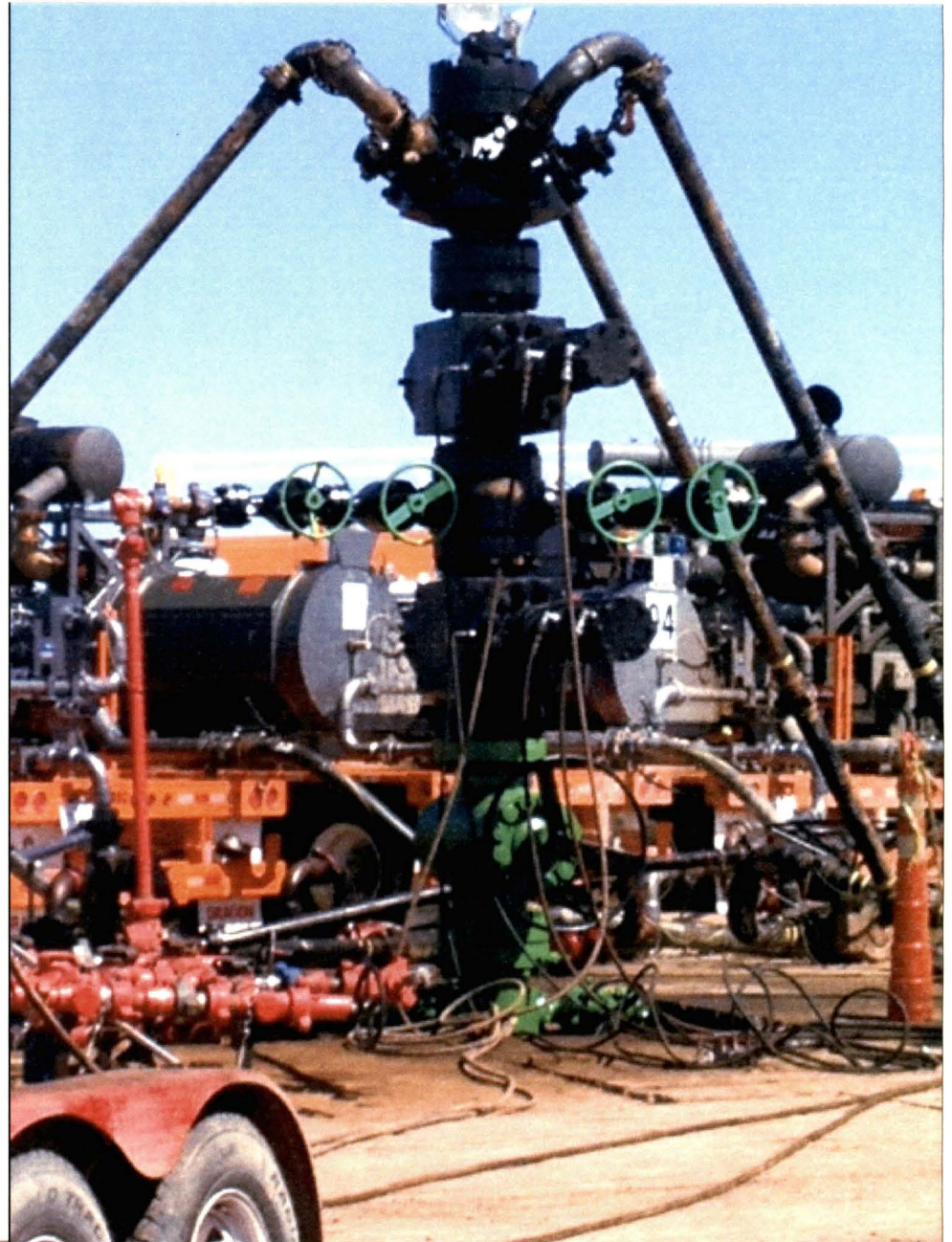
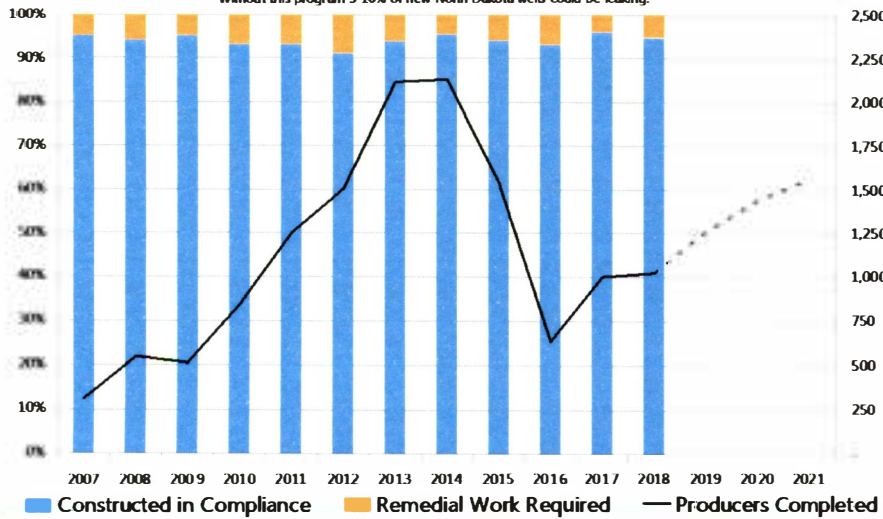
Orders Signed--Cases Heard

The Oil and Gas Division continues to work on issuing the backlog of pending applications and is now seeing signs of increasing hearing activity.

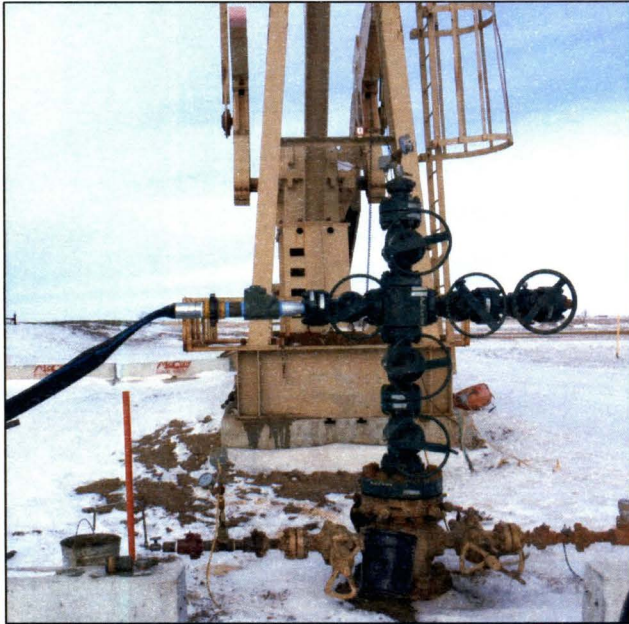


Well Construction

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.



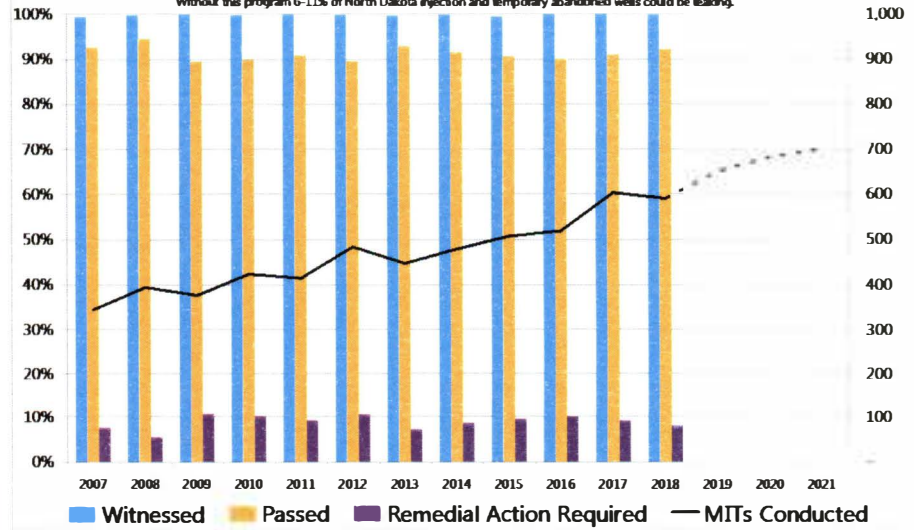
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Mechanical Integrity Tests

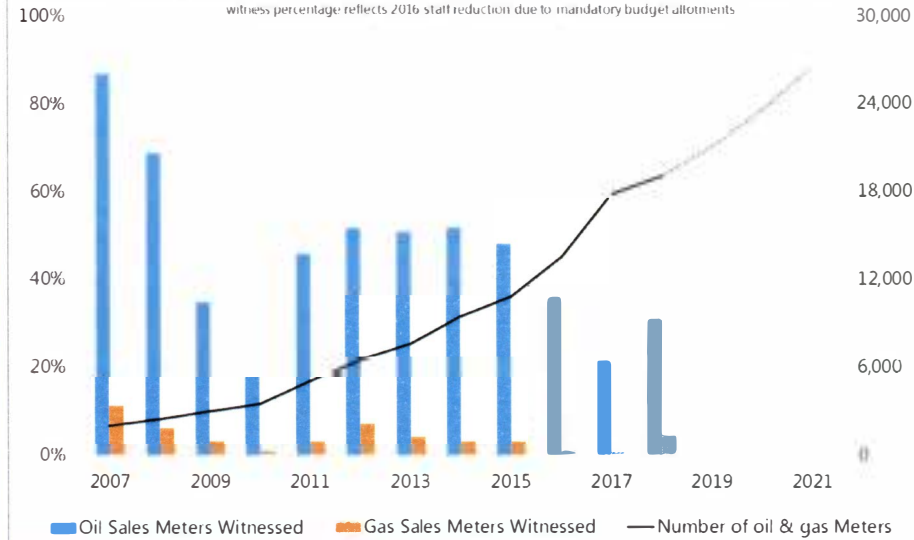
The Oil and Gas Division witnesses nearly all mechanical integrity tests.

Without this program 6-11% of North Dakota injection and temporary abandoned wells could be leaking.

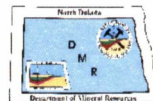
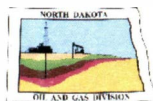


Sales Meter Tests

The Oil and Gas Division regulates oil and gas meter accuracy and royalty owner information. Recent decline in meter witness percentage reflects 2016 stall reduction due to mandatory budget allotments.



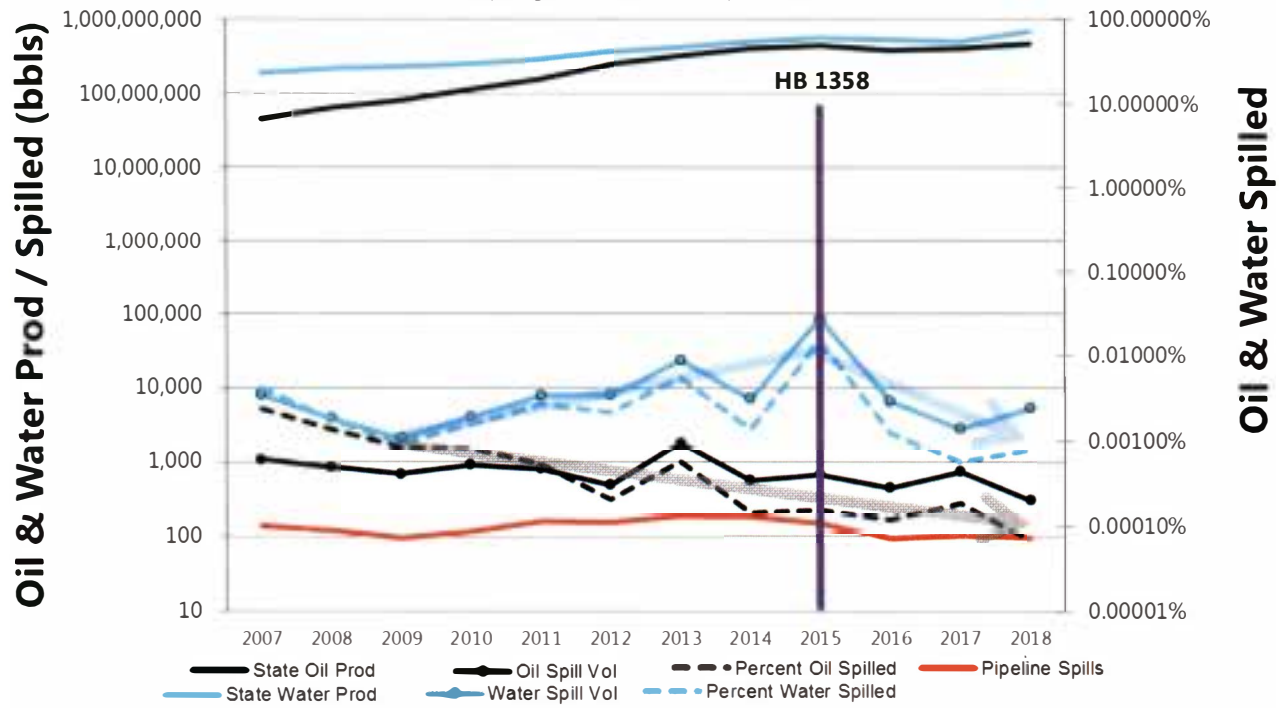
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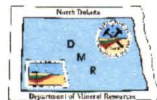


Pipeline Spills

The 64th Legislative Assembly mandated the Commission's Pipeline Program with the passage of HB 1358 effective April 20, 2015.



Oil & Water Spilled



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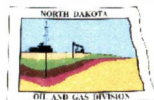
NORTH DAKOTA GEOLOGICAL SURVEY

The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 120 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, rare earth elements, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources such as the Inyan Kara Formation for produced water disposal, the Survey is actively mapping landslides throughout the state. 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 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 450,000 feet of core and 55,000 boxes of drill cuttings obtained from oil and gas wells.

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GEOLOGICAL SURVEY REGULATORY PROGRAMS

Regulation, Development, and Production of Subsurface Minerals (NDCC 38-12)

The exploration, development and production of subsurface minerals requires a permit, basic data to be provided to the state geologist. These regulations cover minerals not included in the oil & gas and coal regulatory programs.

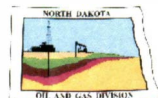
- Subsurface Mineral Exploration and Development**
- Underground Injection Control Program**
- In Situ Leach Uranium Mining Rules**
- Surface Mining–(Non Coal)**
- Solution Mining**

Coal Exploration (NDCC 38-12.1)

Drilling for coal exploration or evaluation requires a permit and a report of findings must be filed with the state geologist. Collectively, these reports comprise a database useful to private and government coal researchers and provide information necessary for geologic correlations and economic forecasting.

Coal Exploration

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GEOLOGICAL SURVEY REGULATORY PROGRAMS

Geothermal Resource Development Regulation (NDCC 38-19)

Geothermal (ground source) heating and cooling systems require a permit. The permit review process helps to ensure that geothermal systems are properly designed and constructed, and minimizes the risk of groundwater contamination or other environmental problems.

Geothermal Energy Production

Paleontological Resource Protection (NDCC 54-17.3)

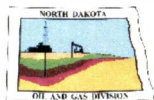
Paleontological resources, on land owned by the State of North Dakota and its political subdivisions, are protected. A permit is required from the state geologist to investigate, excavate, collect, or otherwise record paleontological resources on these lands.

Paleontological Resource Protection

Disposal of Nuclear and Other Waste Material (NDCC 23-20.2)

A permit is required for the temporary storage of material in the subsurface as well as the subsurface disposal of domestic, municipal, industrial, and high-level radioactive waste. Prior approval for testing or exploration as well as a facility permit must be granted by concurrent resolution passed by the legislative assembly.

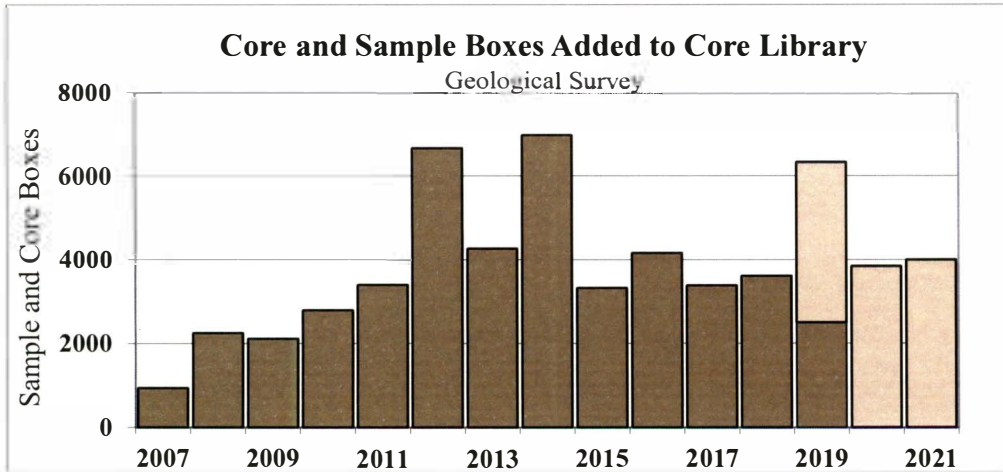
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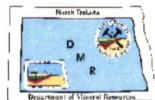
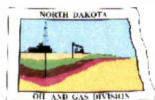
WILSON M. LAIRD CORE AND SAMPLE LIBRARY



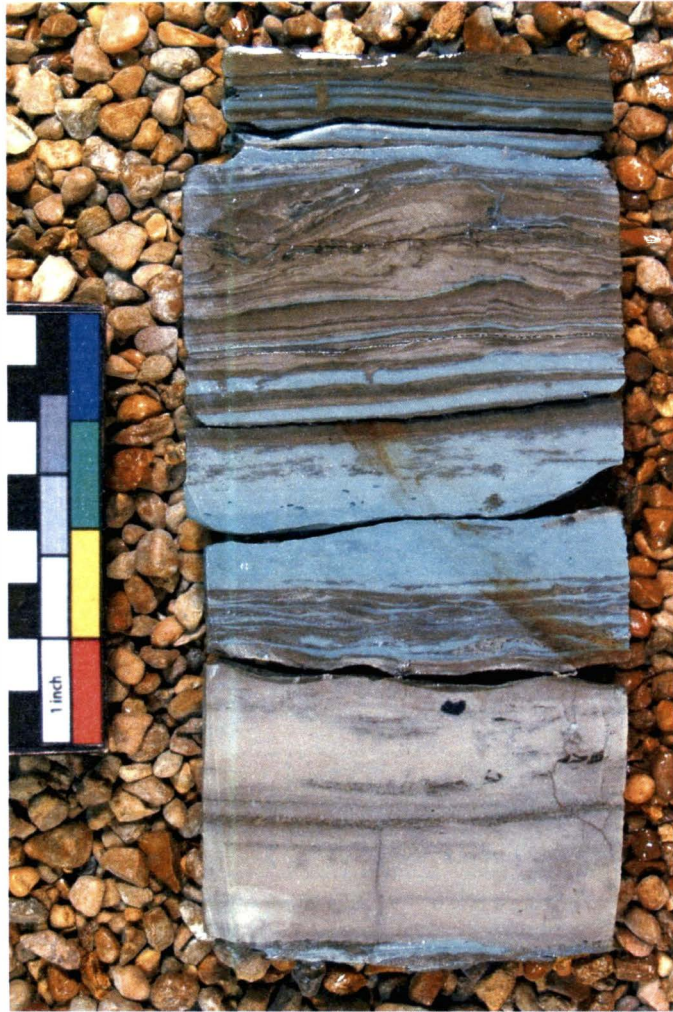
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Upper Left: Expansion of the Wilson M. Laird Core and Sample Library was completed in 2016. Right: Slightly more than 55,000 cuttings boxes are stored in the south aisle of the core library. Lower left: A total of 12,451 feet of core has been cut that has not yet been submitted to the core library, 6,000 feet of that should come into the core library before the end of this biennium.



WILSON M. LAIRD CORE AND SAMPLE LIBRARY

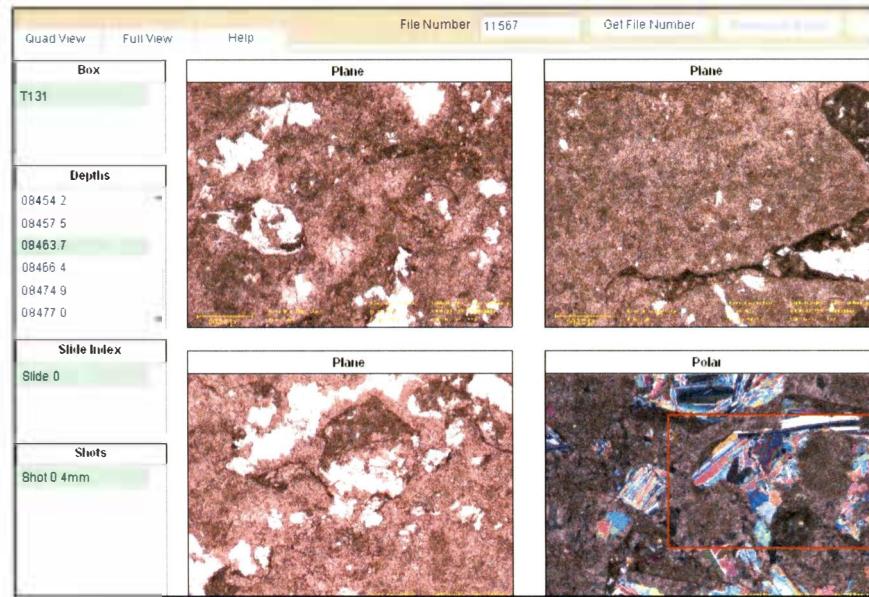


Core of the Three Forks Formation at a depth of 10,200 feet in Williams County.

Total core in the core library = 450,000 feet
 Total photographed = 161,037 feet
Core photographs = 247,359

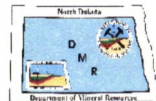
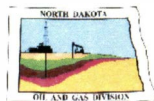
Total thin sections in the core library = 16,717
Thin section photographs = 141,531

Total photographs on website = 388,890



A thin section of core from the Duperow Formation at a depth of 8,464 feet in Divide County.

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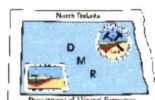
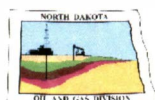


WILSON M. LAIRD CORE AND SAMPLE LIBRARY

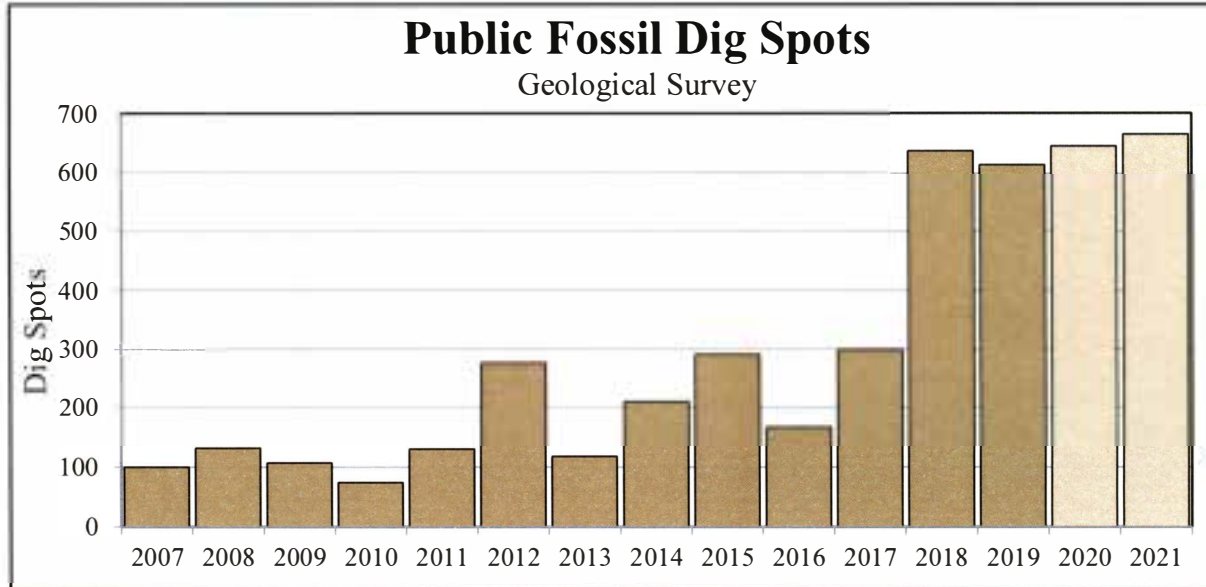


During the second week in January, a moving company filled the shelves and floor of two aisles in the core library with approximately half of the textbooks from the Chester Fritz Library. We agreed to store the material for the next 12-18 months while the library undergoes remodeling.

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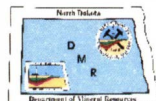
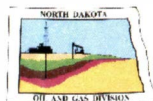


PUBLIC FOSSIL DIG PROGRAM

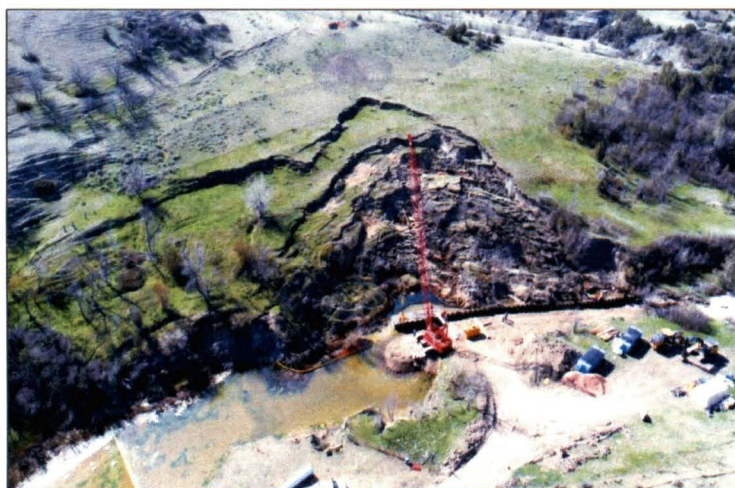
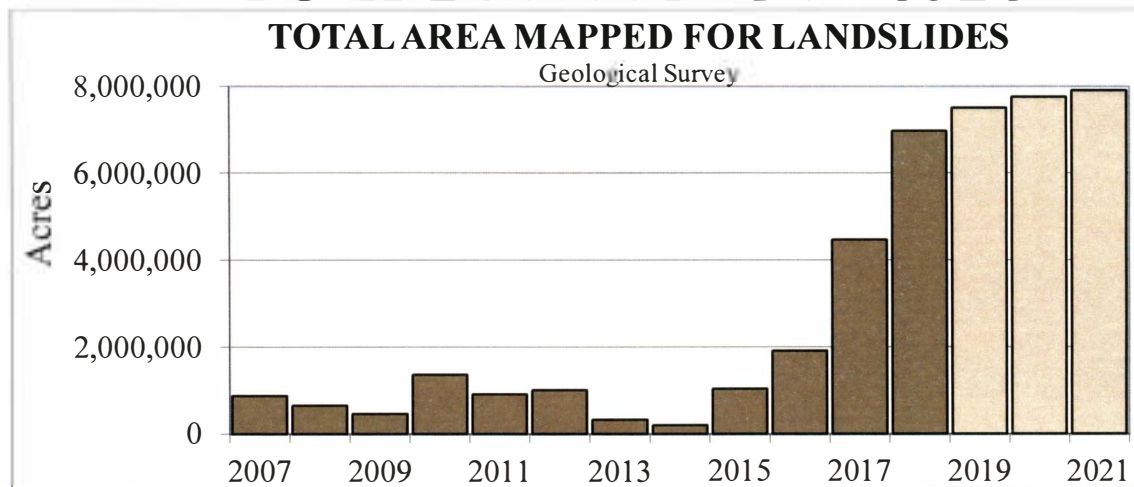


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Left: Some of the participants at the 2018 Medora dig. Right: A 60 million year old crocodile scute uncovered at the 2018 Medora dig.

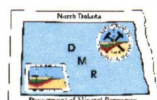
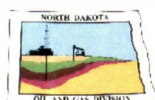


LANDSLIDE MAPPING PROJECT

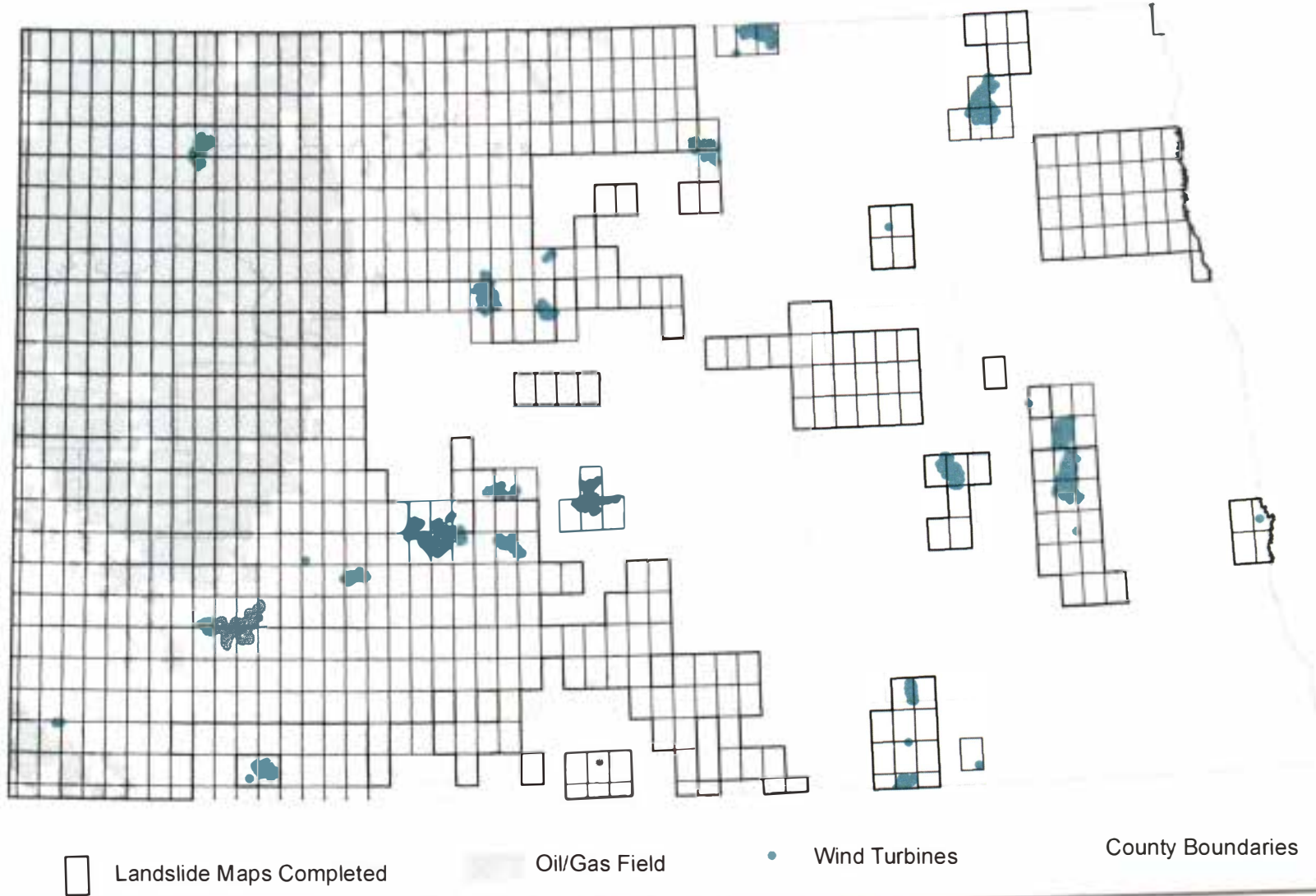


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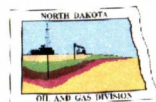
Left: A landslide and broken oil pipeline coincide in Billings County. Right: A landslide to the south of ND Highway 200A west of Washburn. The slope has since been cut back to stabilize it. Whenever possible, the Survey maps areas ahead of development so that infrastructure can be diverted around areas of unstable slopes.

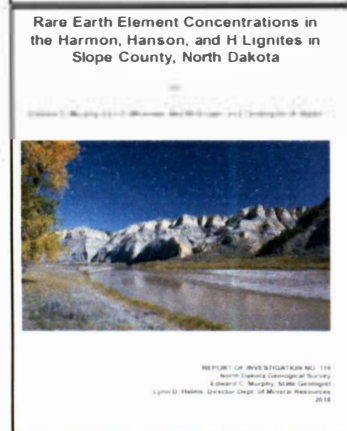
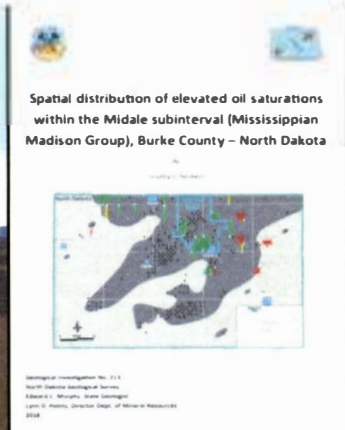
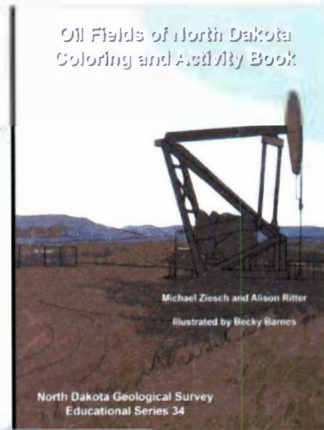
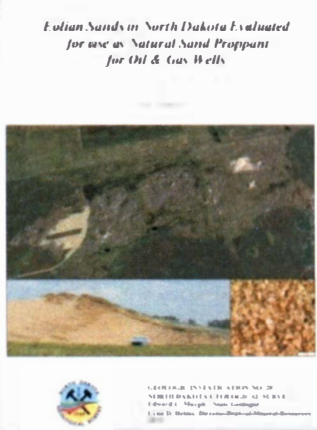


LANDSLIDE MAPPING PROJECT

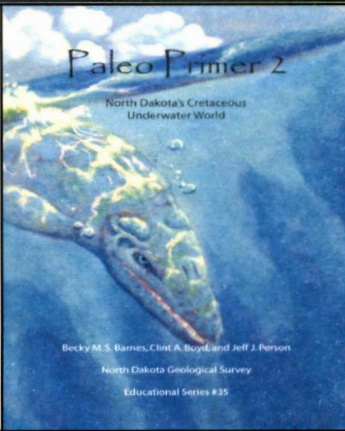
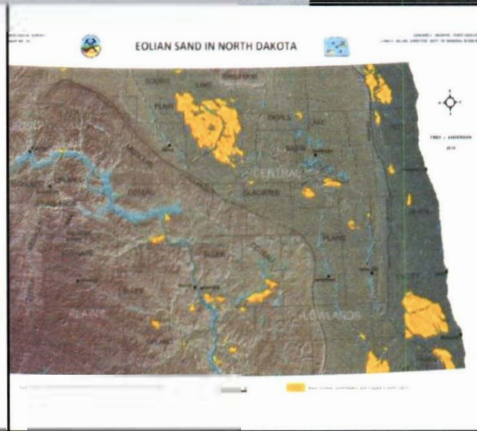
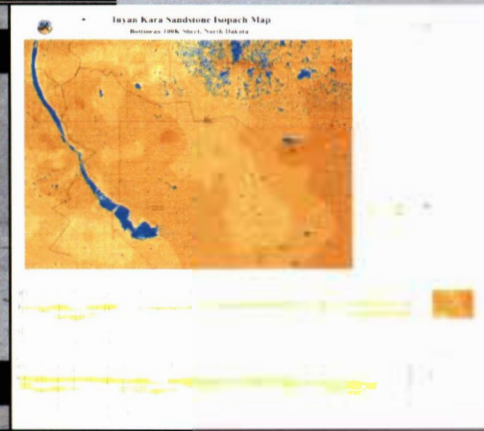
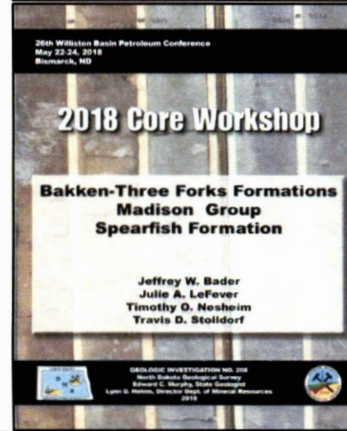


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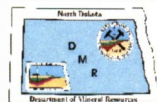
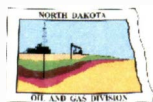




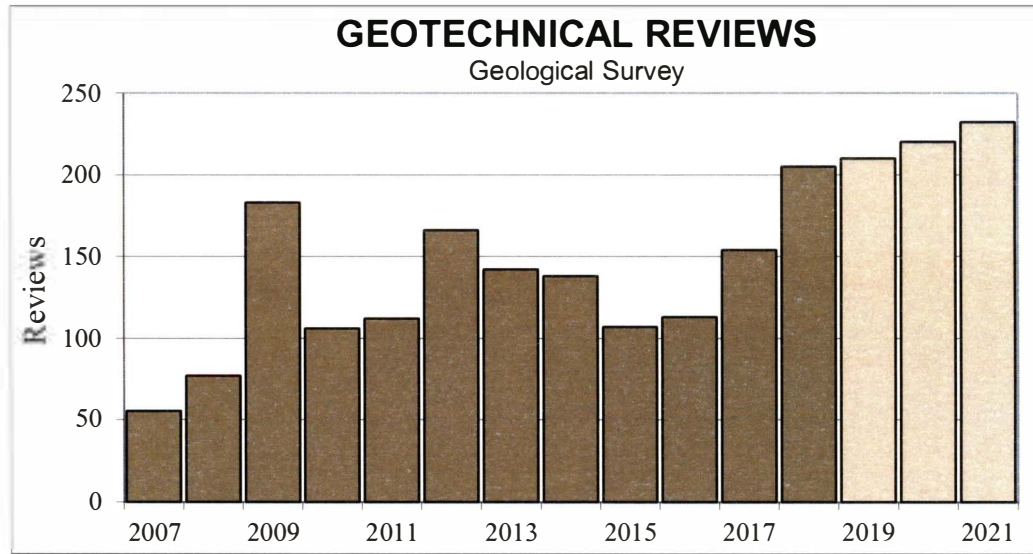
**2017 - 2019
Biennium
Geological Survey
385 Publications
113 Presentations**



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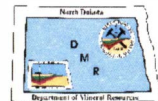
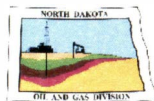


GEOTECHNICAL REVIEW PROGRAM



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Left: Bridge replacement over the Heart River west of Dickinson in 2013 (Vern Whitten Photography). Right: The Tatanka Wind Farm in Dickey County.

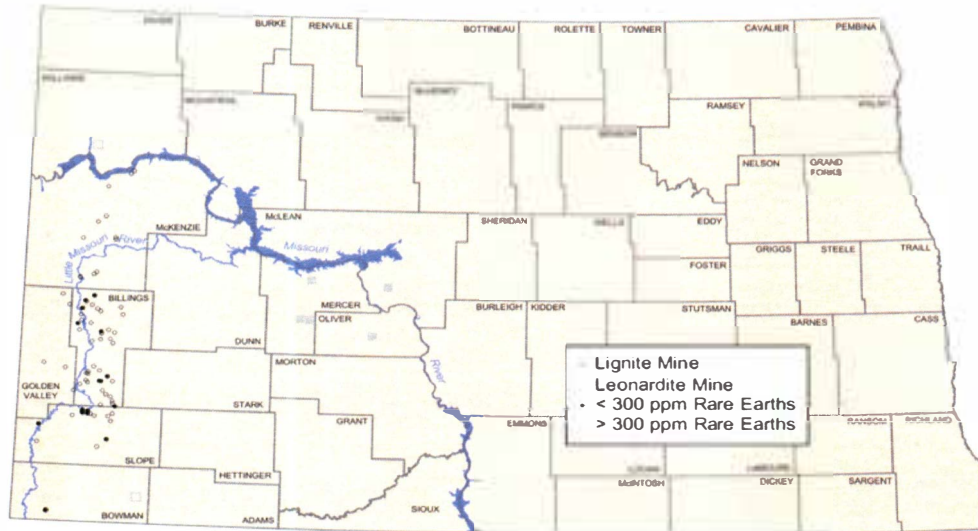


RARE EARTH SAMPLING PROJECT

(2015-2021)

In 2015, we received \$100,000 in one-time funding to initiate a study of rare earth element concentrations in ND lignites and collected and had analyzed 342 samples. Since that time, we have collected an additional 855 samples and submitted 413 more for analysis. Twelve of our North Dakota lignite samples, coming from four different localities in western North Dakota, exceed 653 ppm, the highest concentration previously reported from a coal in North America. Our highest coal sample contains 1,145 ppm of rare earth elements, nearly four times the threshold for coal set by the U.S. Department of Energy.

Our studies have garnered national attention, but we have yet to find consistently high rare earth concentrations over a large area. We would like to collect an additional 400 samples from specific areas in western North Dakota with the intent of generating an exploration model.

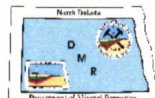
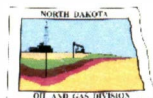


Sample collection (travel) =	\$ 20,000
350 samples @ \$400/sample =	<u>\$140,000</u>
Total project cost =	\$160,000

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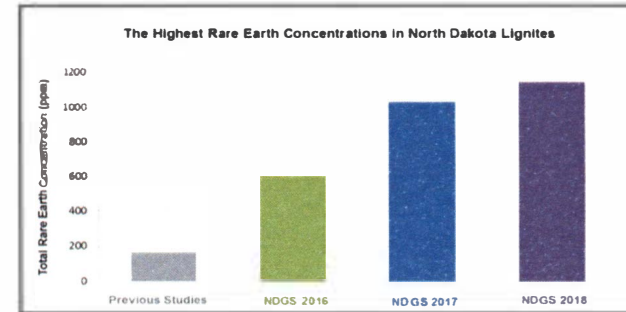
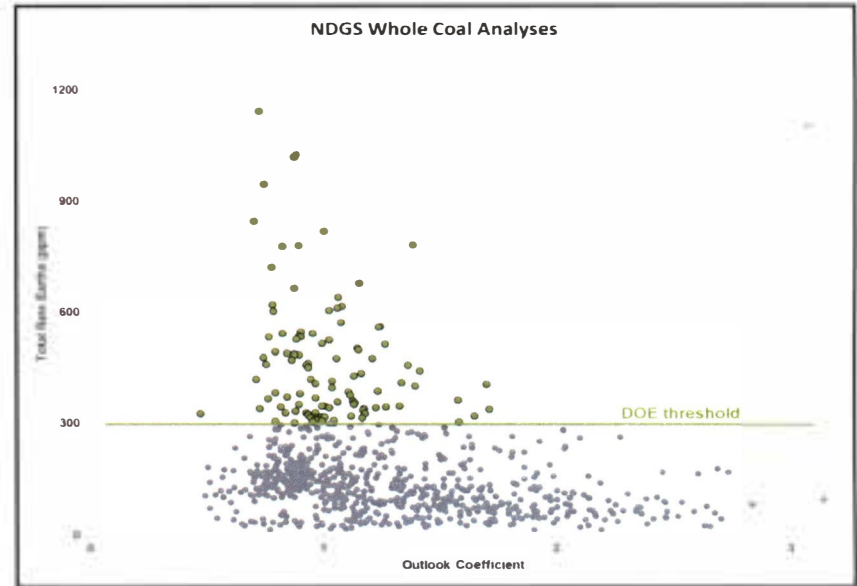
The locations of the Geological Survey rare earth sample sites.

***The Executive Recommended Budget and House Budget provided for the Rare Earth project.**



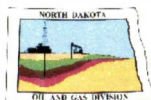
RARE EARTH SAMPLING PROJECT

(2015-2021)



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Left: One of the Geological Survey study sites along the Little Missouri River in Slope County. Upper right: The rare earth element concentrations of 106 of the 755 Geological Survey samples exceed the U.S. Department of Energy threshold of 300 parts per million. Lower right: Prior to the Geological Survey study, the highest rare earth concentration reported from a North Dakota lignite was 165 parts per million.



PROPPANT SAND PROJECT

(2018-2021)

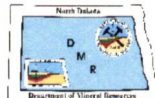
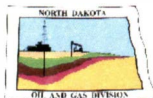
During the 2009-2011 biennium, we received \$30,000 in one-time funding to investigate the potential for sand resources in North Dakota to be used as proppant for oil and gas wells. We collected 125 samples and submitted the top ten samples to an independent testing lab. Those ND sand samples were of lesser quality than the silica sands that the industry was using from the upper-Midwest.

However, in 2018 the U.S. oil and gas industry began utilizing local sand resources with lower, but acceptable, quality standards. In response to those changes, we collected an additional 90 samples from bedrock sandstones in the west and wind-blown surficial sand deposits in the east and central portions of the state. We wish to collect an additional 100 samples and have the top 40 samples laboratory tested to determine if the best samples meet the new industry standards for proppant.

Sample collection (travel) =	\$ 10,000
40 samples @ \$2,500 =	<u>\$100,000</u>
Total project cost =	\$110,000

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***The Executive Recommended Budget and House Budget provided for the Proppant Sand project.**

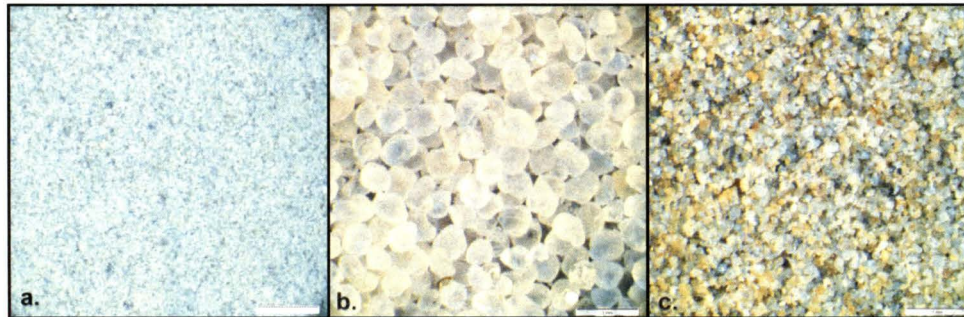
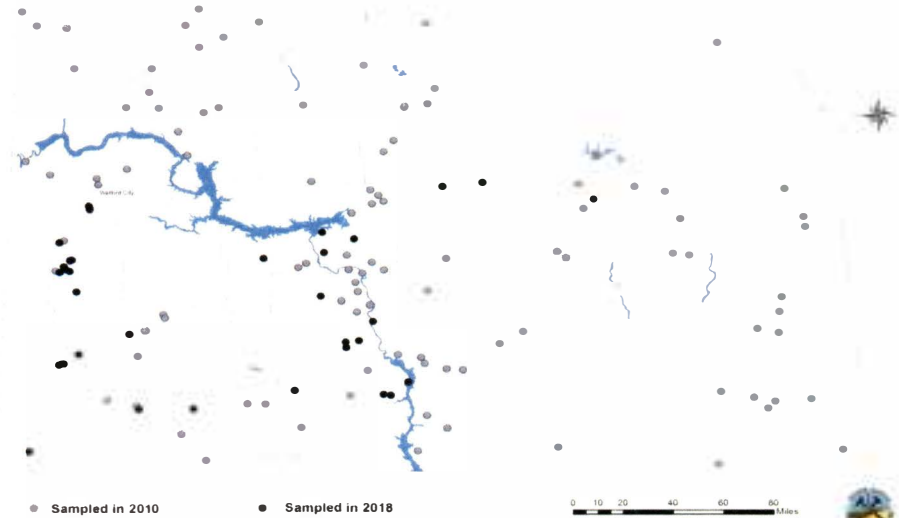


PROPPANT SAND PROJECT

(2018-2021)

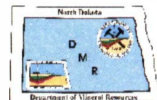
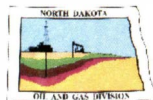


Geological Survey Samples Collected for Proppant Evaluation



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Left: A sandstone sample being collected from a study site in McKenzie County. Upper right: Sand and sandstone samples have been collected for this project from across North Dakota. Center: A few examples of the 215 photographs of North Dakota sand under a microscope that we have taken. Sample (a) is a windblown deposit from Burleigh County, (b) is an Ottawa white proppant sand from Illinois and (c) is a bedrock sandstone from Slope County.



PRIOR BIENNIUM INFORMATION

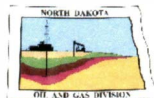
DMR 2015-2017 Audit Findings

The Office of State Auditor performed an operational and financial audit for the biennium ending June 30, 2017. DMR had no formal findings.

Lake Bed Sediment Study

Last legislative session, Section 29 of Senate Bill 2014 required the DMR to conduct a study regarding the feasibility of regulating lake bed studies and the dredging of lake beds in reservoirs containing more than 50 acre-feet of surface water. The results of the DMR study were presented to the Interim Water Topics Overview Committee on June 13, 2018. The report included the best management practices of nine other states, the current regulatory framework in North Dakota, and an outline of proposed regulations for a uniform permitting process.

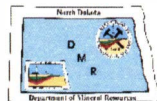
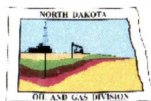
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2017-2021 POTENTIAL CHANGES IN FEDERAL FUNDING

<u>Federal Funding Program</u>	<u>2017-2019 Anticipated Award</u>	<u>2017-2019 Anticipated Change</u>	<u>2019-2021 Anticipated Award</u>
UIC Oil & Gas (EPA)	\$210,000	\$0	\$210,000
PSC Coal (OSM-DOI)	\$8,000	\$0	\$15,000
NCRDS-Coal (USGS-DOI)	\$20,000	(\$20,000)	\$0
Statemap (USGS-DOI)	\$0	\$20,000	\$13,000

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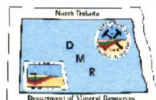
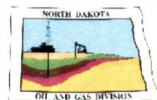
BUDGET REDUCTIONS TO MEET 90% BUDGET

	2017-19 Approp.	2019-21 Base Budget	Requested 10% Reductions	2019-21 90% Budget
40510 Salaries & Wages	\$20,630,206	\$20,630,206	(\$2,016,531)	\$18,613,675
40530 Operating Expense	\$11,593,787	\$4,795,048	(\$302,631)	\$4,492,417
40570 Contingent Positions	<u>\$221,737</u>	<u>\$221,737</u>	<u>(\$221,737)</u>	<u>\$0</u>
Total Expenditures	\$32,445,730	\$25,646,991	(\$2,540,899)	\$23,106,092

Breakdown of 10% Reductions:

Salaries & Benefits:	(\$2,162,540) (14 positions)
Travel:	(\$338,197)
IT Software Maintenance:	(\$17,600)
Professional Supplies:	(\$3,000)
Supplies:	(\$9,000)
IT Equipment:	(\$30,250)
Office/Other Equip:	(\$22,210)
Lease/Rent Bldg:	\$67,865
IT Communications:	(\$22,612)
Professional Development:	(\$3,355)

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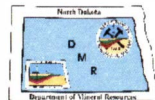
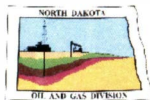


MAJOR COMPONENTS - PROGRAM COSTS

The Department of Mineral Resources (DMR) budget is 99% general funds and <1% federal funds. Budget costs are primarily salary and benefits (81%). Federal funds for protection of fresh water supplies are not increasing, although program costs continue to rise due to inflation and federal environmental mandates. However, the agency continues to have statutory responsibilities to protect fresh water supplies. The federal funds are not expected to change over the current biennium.

The operating budget consists of travel (46%), primarily state fleet vehicle mileage for field work. Other operating items of significant costs include Lease/Rent/Facilities costs (26%) for the Bismarck office, warehouse, and three field offices; and IT costs (12%) more than half of which are ITD data processing, Telephone, and Contractual Services.

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SALARIES AND BENEFITS

During the 2017-2019 biennium, we experienced an increasing rig count, in addition, ever-increasing drilling rig efficiencies and technological advancements have resulted in a 32% increase in statewide oil production and a 36% increase in statewide gas production over the two-year period.

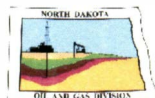
Current staffing levels are inadequate to keep up with a rig count above 55 rigs. At the same time, our work force has been strained by attrition due to retirements and private industry opportunities.

A record number of oil producing wells along with required oil conditioning and gas capture goals as provided in orders of the Commission has resulted in a significant increase in workload. To address this shift in workload, the Department reassigned duties of several engineering technicians that were assigned to permitting, although permitting requests have again significantly increased, straining the current staff.

Rig count has steadily increased throughout the biennium (67 Rigs on 3/01/19) as oil prices have tripled from their recent lows and rig count is projected to increase to around 75 rigs by fiscal year-end 2021. The Spearfish play has been proven commercial in the past and recent increased oil prices have returned some activity to Bottineau County, which could warrant additional inspections by our Minot office in the near future. 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.

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****The Executive Recommended Budget and House Budget provided salary costs to continue for two contingent positions triggered in December 2018.***



OPERATING EXPENSE

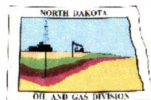
Travel

DOT motor pool rates are increasing more than 4%, which will increase costs for the Oil and Gas Division. To offset inflationary increases, the number of field inspections will have to be reduced at a time when industry has a large number of inexperienced personnel and new small operators who need guidance and supervision. This may result in inadequate protection of potable waters and correlative rights.

Geological Survey travel has been cut over the last two bienniums. The Geological Survey has curtailed field work at a time when there is a high demand for our rare earth element study results, the results of our study into the feasibility of using North Dakota sands as proppant in Bakken and Three Forks completions, and the identification of landslides related to current and future impacts on infrastructure. In addition, we have more than doubled our public fossil dig program due to the strong demand from both in state and out of state participants.

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3-4-2014
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****The Executive Recommended Budget and House Budget provided for the travel inflation increases.***



OPERATING EXPENSE

Lease/Building Rent/Land – Long term contracts but slow increases

Oil and Gas Division rent is increasing \$55,865 in our Bismarck, Dickinson, Minot, and Williston office buildings. Geological Survey rent of building space is increasing \$12,000 in our Bismarck and warehouse buildings.

Repairs

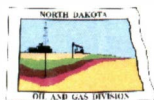
A major expansion of the Wilson M. Laird Core and Sample library took place during the 2015-2017 biennium. Although we do not pay utilities, the Facilities Department at the University of North Dakota maintains our heating and cooling system and bills us on a monthly basis. Maintenance costs for the new heating and cooling system have been much higher than anticipated (19% increase).

Computers

Computers are at the end of their life cycle (including extended warranty) and need to be replaced (\$70,400). The switch over to M365 Productivity will increase ITD costs (\$76,787). Inflationary increases in data processing (\$19,923).

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****The Executive Recommended Budget and House Budget provided for the inflation and cost increases.***



OPERATING EXPENSE

Operating Fees/Services

Audit Fees: The State Auditor's Office sent out a notice on 02/15/2019 regarding an increase in billing for the 2020 audit. Since 2006, audit billings were at a 5% increase from the prior amount. The estimated cost of \$14,100 is a 141.5% increase. Because the increased rate was just provided in February, a shortage of \$5,560 exists in the current budget.

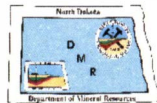
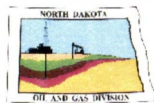
Litigation: The 65th Legislative Assembly appropriated \$1,000,000 from the Strategic Investment and Improvements Fund to the Industrial Commission for the purpose of defraying litigation expenses. The entire amount was expended by January 2019.

The 66th Legislative Assembly should consider a one-time appropriation of the sum of \$1,500,000, or so much of the sum as may be necessary, to the Industrial Commission for the purpose of defraying expenses associated with possible litigation and other administrative proceedings involving efforts to regulate hydraulic fracturing, flaring reduction, or any other activity currently under the jurisdiction of the Industrial Commission.

The Executive Recommended budget included the Industrial Commission in a \$4 million funding pool included in OMB's budget for potential litigation. The litigation pool in SB 2015 was reduced to \$2.5 million. Because multiple agencies have access to the litigation funding pool, there is no guarantee that the estimated \$1,500,000 will be available to the Industrial Commission.

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***The Executive Recommended Budget and House Budget did not include these expenses in HB 1014.**



CAPITAL ASSETS

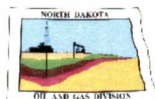
IT Equip/Software over \$5,000

RBDMS: The Department of Mineral Resources (DMR) Risk Based Data Management System (RBDMS) is the master oil and gas database for the state of North Dakota. RBDMS is a standardized platform built by the Ground Water Protection Council (GWPC). Nearly all oil and gas producing states are members of the GWPC and use a version of RBDMS.

The legacy system operating at the DMR is at end of life. It is operating on technology, Access 2003, that is no longer supported by Microsoft. Research, including a Business Process Modeling and Analysis, as well as a Fit Gap examination, have taken place at the DMR to determine the most appropriate method of upgrading the system to contemporary web-based technology. It has been determined that a collaborative project between the DMR and GWPC would be the most effective. Upgrading the system, in collaboration with GWPC, will allow North Dakota resources to be leveraged with those of GWPC. Building off of work the GWPC is conducting for the state of California results in a system upgrade cost of \$9,544,005 for North Dakota. The GWPC has committed monetary resources of \$1,996,030 to the initiative. The DMR would contribute \$650,000 from Reservoir Data Fund and \$1,897,975 of in-kind resources, leaving a balance of \$5,000,000 as a special appropriation request.

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****The Executive Recommended Budget provided the \$5 million as a transfer from SIIF. After a review of the expected revenue and expenses to the Abandoned Well Plugging and Site Reclamation Fund (AWPSRF) for the 2019-21 biennium, the House Budget allowed for a one-time funding transfer of \$5 million from AWPSRF to cover the RBDMS upgrade.***



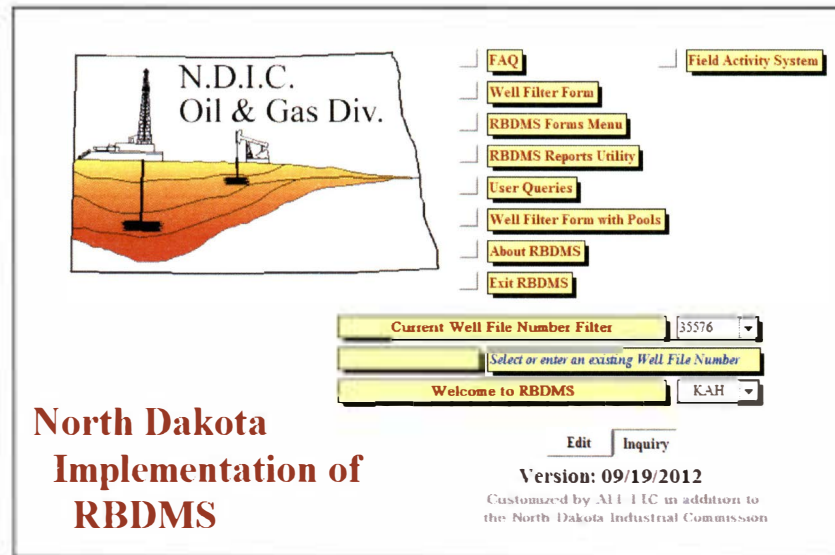
RBDMS UPGRADE "NORTHSTAR" PROJECT

(2018-2021)

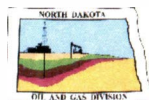
RBDMS "Risk Based Data Management System" – Currently manages forms and data submitted to the Oil and Gas Division to monitor compliance with North Dakota regulations. Data is being used for modeling trends occurring with production in the state.

Current RBDMS System

- System uses Access 2003 and Access 2010
 - Access 2003 is no longer supported by Microsoft (Ended in 2013)
 - Access 2010 will no longer be supported by Microsoft in 2020
- RBDMS data accessible to inspectors in the field is being restricted due to software limitations

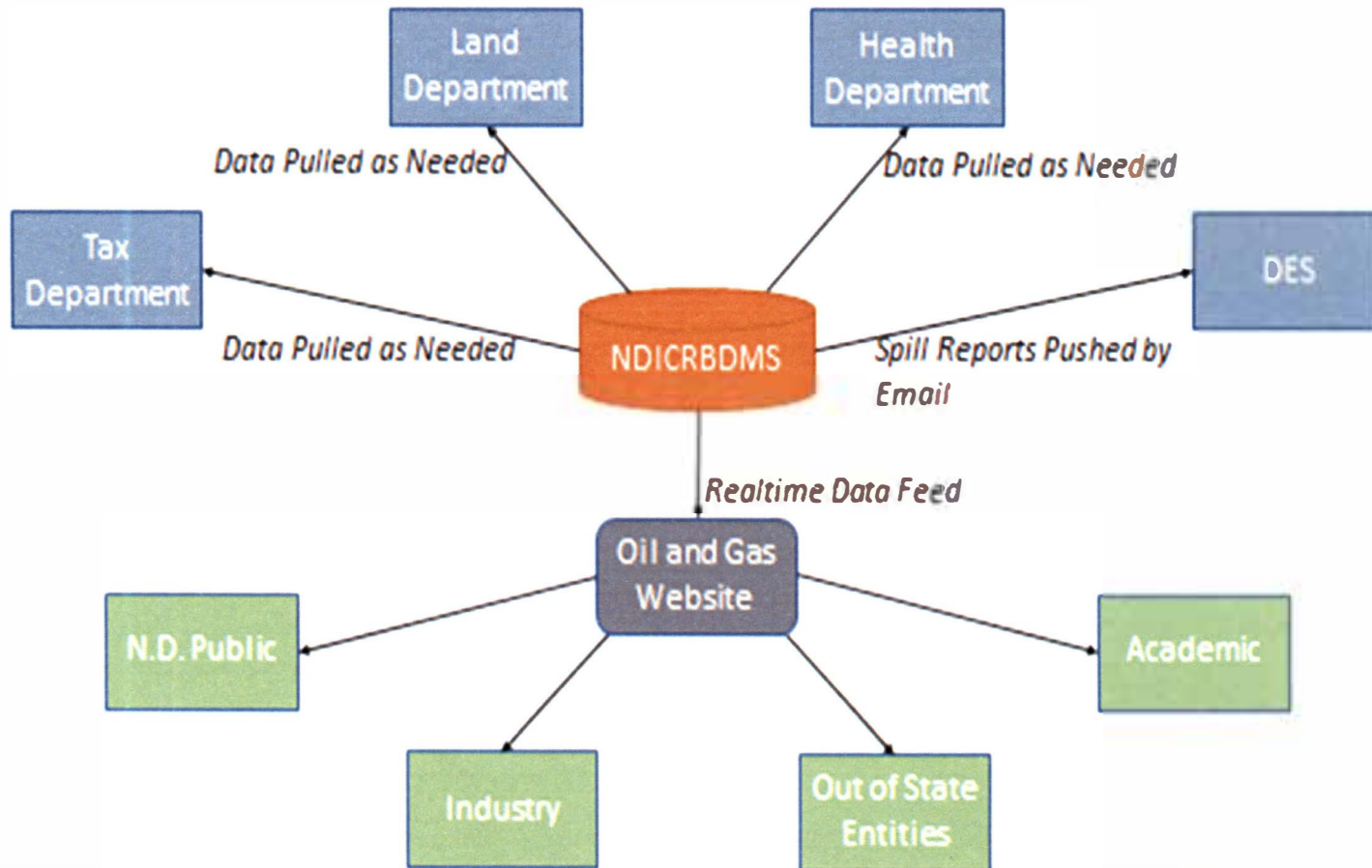


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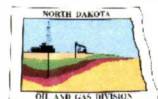


RBDMS DATA SHARING

RBDMS shares information with the Tax Department, Land Department, Health Department, Emergency Services, Industry, Business and Academic entities, and pushes information to the Oil and Gas division website for public use.



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RBDMS UPGRADE "NORTHSTAR" PROJECT

(2018-2021)

RBDMS System Upgrade to "NorthSTAR"

North Dakota's Statewide Tracking and Reporting System "NorthSTAR" will allow for cloud based data storage and improved electronic regulatory filing options. A portion of costs are being shared by North Dakota Department of Mineral Resources and Ground Water Protection Council (GWPC). Work is currently in the 1st of four releases to build out the program. Release deliverables are outlined below and may be subject to minor changes.

Release 1 10/01/2018-04/30/2019	Release 2 05/01/2019-12/31/2019	Release 3 01/01/2020-08/31/2020	Release 4 09/01/2020-11/30/2020
Bond Management Entity Management Supplemental General	Well Management Well Stimulation & Idle Well Data Transfer of Ownership Production Underground Injection Control	Inspections Facilities (Part 1) Hearing and Docket	Facility (Part 2) Compliance Incidents

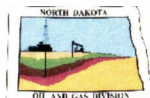
Upgrade Objectives:

- Improve reporting functions
- Improve processes/workflows
- More efficient use of staffing
- Allow for additional electronic data submission
- Allow for more data gathering and analysis
- User friendly public interface



The Ground Water Protection Council (GWPC) is a nonprofit 501(c)6 organization whose members consist of state ground water regulatory agencies. The mission of the GWPC is to promote the protection and conservation of ground water resources for all beneficial uses. They provide a forum for stakeholder communication and research in order to improve governments' role in the protection and conservation of groundwater.

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RBDMS UPGRADE "NORTHSTAR" PROJECT

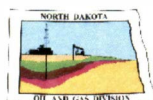
COST DISTRIBUTION

Cost of NorthSTAR Project Build	
Project Build Activities (<i>Solution Provider + DMR Staff In-Kind</i>)	\$ 8,544,005
Additional Resources *	\$ 1,000,000
	\$ 9,544,005
Cost Distribution	
GWPC \$ Contribution	\$ 1,996,030
DMR \$ Contribution <i>(Drawn from Fund #317 Reservoir Data Fund)</i>	\$ 650,000
DMR Staff In-Kind Value	\$ 1,897,975
Legislative Ask	\$ 5,000,000
	\$ 9,544,005
* Approximate Breakout of Additional Resources	
ITD Cloud	\$ 150,000
ITD Project Management	\$ 250,000
ITD Large Project Fee	\$ 32,500
Attorney General Office	\$ 4,000
Software, Licensing, SP Travel	\$ 53,500
Management Reserve**	\$ 510,000

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*Additional resources are items outside of Project Build Activities (professional services and development costs) of the NorthSTAR platform.

**Management reserve is for change requests that may be necessary during the life of the project.

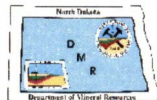
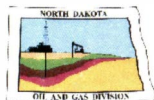


RBDMS UPGRADE "NORTHSTAR" PROJECT

Distribution of North Dakota DMR and Solution Provider Work Activities

Upload Test Results	Solution Provider
Schedule Test	Solution Provider
APD	Solution Provider
Completion Report	Solution Provider
Request Confidentiality	Solution Provider
Form 4 Sundry Notices and Reports on Wells	DMR Staff In-Kind
Form 14 Application for Injection Approval	Solution Provider
Transfer Assets	Solution Provider
Production Reporting	Solution Provider
Form 16 Salt Water Disposal Wells Source of Water and Method of Transportation	DMR Staff In-Kind
Form 17 Enhanced Recovery Injection Data	DMR Staff In-Kind
Form 17 A Enhanced Recovery Source of Injectate	DMR Staff In-Kind
Form 5 SWD Oil Recovered From Saltwater Disposal Wells Oil Recovered	DMR Staff In-Kind
Form 5 Oil Production Report Oil and Production Data	DMR Staff In-Kind
Form 5B Gas Production Report Gas Produced Data	DMR Staff In-Kind
Form 10 Oil Purchasers Monthly Report	Completed
Form 10A Oil Transporters Monthly Report	Completed
Form 8 Authorization to Purchase and Transport Oil from Lease	DMR Staff In-Kind
Form 12 Gas Processing Plant Report	DMR Staff In-Kind
Form 12A Gas Processing Plant Report of Receipts from Wells	DMR Staff In-Kind
Report of Occurrence	Solution Provider
Spill Clean-Up Report	Solution Provider
Facility Information	Solution Provider
Plan Submission	Solution Provider
Water Sample Data Submission	Solution Provider
Organization Questionnaire	Solution Provider
Compliance Information	Solution Provider
Bond Release	Solution Provider
Bond Information	Solution Provider
Directional Drilling	Solution Provider

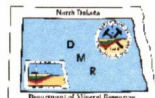
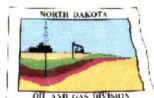
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HOUSE RECOMMENDED BUDGET CHANGES

	Executive Budget	House Budget	DMR Essential Budget
40510 Salaries & Benefits	\$22,235,162	\$21,805,091	\$22,022,708
40530 Operating Expense	\$5,513,062	\$5,513,062	\$5,626,862
40550 Capital Assets	\$5,000,000	\$5,000,000	\$5,000,000
40575 Contingent Positions	<u>\$0</u>	<u>\$229,544</u>	<u>\$374,961</u>
Total Expenditures	\$32,748,224	\$32,547,697	\$33,024,531
Less Federal Income	\$238,004	\$238,004	\$238,004
Less SIIF Transfer	\$5,270,000	\$270,000	\$270,000
Less AWSRP Transfer	<u>\$0</u>	<u>\$5,000,000</u>	<u>\$5,000,000</u>
Total General Fund	\$27,240,220	\$27,039,693	\$27,516,527
FTE	103.5	105.5	107.5

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HOUSE RECOMMENDED BUDGET CHANGES

**HB 1014
Section 1**

40510 Salaries & Benefits - The difference between the Executive Budget and the House Budget in the salary line item is (\$430,071). The Governor recommended raise increases at 4% 1st year - 2% 2nd year, and a retirement contribution increase of 1% per employer/employee. The House Budget based raises on a 2%-2% increase, no increase to retirement contributions, and adjusted the health insurance increase to \$1,427 per month.

**HB 1014
Sections 2
& 14**

40550 Capital Assets -The Executive Budget allowed \$5 million in funding for the RBDMS upgrade as a transfer from the SIIF; while the House Budget allows a transfer from the Abandoned Well Plugging and Site Reclamation Fund.

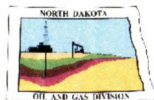
**HB 1014
Sections 1
& 5**

40575 Contingent Positions - The difference between the Executive Budget and the House Budget is \$229,544. The House provided for two field inspectors contingent upon total number of wells capable of production and injection exceeding 20,800. The House estimated the trigger to be reached halfway through the biennium, so prorated the expenses to allow for one year of costs.

**HB 1014
Section 1**

FTE – The House increased the FTE count by two for the contingent positions.

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OTHER HOUSE RECOMMENDED CHANGES

HB 1014
Section 19

Exemption – The House Budget allows for a carryover of unexpended funds from the survey review for expert legal testimony associated with the review .

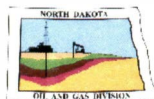
HB 1014
Section 15

Amendment -The House Budget reduced the cap on the balance of the Abandoned Well Plugging and Site Reclamation Fund from \$100 million to \$50 million.

HB 1014
Section 17

Exemption – The House Budget increased the cap on the balance of the Oil & Gas Research Fund from \$10 million to \$14 million, and designates \$4 million for an EERC pilot project relating to underground storage of produced natural gas.

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BAKKEN PRODUCED GAS STORAGE PILOT

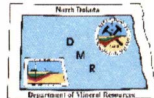
HB 1014: SECTION 17:

- Funding of demonstration project(s) can be provided through the Oil and Gas Research Fund:

SECTION 17. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - OIL AND GAS RESEARCH FUND - PILOT PROJECT FOR UNDERGROUND GAS STORAGE.

1. Notwithstanding the provisions of section 57-51.1-07.3 relating to the allocations to the oil and gas research fund, for the period beginning August 1, 2019, and ending July 31, 2021, the state treasurer shall deposit two percent of the oil and gas gross production tax and oil extraction tax revenues, up to \$14,000,000, into the oil and gas research fund before depositing oil and gas tax revenues under section 57-51.1-07.5.
2. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$4,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center for a pilot project relating to the underground storage of produced natural gas. The pilot project may include studies and demonstration projects. During the 2019-20 interim, the energy and environmental research center shall provide quarterly reports to the industrial commission and at least one report to the legislative management regarding the results and recommendations of the pilot project.

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BAKKEN PRODUCED GAS STORAGE PILOT

EERC Study Results:

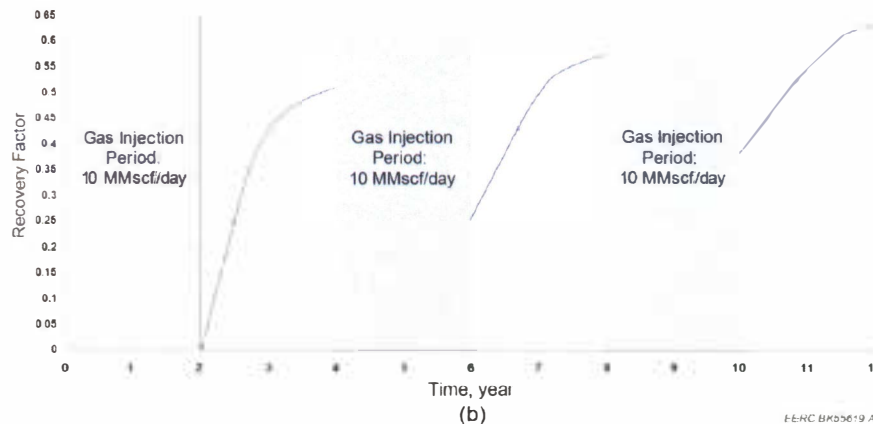
EERC has studied and determined that it is technically and economically feasible for produced gas storage based on computer simulation.

A single demonstration project will result in

- 5 additional well completions,
- reduce flared volume of 618 million cubic feet, and
- yield almost \$28 million in additional GPT+OET revenue.

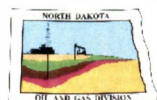
Statewide implementation following a successful demonstration project could result in

- 100 additional well completions,
- reduced flare volume of 111 billion cubic feet, and
- yield more than \$1 billion in additional GPT+OET revenue.



	cycle 1	cycle 2	cycle 3	
MCFD Inj	10,000	10,000	10,000	
Days/Yr	365	365	365	
Years	4	4	4	
MCF Inj	7,300,000	7,300,000	7,300,000	
RF	50%	57%	63%	
MCF Prod	3,650,000	4,161,000	4,599,000	12,410,000
Investment	\$15,700,000			
\$/MCF	\$2.15			
Oper Cost	\$7,000,000	\$7,000,000	\$7,000,000	
Total Cost	\$22,700,000	\$7,000,000	\$7,000,000	\$36,700,000
\$/MCF	\$6.22	\$1.68	\$1.52	\$2.96

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BAKKEN PRODUCED GAS STORAGE PILOT

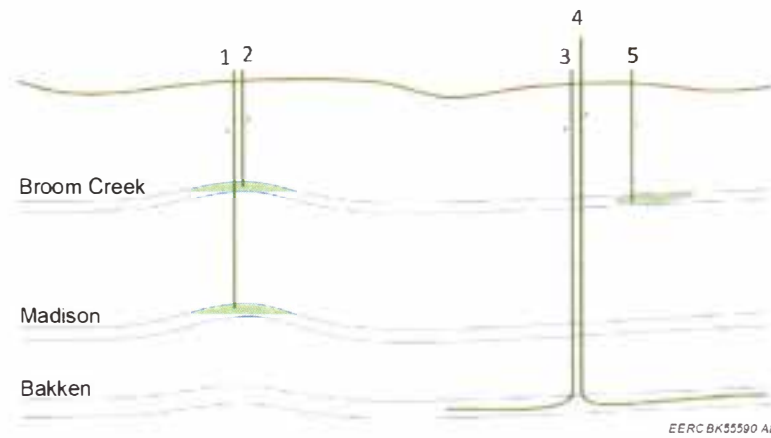
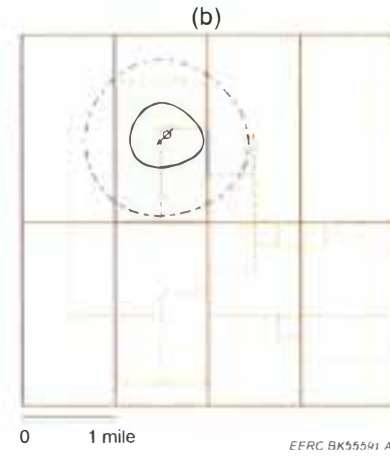


Figure 18. Produced gas injection scenarios: 1) EOR in depleted oil field. 2) storage in saline formations (structural traps). 3) injection back into Bakken. 4) production wells. and 5) storage in saline formations (no structural traps).



Produced gas storage facility area (solid oval) represents the extent of pore space that will be occupied by the injection and geologic storage of produced gas over the life of the project.

Area of review (dashed oval = half-mile buffer around the gas storage facility area).

Gray area represents landowners to be included in the pore space amalgamation process.

Figure 19. Visual representation of pore space amalgamation considerations with respect to landowners within a given gas storage project area.

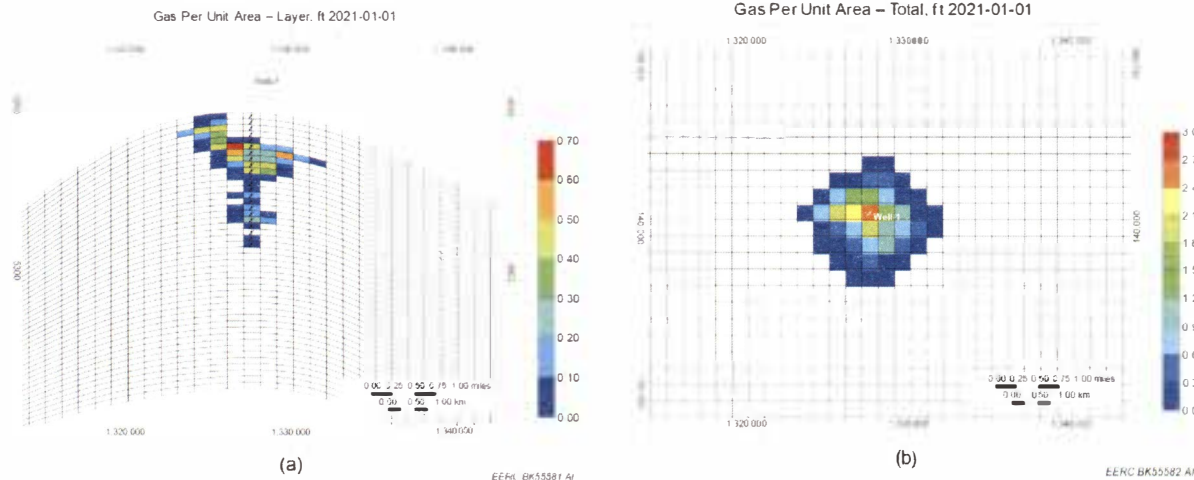
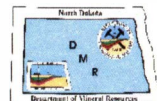
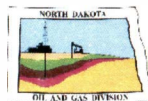
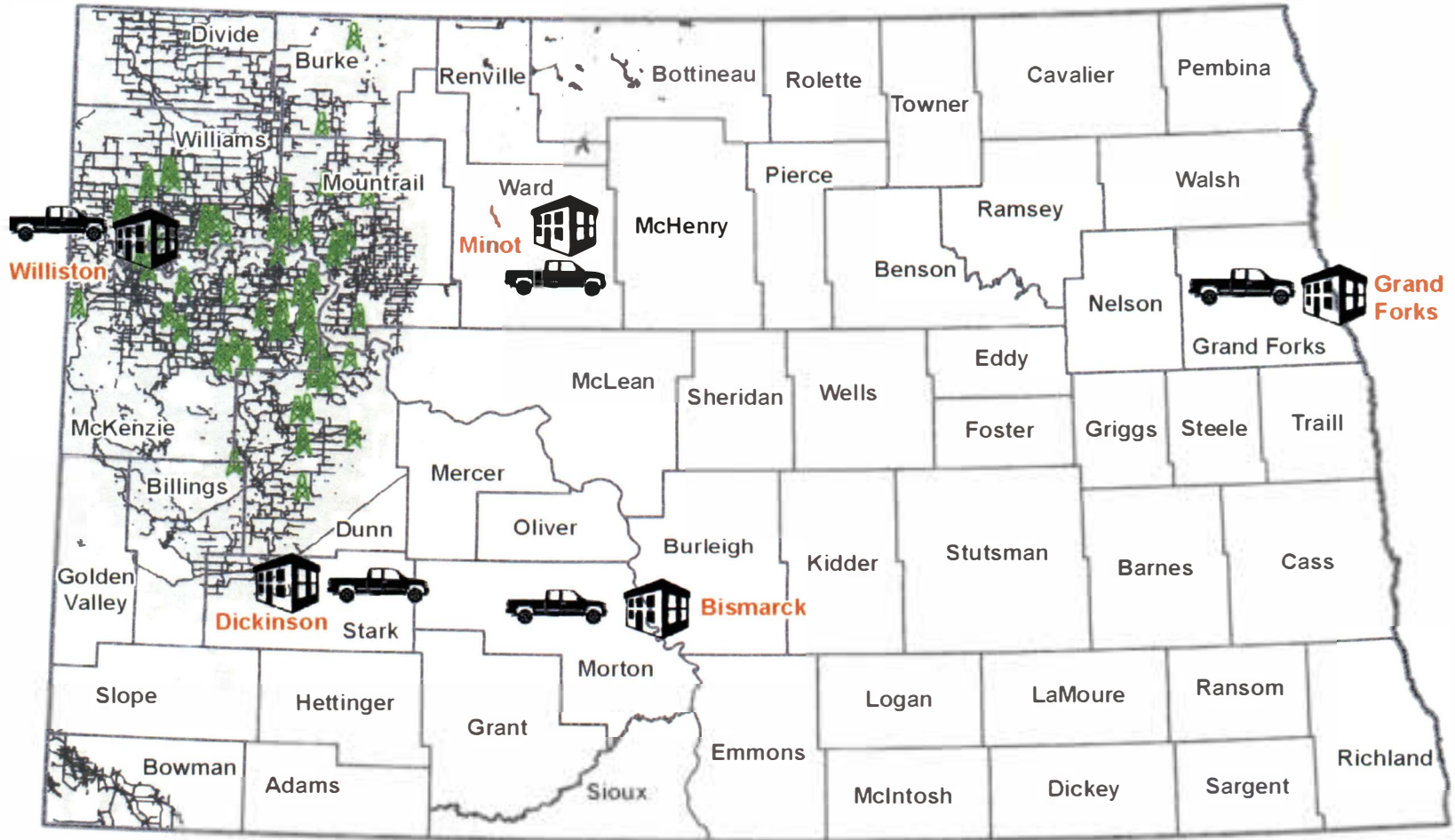


Figure A-25. Cross-sectional view (a) and aerial view (b) of the simulated gas plume after 2 years of injection. The vertical exaggeration in image "a" is 75x.

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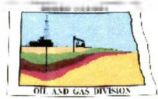


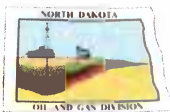
DEPARTMENT OF MINERAL RESOURCES STAFFING



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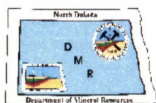
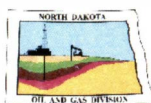
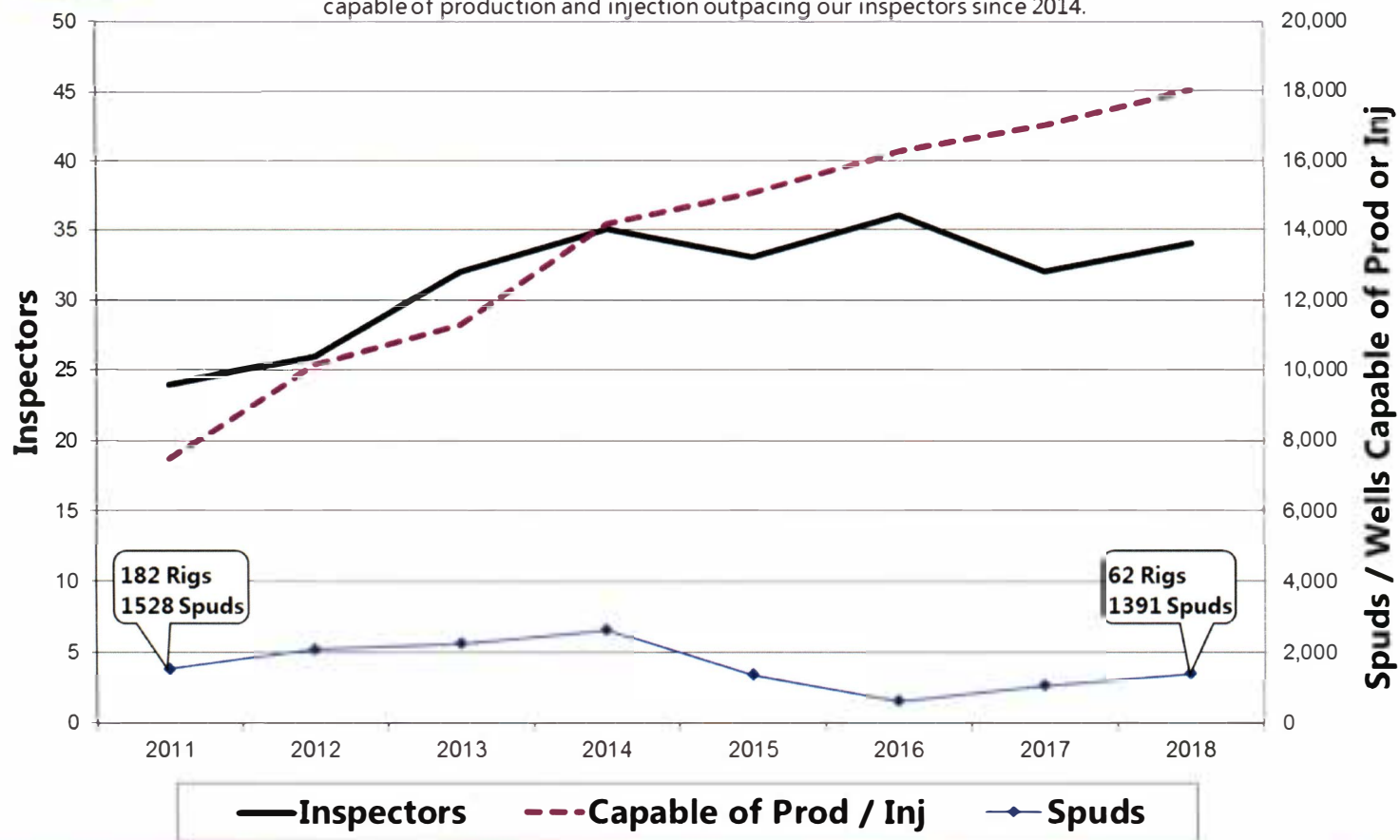
Years of Service	0-3	4-6	7-10	11-15	16-20	21-25	26-30	30+
FTE	22	23	19	8	7	3	2	10
%	23%	25%	20%	9%	7%	3%	2%	11%





Field Inspectors

A reduction in inspector FTE count has resulted in wells capable of production and injection outpacing our inspectors since 2014.



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STAFF MODEL – FIELD INSPECTOR’S FY2019

FY 2019

Permanent Field Staff Model

Current

20 Petroleum Engineer - Field Inspectors

1 Petroleum Engineer - Field Inspectors - vacant FTE

7 Engineering Technician - Field Inspectors
 1 Geophysical/coal exploration - Field Inspector
 5 Engineering Technician - Pipeline Inspectors
 1 Engineering Technician - Pipeline Inspector - vacant
 3 Engineering Technician - Field Inspector - vacant

Total	Needed
27	35
1	1
5	6
1	
4	
38	42

Required

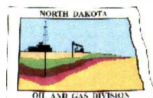
65 Drilling Rigs
 12 Petroleum Engineer - Field Inspectors Needed
 45 hours per week
 5 hours office time
 20 hours Spills, Pluggings, other Engineering
 17,709 producing wells 0 visits per year
 1,461 injection wells 0 visits per year
 0 hours for well inspections
 20 hours for rig inspection

11/5/2018 18,200 Wells and Facilities
 23 Engineering Technician - Field Inspectors Needed
 45 hours per week
 5 hours office time
 2 hours Spills and Berms
 17,709 producing wells 4 visits per year
 1,461 injection wells 12 visits per year
 38 hours for well inspections
 0 hours for rig inspection

35

	Rigs	Petroleum Engineer Field Inspectors	Wells	ET or PE Field Inspectors	Total Field Inspectors
Min	20	4	18,466	22	26
	30	6	18,598	22	28
	40	8	18,731	22	30
	50	10	18,864	22	32
	60	11	18,997	22	33
	70	13	19,130	23	36
	80	15	19,263	23	38
	100	19	19,528	23	42
	120	23	19,794	23	46
	140	27	20,060	24	51
	160	30	20,325	24	54
	180	34	20,591	24	58
Max	200	38	20,857	25	63

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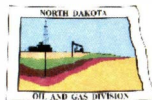


STAFF MODEL – ADMINISTRATIVE POSITIONS FY2019

FY 2019 Office Staff Model

	Current				Fiscal Year 2019					Action
	Total	FTE	Vacant	Temp	Metrics	Work Load	Need	FT	Temp	
Pipeline	4.0	4.0			500 miles gathering pipeline construction / FTE	2,000	4.0	4.0		
Underground injection	1.0	1.0			1,500 UIC wells / FTE	1,461	1.0	1.0		
Treating Plants	1.0	1.0			10 permits / year / FTE	10	1.0	1.0		
Well logs, cores, samples, cement tops, and directional surveys	4.0	4.0			500 permits / year / FTE	1,989	4.0	4.0		
Oil and Gas permitting	5.0	5.0			500 permits new and renewed / year / FTE	1,989	4.0	4.0	-1.0	share FTE > Prod & Filing
Information Technology	5.0	5.0			20 employees / FTE	108	5.4	5.0		
Accounting & payroll	3.0	3.0			35 employees / FTE	108	3.1	3.0		
Reclamation	2.0	1.0	1.0		8,750 wells / FTE	19,170	2.2	2.0		fill vacant position
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0	3.0			900 wells / FTE	2,984	3.3	3.0		
Production auditing	3.0	2.0	1.0		5,000 wells / FTE	17,709	3.5	3.0	0.5	fill vacant position
Oil and Gas measurement	2.5	2.0		0.5	7,200 wells / FTE	17,709	2.5	2.0	0.5	
Hearing dockets and orders	2.0	2.0			500 cases / year / FTE	1,000	2.0	2.0		
Reception, filing, and PIO	3.5	2.5	1.0		5,000 wells & files / FTE	19,170	3.8	3.5	0.5	fill vacant position
Human Resources	1.0	1.0			110 employees / FTE	108	1.0	1.0		
Safety-Facilities-Motorpool	1.0	1.0			110 employees / FTE	108	1.0	1.0		
Bonding	1.0	1.0			18,000 wells / FTE	19,170	1.1	1.0		
Geology surface	4.0	4.0			2,100 permits, publications, presentations, maps / year/ FTE	8,400	4.0	4.0		
Geology subsurface	1.0	1.0			1,100 permits, publications, presentations, maps / year/ FTE	1,100	1.0	1.0		
Geology petroleum	2.0	2.0			6,700 permits, publications, presentations, maps / year/ FTE	13,400	2.0	2.0		
Geology inquiries, georeviews, and publications	5.0	5.0			1,250 publications, presentations, maps / year/ FTE	6,200	5.0	5.0		
Core Library	5.0	3.0		2.0	400 permits / year / FTE	1,989	5.0	3.0	2.0	
Paleontology	3.5	3.0		0.5	985 permits, publications, presentations, digs / year/ FTE	3,400	3.5	3.0	0.5	
Executive	4.0	4.0			25 employees / FTE	103	4.1	4.0		
Total Office Staff	66.5	60.5	3.0	3.0			67.2	62.5	3.0	
Total Field Staff	40.0	33.0	7.0	0.0			42.0	42.0	0.0	fill vacant positions -2 FTE "hands free" lost people-hours
Total DMR Staff	106.5	93.5	10.0	3.0			107.5	104.5	3.0	

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STAFF MODEL – FIELD INSPECTOR’S FY2020

FY 2020

Permanent Field Staff Model

Current

20 Petroleum Engineer - Field Inspectors

1 Petroleum Engineer - Field Inspectors - vacant FTE

7 Engineering Technician - Field Inspectors
 1 Geophysical/coal exploration - Field Inspector
 5 Engineering Technician - Pipeline Inspectors
 1 Engineering Technician - Pipeline Inspector - vacant
 3 Engineering Technician - Field Inspector - vacant

Total	Needed
27	37
1	1
5	6
1	
4	
38	44

Required

70 Drilling Rigs

13 Petroleum Engineer - Field Inspectors Needed

45 hours per week

5 hours office time

20 hours Spills, Pluggings, other Engineering

19,221 producing wells 0 visits per year

1,561 injection wells 0 visits per year

0 hours for well inspections

21 hours for rig inspection

6/30/2019 19,170 Wells and Facilities

24 Engineering Technician - Field Inspectors Needed

45 hours per week

5 hours office time

2 hours Spills and Bems

19,221 producing wells 4 visits per year

1,561 injection wells 12 visits per year

39 hours for well inspections

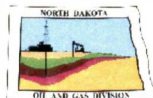
0 hours for rig inspection

37

6/30/2020

	Rigs	Petroleum Engineer Field Inspectors	Wells	ET or PE Field Inspectors	Total Field Inspectors
Min	20	4	19,591	23	27
	30	6	19,821	23	29
	40	8	20,051	23	31
	50	10	20,282	24	34
	60	11	20,512	24	35
	70	13	20,743	24	37
	80	15	20,973	24	39
	100	19	21,434	25	44
	120	23	21,895	26	49
	140	27	22,355	26	53
	160	30	22,816	27	57
	180	34	23,277	27	61
Max	200	38	23,738	28	66

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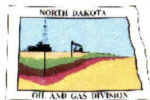


STAFF MODEL – ADMINISTRATIVE POSITIONS FY2020

FY 2020 Office Staff Model

	Current				Metrics	Work Load	Fiscal year 2020			Action
	Total	FTE	Vacant	Temp			Need	FT	Temp	
Pipeline	4.0	4.0			500 miles gathering pipeline construction / FTE	2,000	4.0	4.0		
Underground injection	1.0	1.0			1,500 UIC wells / FTE	1,561	1.0	1.0		
Treating Plants	1.0	1.0			10 permits / year / FTE	10	1.0	1.0		
Well logs, cores, samples, cement tops, and directional surveys	4.0	4.0			500 permits / year / FTE	2,142	4.3	4.0		
Oil and Gas permitting	5.0	5.0			500 permits new and renewed / year / FTE	2,142	4.3	4.0	-1.0	share FTE > Prod & Filing
Information Technology	5.0	5.0			22 employees / FTE	110	5.0	5.0		
Accounting & payroll	3.0	3.0			35 employees / FTE	110	3.1	3.0		
Reclamation	2.0	1.0	1.0		9,300 wells / FTE	20,783	2.2	2.0		fill vacant position
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0	3.0			975 wells / FTE	3,213	3.3	3.0		
Production auditing	3.0	2.0	1.0		5,500 wells / FTE	19,221	3.5	3.0	0.5	fill vacant position
Oil and Gas measurement	2.5	2.0		0.5	7,600 wells / FTE	19,221	2.5	2.0	0.5	
Hearing dockets and orders	2.0	2.0			500 cases / year / FTE	1,000	2.0	2.0		
Reception, filing, and PIO	3.5	2.5	1.0		5,000 wells & files / FTE	20,783	4.2	3.5	0.5	fill vacant position
Human Resources	1.0	1.0			110 employees / FTE	110	1.0	1.0		
Safety-Facilities-Motorpool	1.0	1.0			110 employees / FTE	110	1.0	1.0		
Bonding	1.0	1.0			18,200 wells / FTE	20,783	1.1	1.0		
Geology surface	4.0	4.0			2,100 permits, publications, presentations, maps / year / FTE	8,400	4.0	4.0		
Geology subsurface	1.0	1.0			1,100 permits, publications, presentations, maps / year / FTE	1,100	1.0	1.0		
Geology petroleum	2.0	2.0			6,700 permits, publications, presentations, maps / year / FTE	13,400	2.0	2.0		
Geology inquiries, georeviews, and publications	5.0	5.0			1,250 publications, presentations, maps / year / FTE	6,200	5.0	5.0		
Core Library	5.0	3.0		2.0	400 permits / year / FTE	2,142	5.4	3.0	2.4	
Paleontology	3.5	3.0		0.5	985 permits, publications, presentations, digs / year / FTE	3,400	3.5	3.0	0.5	
Executive	4.0	4.0			25 employees / FTE	103	4.1	4.0		
Total Office Staff	66.5	60.5	3.0	3.0			68.5	62.5	3.4	
Total Field Staff	40.0	33.0	7.0	0.0			44.0	44.0	0.0	fill vacant positions 2 contingency @ 20,800
Total DMR Staff	106.5	93.5	10.0	3.0			109.9	106.5	3.4	

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STAFF MODEL – FIELD INSPECTOR’S FY2021

FY 2021

Permanent Field Staff Model

Current

20 Petroleum Engineer - Field Inspectors

1 Petroleum Engineer - Field Inspectors - vacant FTE

7 Engineering Technician - Field Inspectors
 1 Geophysical/coal exploration - Field Inspector
 5 Engineering Technician - Pipeline Inspectors
 1 Engineering Technician - Pipeline Inspector - vacant
 3 Engineering Technician - Field Inspector - vacant

Total	Needed
27	39
1	1
5	6
1	
4	
38	46

Required

75 Drilling Rigs

13 Petroleum Engineer - Field Inspectors Needed

45 hours per week

4 hours office time

20 hours Spills, Pluggings, other Engineering

20,837 producing wells 0 visits per year

1,669 injection wells 0 visits per year

0 hours for well inspections

21 hours for rig inspection

6/30/2020 20,783 Wells and Facilities

26 Engineering Technician - Field Inspectors Needed

45 hours per week

4 hours office time

2 hours Spills and Berms

20,837 producing wells 4 visits per year

1,669 injection wells 12 visits per year

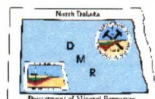
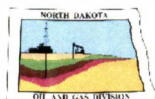
39 hours for well inspections

0 hours for rig inspection

39

	Rigs	Petroleum Engineer Field Inspectors	Wells	ET or PE Field Inspectors	Total Field Inspectors
Min	20	4	21,202	25	29
	30	6	21,432	25	31
	40	8	21,662	26	34
	50	10	21,891	26	36
	60	11	22,121	26	37
	75	14	22,466	26	40
	80	15	22,581	27	42
	100	19	23,040	27	46
	120	23	23,500	28	51
	140	27	23,959	28	55
	160	30	24,419	29	59
	180	34	24,878	29	63
Max	200	38	25,338	30	68

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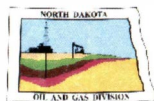


STAFF MODEL – ADMINISTRATIVE POSITIONS FY2021

FY 2021 Office Staff Model

	Current				Metrics	Fiscal Year 2021				
	Total	FTE	Vacant	Temp		Work Load	Need	FT	Temp	Action
Pipeline	4.0	4.0			500 miles gathering pipeline construction / FTE	2,000	4.0	4.0		
Underground injection	1.0	1.0			1,500 UIC wells / FTE	1,669	1.1	1.0		
Treating Plants	1.0	1.0			10 permits / year / FTE	10	1.0	1.0		
Well logs, cores, samples, cement tops, and directional surveys	4.0	4.0			625 permits / year / FTE	2,700	4.3	4.0		
Oil and Gas permitting	5.0	5.0			525 permits new and renewed / year / FTE	2,700	5.1	4.0	-1.0	share FTE > Prod & Filing
Information Technology	5.0	5.0			24 employees / FTE	112	4.7	5.0		
Accounting & payroll	3.0	3.0			35 employees / FTE	112	3.2	3.0		
Reclamation	2.0	1.0	1.0		10,400 wells / FTE	22,506	2.2	2.0		fill vacant position
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0	3.0			1,250 wells / FTE	4,050	3.2	3.0		
Production auditing	3.0	2.0	1.0		6,000 wells / FTE	20,837	3.5	3.0	0.5	fill vacant position
Oil and Gas measurement	2.5	2.0		0.5	7,700 wells / FTE	20,837	2.7	2.0	0.5	
Hearing dockets and orders	2.0	2.0			500 cases / year / FTE	1,000	2.0	2.0		
Reception, filing, and PIO	3.5	2.5	1.0		6,000 wells & files / FTE	22,506	3.8	3.5	0.5	fill vacant position
<u>Human Resources</u>	1.0	1.0			110 employees / FTE	112	1.0	1.0		
Safety-Facilities-Motorpool	1.0	1.0			110 employees / FTE	112	1.0	1.0		
Bonding	1.0	1.0			19,600 wells / FTE	22,506	1.1	1.0		
Geology surface	4.0	4.0			2,100 permits, publications, presentations, maps / year / FTE	8,400	4.0	4.0		
Geology subsurface	1.0	1.0			1,100 permits, publications, presentations, maps / year / FTE	1,100	1.0	1.0		
Geology petroleum	2.0	2.0			6,700 permits, publications, presentations, maps / year / FTE	13,400	2.0	2.0		
Geology inquiries, georeviews, and publications	5.0	5.0			1,250 publications, presentations, maps / year / FTE	6,200	5.0	5.0		
Core Library	5.0	3.0		2.0	400 permits / year / FTE	2,700	6.8	3.0	2.4	
Paleontology	3.5	3.0		0.5	985 permits, publications, presentations, digs / year / FTE	3,400	3.5	3.0	0.5	
Executive	4.0	4.0			25 employees / FTE	103	4.1	4.0		
Total Office Staff	66.5	60.5	3.0	3.0			70.2	62.5	3.4	
Total Field Staff	40.0	33.0	7.0	0.0			46.0	46.0	0.0	fill vacant positions 2 contingency @ 22,500
Total DMR Staff	106.5	93.5	10.0	3.0			111.9	108.5	3.4	

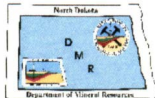
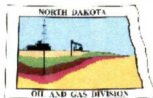
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DMR ESSENTIAL BUDGET REQUESTED AMENDMENTS

	Executive Budget	House Budget	DMR Essential Budget
40510 Salaries & Benefits	\$22,235,162	\$21,805,091	\$22,022,708
40530 Operating Expense	\$5,513,062	\$5,513,062	\$5,626,862
40550 Capital Assets	\$5,000,000	\$5,000,000	\$5,000,000
40575 Contingent Positions	<u>\$0</u>	<u>\$229,544</u>	<u>\$374,961</u>
Total Expenditures	\$32,748,224	\$32,547,697	\$33,024,531
Less Federal Income	\$238,004	\$238,004	\$238,004
Less SIIF Transfer	\$5,270,000	\$270,000	\$270,000
Less AWSRP Transfer	<u>\$0</u>	<u>\$5,000,000</u>	<u>\$5,000,000</u>
Total General Fund	\$27,240,220	\$27,039,693	\$27,516,527
FTE	103.5	105.5	107.5

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DMR REQUESTED AMENDMENTS TO HB 1014

**Amend
HB 1014
Section 1***

40510 Salaries & Benefits - The DMR Essential Budget adds \$217,617 in temp salaries to retain, for up to 11 months, employees in key positions with critical institutional knowledge who have reached the rule of 85 and plan to retire.

**Amend
HB 1014
Section 1***

40530 Operating Expense - The DMR Essential Budget adds \$108,240 for cost to continue operating expenses. The House transferred all of the previous contingency funding to the salary line item, but did not add the cost to continue for the operating costs of the two contingent positions triggered in December 2018.

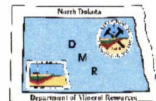
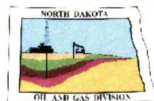
The DMR Essential Budget adds \$5,560 to the Fees line item to cover the State Auditor's Office 141.5% increase in billing rates for the 2019-2021 biennium. Because the increased rate was just provided in February, a shortage exists in the current budget.

**Amend
HB 1014
Section 5***

40575 Contingent Positions - The DMR Essential Budget adds \$145,417 for two more full-time equivalent positions (two engineering technicians) if the total number of wells capable of production and injection exceeds 22,500. The estimated trigger is expected to be reached during the last quarter of the biennium, so the expenses were prorated to allow for six months of costs.

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****An appendix of all recommended amendments to HB 1014 are listed on slide 55.***



APPENDIX: REQUESTED AMENDMENTS TO HB 1014

Section 1. Appropriation – subdivision 1

Salaries & Wages

- Retain key employees who have reached rule 85 and plan to retire as part of institutional knowledge transfer plan \$217,617

Operating Expense

- 2017-19 contingency position costs to continue \$108,240
- State Auditor's Office billing rate increase \$5,560

Contingencies

- 2019-21 two contingency positions for 22,500 wells \$145,417

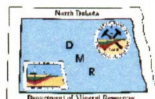
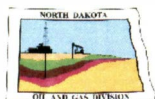
Full-time equivalent positions 107.5

Section 5. Contingent Funding

The amount of \$229,544 from the general fund and two full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds twenty thousand eight hundred. Subject to budget section approval, the industrial commission may spend \$229,544 from the contingencies line item and may hire two full-time equivalent positions if the total number of oil wells capable of production and injection exceeds twenty thousand eight hundred.

The amount of \$145,417 from the general fund and two full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds twenty-two thousand five hundred. Subject to budget section approval, the industrial commission may spend \$145,417 from the contingencies line item and may hire two full-time equivalent positions if the total number of oil wells capable of production and injection exceeds twenty-two thousand five hundred.

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**ANALYSIS OF THE ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND
FOR THE 2017-19 AND 2019-21 BIENNIUMS
(REFLECTING LEGISLATIVE ACTION THROUGH CROSSOVER)**

	2017-19 Biennium		2019-21 Biennium	
Estimated beginning balance		\$17,382,475		\$21,028,063
Add estimated revenues				
Fees, forfeitures, transfers, and recoveries penalties ¹	\$3,211,000		\$2,157,000	
Oil and gas tax collections (2019 HB 1014) ^{2,3}	8,399,588		12,690,000	
Total estimated revenues		11,610,588		14,847,000
Total estimated available		\$28,993,063		\$35,875,063
Less estimated expenditures and transfers				
Reclamation of well sites placed into service after July 31, 1983	\$2,562,000		\$3,000,000	
Reclamation of well sites placed into service on or before July 31, 1983 (2017 HB 1347)	3,426,000		600,000	
Transfer to the environmental quality restoration fund ⁴	400,000		400,000	
Brine pond and soil remediation studies (2017 HB 1347)	1,358,000		400,000	
Pipeline restoration and reclamation oversight program - Agriculture Commissioner (2017 HB 1009; 2019 SB 2009) ⁵	200,000		200,000	
Oil database information technology project (2019 HB 1014)			5,000,000	
Miscellaneous ⁵	19,000		25,000	
Total estimated expenditures and transfers		7,965,000		9,625,000
Estimated ending balance		\$21,028,063		\$26,250,063

¹Revenues to the fund include:

- Fees collected by the Oil and Gas Division of the Industrial Commission for permits or other services;
- Funds received from the forfeiture of drilling and reclamation bonds;
- Funds received from any federal agency or from donations related to well plugging and site reclamation;
- Transfers or grant awards from the oil and gas impact fund; and
- Funds recovered from the sale of confiscated equipment and oil and from certain civil penalties.

² In Senate Bill No. 2013, the 2017 Legislative Assembly decreased the oil and gas tax allocations to the fund by \$3.5 million per fiscal year, from \$7.5 million to \$4 million; however, the decrease is effective only for the 2017-19 biennium.

House Bill No. 1014 (2019) decreases the allocation limit related to the fund balance by \$50 million, from \$100 million to \$50 million.

³Estimated revenues - Estimated allocations for the remainder of the 2017-19 biennium and the 2019-21 biennium are based on the January 2019 revenue forecast and legislative action through crossover.

⁴For the 2017-19 biennium through December 31, 2018, the State Department of Health has not requested any transfers. North Dakota Century Code Section 38-08-04.5 allows for transfers from the abandoned oil and gas well plugging and site reclamation fund with the requirement that any transfers into the environmental quality restoration fund will be returned by the State Department of Health to the abandoned oil and gas well plugging and site reclamation fund.

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⁵The 2017 Legislative Assembly appropriated \$200,000 in House Bill No. 1009. Senate Bill No. 2009 (2019) includes an appropriation of \$200,000 from the fund for the program.

⁶Miscellaneous expenditures include credit card merchant fees and audit fees.

FUND HISTORY

The fund was established in 1983 under Section 38-08-04.5. The purpose of the fund is to defray the costs of plugging or replugging oil wells, the reclamation of well sites, and all other related activities for wells or pipelines. The money in the fund may be spent, pursuant to a continuing appropriation, for contracting for the plugging of abandoned wells; contracting for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and access roads; paying mineral owners their royalty share of confiscated oil; and paying any contract-related expenses. The Industrial Commission is to report to the Budget Section each biennium on the expenditures of the fund and the fund balance.

The 2015 Legislative Assembly, in House Bill No. 1032, increased the oil and gas tax allocation to the fund by \$2.5 million per fiscal year, from \$5 million to \$7.5 million, and increased the allocation limit from an amount that would bring the balance of the fund over \$75 million to an amount that would bring the balance of the fund over \$100 million. In Senate Bill No. 2013, the 2017 Legislative Assembly decreased the oil and gas tax allocations to the fund by \$3.5 million per fiscal year, from \$7.5 million to \$4 million; however, the decrease is effective only for the 2017-19 biennium.

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#1 HB 1014 Jolene Kline Executive Director

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INDUSTRIAL COMMISSION
Doug Burgum 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
Senate Appropriations Committee

March 4, 2019

Chairman Holmberg and members of the Senate Appropriations Committee:

For the record, my name is Jolene Kline, and I am the Executive Director of the North Dakota Housing Finance Agency (Agency).

The Agency's budget is in Section 1, subdivision 3 of Engrossed House Bill 1014. This budget is funded exclusively with federal and Agency-generated special funds including bond trust indentures, federal grant programs and Agency reserves. As a self-supporting state agency, there are no state general funds in this budget and no one-time spending items. There are no changes to FTE authority which stands at 44.

There were no findings in the audit of the financial statements of the Agency for years ended June 30, 2017, and 2018.

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>	<u>HIF Funding</u>
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799	
Operating expenses	\$4,743,355	\$602,921	\$5,346,276	
Grants	\$31,794,828	\$1,671,772	\$33,466,600	\$20,000,000
Contingencies	\$100,000		\$100,000	
Total special funds	\$44,530,239	\$2,844,436	\$47,374,675	

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I. Agency Budget

Salaries and Wages

The 7.2 percent increase from the base level includes legislature proposed salary and fringe benefit increases and salary and benefits for one unfilled FTE. The Agency has 44 FTEs with one currently vacant. Budget authority for this position was removed in the 2017-19 biennium and the Agency is anticipating the need to fill this FTE based on current and projected workloads.

Operating Expenses

Operating expenses will increase \$602,921 or 13 percent. The largest operating expense line item is service release premiums which are paid by the Agency to our lender partners across the state who originate mortgages for first-time and other low- and moderate-income borrowers under our homeownership programs. We purchase the actual mortgage from the originating lender, but they have the right to service the loans if they choose. Service release premiums purchase the servicing rights from those lenders. Growth in our 2018 mortgage portfolio exceeded projections. In an average year the Agency purchases approximately 1,200 loans totaling under \$200 million. Last year the Agency purchased 1,789 loans totaling more than \$300 million. We are budgeting an additional \$654,490 to cover service release premiums in the 2019-21 biennium as 2019 is trending above 2018. We are also budgeting an increase of \$100,000 for interest expense which is interest paid to a third party like the Bank of North Dakota for a line of credit to fund mortgages between bond issues. Revenue generated from our portfolio of mortgages is expected to cover these additional costs.

The Agency did find cost savings in employee travel and training, office supplies, IT equipment, building and equipment rentals/leases, and professional development services and contracts and those helped offset a portion of the increases related to purchasing and servicing of home mortgages.

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Grants

The grants line item increase from the base level is five percent. The majority of the \$31,794,828 base level funding is federal pass-through funding for HUD's Section 8 and Moderate Rehabilitation Programs. The remaining \$550,000 is Agency-funded programs using reserves generated by our homeownership division.

Total 2019-21 biennium grant disbursements under HUD Section 8 for project based rental assistance are budgeted at \$26,155,500 which is \$1,666,702 more than 2017-19 levels. This program assists 2,697 units in 89 projects. Mod Rehab grant disbursements are \$1,021,100, assisting 119 units in nine projects. This amount is a decrease of \$164,930 from 2017-19 levels. These are all federal funds that are passed through to the owners of the projects to benefit very low-income tenants. HUD also decreased funding for its counseling program by \$50,000.

Currently, \$550,000 in Agency reserves funds four grant programs. One program rehabilitates single- or multi-family housing for low-income individuals with a disability to be able to remain in their home and the other grant provides funding to nonprofits to supplement their rehabilitation programs for very low-income homeowners. The market survey grant is for communities to assess their future housing needs. The final grant is structured as a risk mitigation fund for landlords to rent to individuals and families that do not meet standard renter qualifications. The Landlord Risk Mitigation Fund was launched in 2018 with \$150,000 in Medicaid rebalancing dollars from the ND Dept. of Human Services (ND DHS). In the upcoming biennium, \$20,000 of the fund is estimated to be expended.

II. Agency Specific Requests

Request 1: Retain Section 4. Appropriation - Housing Finance Agency - Additional Income

The Agency is requesting the inclusion of Section 4 as it reads in Engrossed HB 1014. The Agency will continue to notify OMB and Legislative Council of any additional income or unanticipated income that becomes available to the Agency during the biennium resulting in an increase in appropriation authority.

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Request 2: Fund the Housing Incentive Fund (HIF)

The Agency is requesting HB 1014 be amended to include the Governor's recommendation of \$20 million for HIF. As this bill moved through the House, there were two separate bills under consideration in the Senate dealing with funding for HIF. SB 2302 which would have provided \$10 million in state income tax credits was defeated. SB 2271 requesting a \$40 million general fund appropriation was reduced to \$10 million and passed out of the Senate. House Appropriations will consider action on SB 2271. If reinstated to the \$40 million level, the Agency anticipates providing gap financing for 755 units of housing for a range of extremely-low to moderate income households. If funded at the \$20 million level, an approximate 377 households will benefit.

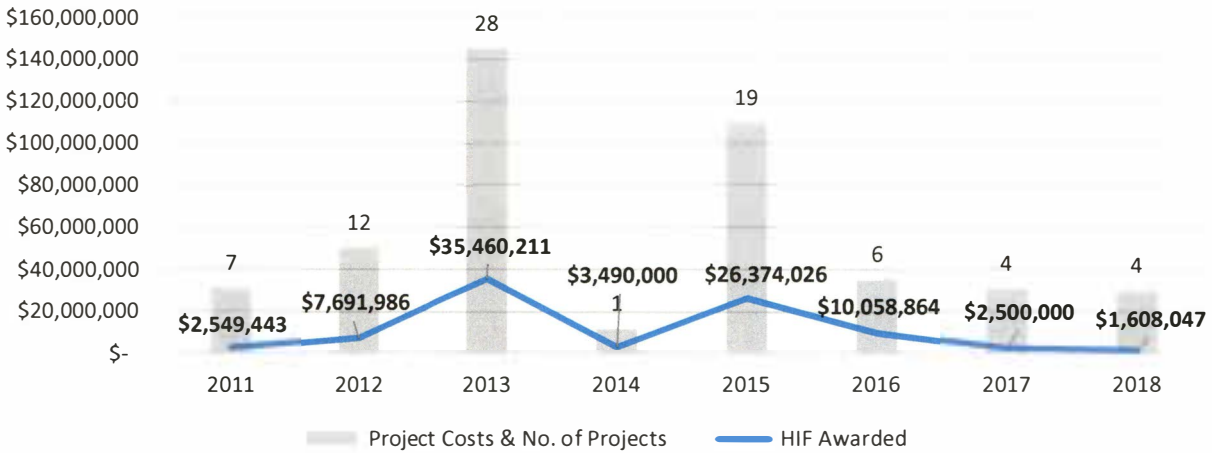
HIF is an effective, locally-driven rental housing financing tool, created and authorized during the 2011 legislative session. Community leaders, private developers and nonprofit organizations have leveraged the fund to construct new or rehabilitate existing rental housing. If North Dakotans cannot afford housing or too much of their income is allocated to this one expense, it impacts their ability to maintain stability in their lives, advance economically, pursue educational opportunities and be able to afford basic necessities such as food, utilities, transportation, childcare and medical coverage.

During the 2017-19 legislative session, HIF was permanently added to the Century Code, however, no new funding was authorized. Deobligated funds totaling \$3.7 million were carried over from the 2015-17 biennium into the 2017-19 biennium. All HIF funding has been obligated as of September 2018.

To date, \$89.7 million of HIF funding has been leveraged in 80 projects creating or rehabilitating 2,501 units in 26 urban and rural communities across the state. Total constructions costs exceeded \$442 million. Every dollar in HIF funding has resulted in more than four dollars in private and federal equity.

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Housing Incentive Fund Project Development 2011-2018

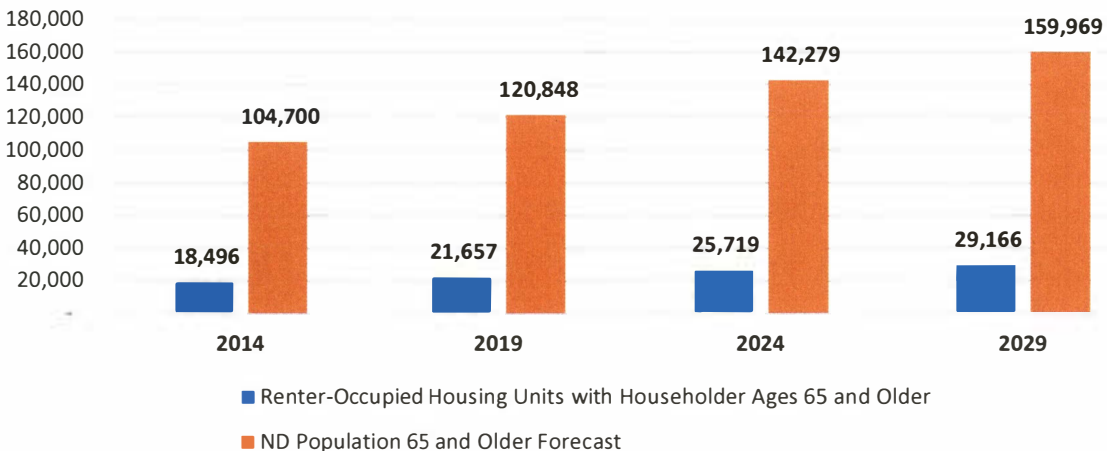


HIF Targeted Populations

1. Seniors and Frail Elderly

The number of individuals ages 65 and older will increase 52.8 percent as this segment is forecasted to grow from 104,700 in 2014 to 159,969 in 2029. As the state’s population gets older, there will be more pressure to create affordable and accessible housing options for seniors and the frail elderly to remain independent. Projections for renter-occupied housing units with householders ages 65 and older is anticipated to grow 57.7 percent by 2029.

Household Projections for Renter-Occupied Housing Units with Householder Ages 65 and Older: 2019 to 2029



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In fiscal year 2017, the state paid \$258 million for a monthly average of 2,950 individuals living in a nursing home, which is a cost of nearly \$90,000 per person per year. That same year, the state paid \$43 million for about 2,500 individuals, or an average of \$17,000 per person per year between four in-home care programs (Home and Community-Based Services Waiver (HCBS), SPED, ExSPED and Basic Care). Of those programs, HCBS is the most costly on a per person basis, serving about 300 people per month for \$23,000 per person per year. These numbers come from the North Dakota Department of Human Services (ND DHS).

According to AARP, 29,057 North Dakotans currently rely on social security for 90 percent or more of their income, and the median annual social security income for the state is \$16,133. The state ranks seventh in the nation with the highest proportion of individuals ages 85 and older. As most of us age past 80, maintaining our financial resources is essential to affording basic care such as housing, healthcare, medications, healthy food and transportation. As seniors explore independent housing options, financial restrictions may prevent them from leaving their home, increasing the potential for accidents and injuries and further isolation. Another hindrance is the availability of affordable housing options due to limited income.

The goal at our Agency is to create housing options in urban and rural communities that allow older adults and persons with disabilities the ability to age in place with as much independence as possible for as long as possible. HIF helps fund housing for low income elderly households. Arguably, the savings to Medicaid for providing appropriate in-home services to these households as opposed to much more costly nursing home placements is a smart investment in the state's financial future.

2. Workforce

Labor Market Information identified 1,668 of the 12,178 vacant positions posted on the Job Service of North Dakota (JSND) website as paying less than \$15 per hour. Even if HIF was funded at \$40 million, the number of affordable units created would not be enough to meet the state's current low-wage income housing needs. According to the U.S. Department of Housing and Urban Development (HUD) you need to earn \$16.40 per hour to afford the average two bedroom rent of \$855 in North Dakota.

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We know that the price of a two-bedroom apartment varies for each legislative district. Your binder includes an overview of affordable housing and vulnerable populations in the state. On your desk is similar information specific to your district. If you are interested in knowing more information about other districts, please visit our website: ndhfa.org/Publications/PublicAffairs.html

HIF-funded projects create affordable rents. As workers consider a move for employment, they consider the economics and quality of life in a community. Affordable housing is a key component in those considerations. Safe communities, exceptional schools, access to medical facilities and availability of affordable housing will help the state attract and retain a dynamic workforce.

3. Chronically Homeless, Homeless and At-Risk of Homelessness

In addition to the housing needs of the elderly and the lower income workforce, another priority is the need for housing for individuals and families that are at risk of becoming homeless or those experiencing homelessness. According to HUD data, over the past decade North Dakota has averaged 1,012 men, women and children living on the streets or in homeless shelters. The 2016 North Dakota Housing Needs Assessment projects that the number of extremely low-income households in North Dakota will increase 23.6 percent and reach 62,538 households by 2029. I've included attachments showing the projected growth for the extremely low-income to moderate low-income households for the state and by county for you to review.

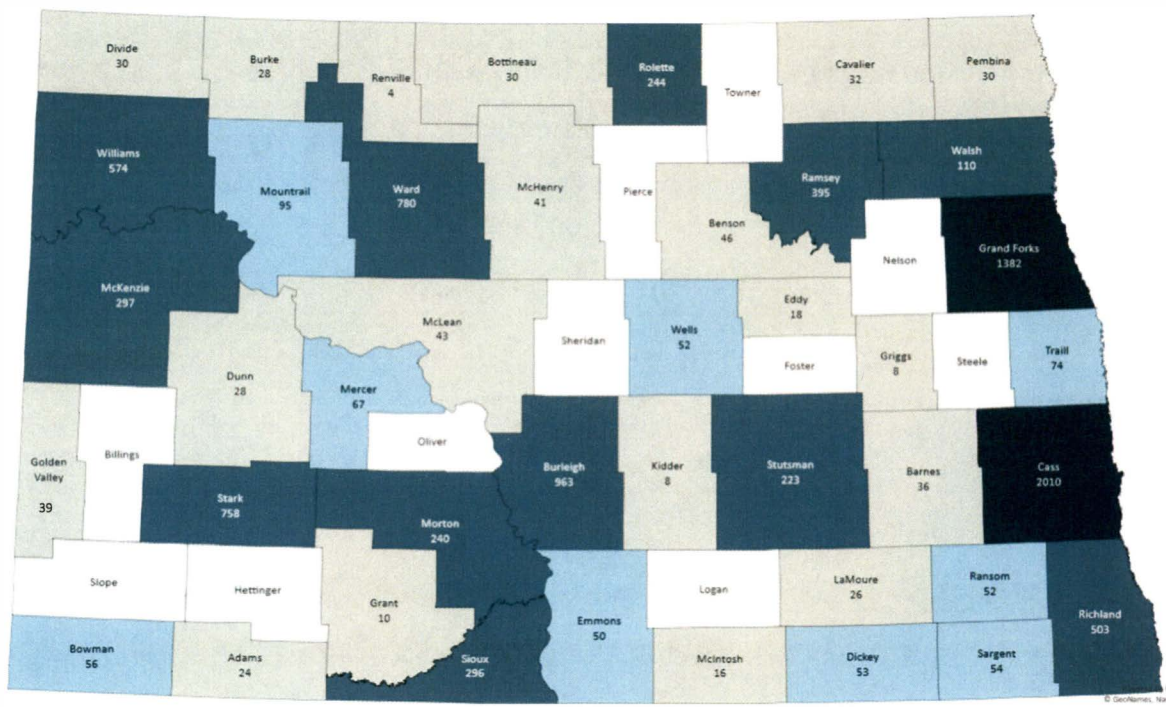
Just because a household is deemed extremely low income or homeless does not mean that they are unemployed. What we do know is that they cannot afford a place to live without combining the financial resources of numerous adults and youth to be able to pay their monthly bills. HIF has provided gap financing for projects targeting at-risk homeless households in Fargo, West Fargo, Grand Forks, Mandan and Bismarck to take the most extreme cases and create housing stability for these individuals and their families to address the on-going cause of homelessness. The Agency administers the financing to build the housing, and agencies like ND DHS, JSND, Department of Corrections and the Department of Public Instruction provide the one-on-one case management services.

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4. Rehab of Existing Affordable Housing Stock

The Agency monitors 9,825 state and federally funded affordable housing units across the state. These units received state and federal program funding to provide assistance to meet the needs for affordable housing for low-income households, elderly and individuals with disabilities. A substantial portion of these units are located in rural communities and approaching the end of the program mandatory affordability period or the building's lifecycle, therefore, requiring additional funding for replacement or renovation. These older HUD or USDA financed projects generally have project based rental assistance attached to the unit.

Affordable Housing Units Monitored by NDHFA 2018



HIF as a source of gap financing combined with tax exempt bonds and federal low-income housing tax credits can be a very reasonable way of ensuring continued viability of these smaller rural projects. The loss of even a small number of subsidized housing units can have a substantial impact on low-income households' access to safe, adequate, and secure housing. It is estimated that almost 3,000 units will reach maturity by 2029.

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Request 3: Remove Essential Service Worker Priority

Each community in North Dakota has unique population and housing demographics. HIF is one of the most flexible and accessible programs that communities have to address their housing needs. Some communities may want to invest more in housing for workers filling entry-level positions. Other communities may need affordable housing for seniors to keep them as part of their community. Urban communities may need more permanent supportive housing options with accessibility to medical facilities for individuals to address their personal issues causing homelessness. Rural communities may prioritize rehabilitation of existing affordable housing stock.

When the Housing Incentive Fund was first created in 2011, many western North Dakota communities were struggling to recruit and retain workers to fill essential service jobs due to rapidly escalating rental rates. North Dakota Century Code 54-17-40.2.b. requires priority be given to housing for essential service workers.

"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."

In order for each community to have the resources and flexibility they need to meet their particular population needs, we are requesting the committee consider removing text pertaining to essential service workers from North Dakota Century Code 54-17-40.2.b.

III. Supplemental HIF Information

Financing Structure

HIF awards are available to local housing authorities, tribal entities, and nonprofit or for-profit housing developers. The maximum award size varies depending on whether a project also receives federal funding. The award amount typically equals less than 30 percent of the total development cost, and no more than \$3 million. Awards are competitive and projects must meet strict scoring criteria.

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HIF funding has been a catalyst in filling the financial gap to create affordable housing when conventional financing has fallen short. Conventional debt financing requires market-rate rents to cover mortgage payments and operating expenses. HIF reduces required debt service thus allowing for a variable priced, reduced rent structure. The following is a financing scenario detailing the difference in rent structure to cash flow a conventional financed project and one supplemented with HIF. As you can see, for a newly constructed, 24-unit apartment building, construction and operations costs are the same, however, individuals and families can be offered affordable rents based on their income when gap financing eliminates the need for a 20-year loan.

New Construction Financing Scenarios

24 Unit Apartment Building

Cost of Construction is \$175,000 (per unit) x 24 units = \$4.2 million

Conventional Financing Market Rate Rent		Non-Conventional Financing Income Restricted Rent	
Equity Investment	\$1.26 million (30%)	Equity Investment	\$1.26 million (30%)
Loan	\$2.94 million (70%)	Gap Financing	\$2.94 million (70%) <i>(i.e. HIF, federal funds, private investments/donations)</i>
<i>Annual Expenses:</i>		<i>Annual Expenses:</i>	
\$252,757	Loan Payment (6%, 20 years)	\$0	Loan Payment
\$120,000	Operating Expense	\$120,000	Operating Expense
<u>\$100,800</u>	Return on Equity (8%)	<u>\$100,800</u>	Return on Equity (8%)
\$473,557	Annual revenue needed from rents to cover expenses	\$220,800	Annual rent revenue needed from rents to cover expenses
Average Monthly Rent Per Unit to Cover Expenses:		Income Restricted Rent Structure to Cover Expenses:	
\$1,644		5 units at \$403	5 units at \$898
		5 units at \$493	9 units at \$1,050

A conventionally financed, market-rate rental unit requires an annual salary of \$65,760 to not be considered housing cost-burdened. Those living in the non-conventionally financed/income-restricted units could earn an annual income of \$16,120 to \$42,000 and not be considered housing cost-burdened. Individuals and families living in HIF units primarily fall into four categories: low-wage earners, persons with a disability, seniors with low income or disabilities, and individuals and families at risk of or who are experiencing homelessness.

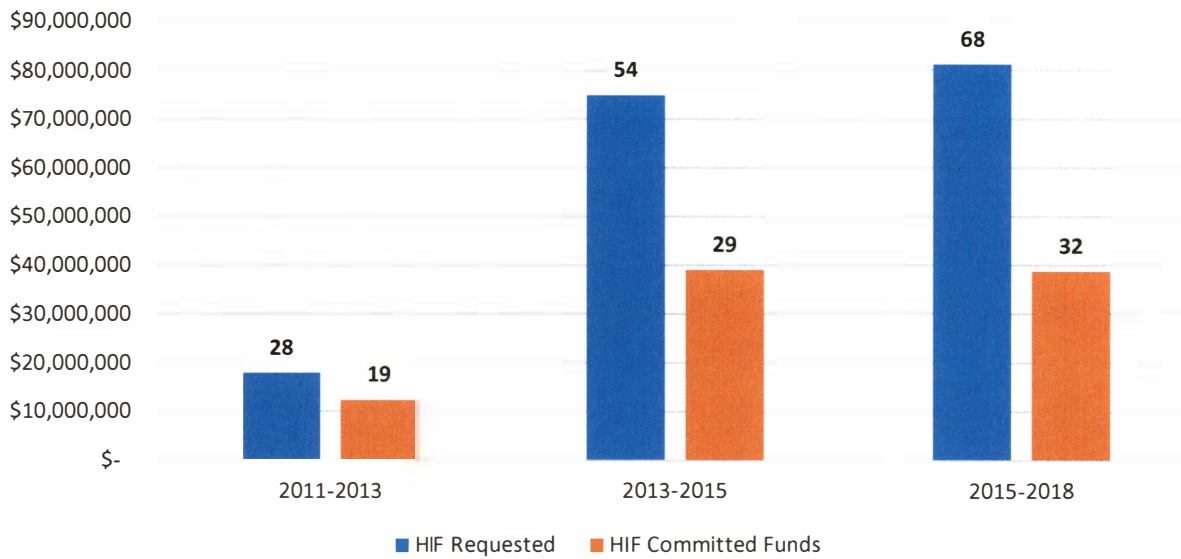
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In addition to HIF, the Agency has the authority to issue tax-exempt multifamily bonds. We also administer both the nine percent competitive federal low-income housing tax credits (LIHTCs) which bring in equity for about 70 percent of construction and rehabilitation costs as well as non-competitive four percent LIHTCs which bring in equity for about 25 percent of the project cost. We receive \$3.1 million annually in competitive nine percent LIHTCs. There is no cap on the amount of four percent non-competitive LIHTCs that we can allocate as long as the project is otherwise financed with tax exempt bonds. This is a resource to the state that is largely going unused due to the lack of state funds to fill financing gaps. I believe HIF, while leveraging the federal four percent LIHTCs, could be the critical financing piece to rehabilitate some of the state's oldest affordable housing stock.

On-Going Demand

The demand for HIF has exceeded the amount available since inception.

HIF Requested Compared to HIF Committed Funds



HIF provides gap financing and is often layered with federal, private and local funding that is needed to support the lowest rents. The numbers of future housing units constructed or rehabilitated with HIF will be dependent upon the program's allocation plan, and whether HIF dollars can be leveraged with other federal funds. Historically, our average cost of construction per unit has been \$176,704 and HIF is normally restricted to no more than 30 percent of the construction or rehabilitation cost. In the

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absence of federal funds, more HIF financing will be required as the competitive nine percent LIHTC program only funds four to five projects or 175 to 200 units annually.

NDHFA's mission is to ensure that every North Dakotan has a safe and affordable place to call home. Our most vulnerable households are the ones that need our help the most. Federal funds are insufficient to address the needs of these vulnerable households. We respectfully ask this committee and this legislative body to recognize that an investment in housing is an investment in the infrastructure of our state. Affordable Housing Empowers People, Improves Lives, and Inspires Success.

Thank you and I would be glad to answer any questions.

NORTH DAKOTA

STATE RANKING **#32***

In **North Dakota**, the Fair Market Rent (FMR) for a two-bedroom apartment is **\$855**. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn **\$2,849** monthly or **\$34,190** annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly Housing Wage of:

\$16.44
PER HOUR
STATE HOUSING
WAGE

FACTS ABOUT NORTH DAKOTA:

STATE FACTS

Minimum Wage	\$7.25
Average Renter Wage	\$15.75
2-Bedroom Housing Wage	\$16.44
Number of Renter Households	111,254
Percent Renters	36%

91
Work Hours Per Week At
**Minimum Wage To Afford a 2-Bedroom
Rental Home** (at FMR)

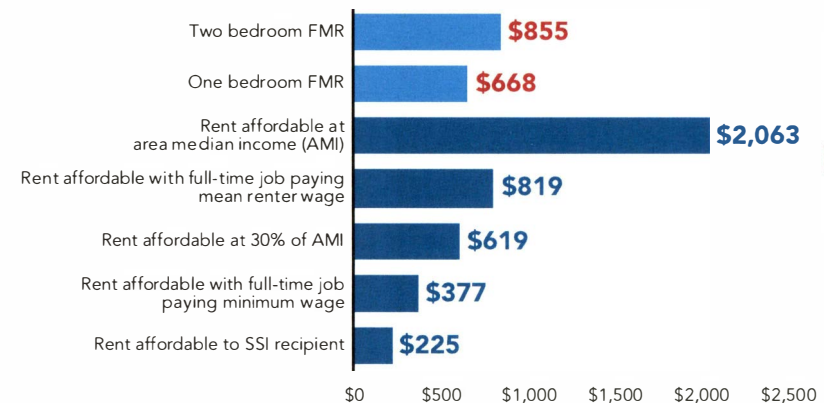
71
Work Hours Per Week At
**Minimum Wage To Afford a 1-Bedroom
Rental Home** (at FMR)

2.3
Number of Full-Time Jobs At
**Minimum Wage To Afford a
2-Bedroom Rental Home** (at FMR)

1.8
Number of Full-Time Jobs At
**Minimum Wage To Afford a
1-Bedroom Rental Home** (at FMR)

MOST EXPENSIVE AREAS HOUSING WAGE

Dunn County	\$24.40
Ward County	\$20.54
Mountrail County	\$19.67
Williams County	\$19.40
Grand Forks MSA	\$18.58



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MSA = Metropolitan Statistical Area; HMFA = HUD Metro FMR Area.

* Ranked from Highest to Lowest 2-Bedroom Housing Wage. Includes District of Columbia and Puerto Rico.

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North Dakota Affordable Housing Facts

POPULATION

760,077

HOUSEHOLDS

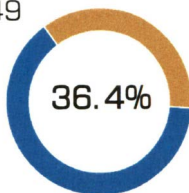
360,660

MEDIAN HOUSEHOLD INCOME

\$61,285

RENTER HOUSEHOLDS

97,249



are cost burdened



SENIOR HOUSEHOLDS

100,748

SENIOR HOUSEHOLDS WITH FOOD STAMPS

7,254

SENIORS WITH A DISABILITY

33,750

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY

75,801

WITH FOOD STAMPS

7,964



HOUSEHOLDS WITH FOOD STAMPS

19,847

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS

\$18,409

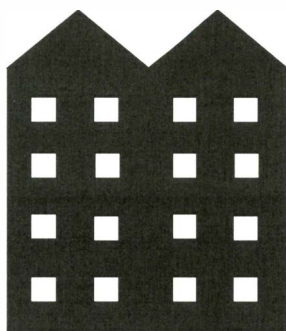


HOUSEHOLDS WITH SOCIAL SECURITY INCOME

81,289

AVERAGE SOCIAL SECURITY INCOME PER YEAR

\$18,062



EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLD PROJECTIONS (2019-2029)

Entire state +15,236



HIF MAKES A DIFFERENCE

80 HIF projects for a total of **2,501 units**

- 1,913 income restricted units
- Gap financing leveraging federal, private and local funding to move a project forward
- Community driven flexibility



\$4.93
leveraged for each HIF dollar invested

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Edwinton Place Apartments—Bismarck, ND

Project Highlights:

- Permanent Supportive Housing utilizing 'Housing First' model for Chronically Homeless Individuals
- 40 one bedroom/bathroom apartments
- 24/7 staffing with controlled building entrances
- Project Based Housing Choice Vouchers provided by Burleigh County Housing Authority



Infill Lot in an Opportunity Zone, Bismarck



Architectural Rendering



Construction Progress, January 2019

Project Financing:

Funding commitments provided by NDHFA will cover the majority of Edwinton Place's development costs. The state agency awarded federal Low Income Housing Tax Credits that will provide the project with \$7.2 million in equity, and awarded \$1,026,147 from the National Housing Trust Fund, \$500,000 from the state's Housing Incentive Fund and \$460,000 from the Neighborhood Stabilization III Program. The total project cost is \$10.3 million.

Edwinton Place also received support from the City of Bismarck, in agreement with Burleigh County and the Bismarck Public School District, a 20-year Payment in Lieu of Taxes for the property valued at more than \$2 million. The North Dakota Department of Commerce committed \$730,000 through the Neighborhood Stabilization I Program for land acquisition. Through Bank of North Dakota, the Federal Home Loan Bank awarded \$750,000 from the Affordable Housing Program, and the Otto Bremer Trust committed \$62,000 to help cover pre-development costs. The project's construction financing will be provided by Gate City Bank.

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A 'precarious' life: Without a proper living space, 'Homeless Dave' ekes out existence in Moorhead industrial park

By [Robin Huebner](#) on Jan 6, 2019 at 2:31 p.m.



"Homeless Dave" walks past his camper housed in an industrial park garage in Moorhead.
David Samson / Forum News Service 1 / 4

MOORHEAD, Minn. — He rents “shop space” in a cold-storage building in this city’s industrial park, but isn’t using it for woodworking or any other hobby. Instead, “Homeless Dave,” as he calls himself, has turned the spot not meant for human habitation into his home.

Boxes overflowing with household items cover the concrete floor. A bumper-pull camper parked inside is where he showers and sleeps. A makeshift office, where he uses his old computer, is shrouded in tarps and equipped with heat lamps to stave off the winter chill.

Dave, 50, has lived here nearly three years. Before that, he lived in a similar setting in Bismarck. “I’m trying. I’m trying to maintain as normal a life as I possibly can under the conditions that I’m in,” he said.

Forum News Service granted Dave's request not to use his full name or show his face, because he fears he’ll be kicked out of the space.

Cody Schuler, executive director of the Fargo-Moorhead Coalition to End Homelessness, wouldn’t estimate how many people in the area “sleep rough” in campers or cars because they're a hidden, hard-to-count population. “They’ll do that because it feels safe to them,” Schuler said.

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Pastor Sue Koesterman, executive director of Churches United for the Homeless in Moorhead, said it wears on a person's health in a serious way to not be adequately sheltered. "It's a very, very precarious, kind of day-by-day existence," Koesterman said.

No credit

For Dave, finding work and keeping money coming in hasn't been a problem. After he left a painting job because the fumes made him sick, he was unemployed for a little more than a month before finding a full-time position as a machinist for a local trailer manufacturer.

He said he doesn't receive any government assistance. His driving record is good, and he has a minimal criminal record. The primary barrier to him finding a place to rent is that he's never had a credit card. "I don't have bad credit, I have no credit," he said.

In addition, landlords want to talk to previous landlords about whether potential renters pay on time, and whether they left any damage in their previous place. Because of his somewhat transient, under-the-radar lifestyle, Dave doesn't have any references like that.

"All I have is a bunch of receipts from a place I'm not supposed to be living in," he said. So, he continues to rent the shop space in the industrial park for a substantial \$1,000 a month, with additional expenses for heat and internet. "There's that saying, 'We need someone who thinks outside the box or looks outside the box.' Well, I live outside the box," Dave said.

Cold, cramped quarters

It's a challenge for Dave to stay warm in the shop. He uses space heaters and heat lamps to supplement a single wall-mounted heater. On a mild winter day when Forum News Service visited, the temperature inside was barely 60 degrees.

Dave has no access to a kitchen, so he prepares meals on a crowded shop table. A toaster oven, steamer and slow cooker fight for space in the clutter. "Forgive the big pile of dirty dishes," Dave said.

The place has a one-gallon water heater, so he can wash only a few dishes at a time in the bathroom sink before the hot water runs out. He has a small refrigerator, freezer and washer but no dryer, so he hangs his clothes to dry.

A string of lights is draped down the side of the camper — not because he has Christmas spirit, he said, but to provide a lighted path if he gets up at night to use the bathroom.

A dog and cat keep Dave company. He built a large, enclosed "litter box" filled with sand for the animals to use when he's away at work. He doesn't often take his dog outdoors, so as not to raise suspicion about his living arrangement. Both animals need veterinary care, but he said he doesn't have the time or money to take them in.

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Vehicular homelessness

There are people all over the country like Dave living in vehicles, campers or storage units. Often, they've shunned shelters because they've had a bad experience at one or feel anxious in crowded spaces. The phenomenon of "vehicular homelessness" is growing, especially in high-rent metropolitan areas on the West Coast.

While the U.S. Department of Housing and Urban Development (HUD) doesn't collect vehicle-specific data, unsheltered homelessness — which includes people sleeping in cars — is on the rise. According to a HUD-required, point-in-time count on a single night in January 2018, a third of the more than 550,000 homeless people nationwide were living unsheltered, such as on the street, in abandoned buildings or cars. That represents a nearly 3 percent increase from the previous year.

Point-in-time numbers for North Dakota have bounced around. In January 2017, the most recent count available, 331 of 1,089 homeless people statewide were unsheltered. Only five years earlier, 53 of 688 homeless people were reported as unsheltered. A major spike occurred in 2013, when 1,395 of 2,069 homeless people were unsheltered.

As numbers rise, more cities are imposing criminal or civil punishments on people living in their vehicles. The National Law Center on Homelessness & Poverty reports that in 2016, nearly 40 percent of cities surveyed prohibited living in vehicles, a 143 percent increase since 2006.

'Stuck in a rut'

Dave knew of a half dozen others living in storage units in Bismarck. He's not aware of people like him in the Fargo-Moorhead area, "but I can guarantee you there are," he said.

Schuler said there are nearly 300 beds in the area's seven shelters, and they're always full. When people call seeking a bed, it's hard to know if they have been staying in a vehicle because they rarely volunteer that information.

"They're afraid they might get pushed out of the space they have, because the space you have is better than no space at all," Koesterman said. Dave said his body is beat up from working manual labor jobs and being homeless. He's proud of his resiliency, but desperately wants to find something better.

Someday, he hopes to buy a small piece of land and put a single-wide mobile home on it, but that someday seems far away. "I'm stuck in a rut, between being able to get into a legitimate place to live and, you know, being under a bridge," he said.

<https://www.thedickinsonpress.com/news/4553004-precarious-life-without-proper-living-space-homeless-dave-ekes-out-existence-moorhead>

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Beyond Shelter surpasses 1,000 units of affordable housing with new apartment building

FARGO-A new apartment building was 90 percent pre-leased weeks before prospective tenants could even see the building. HomeField Apartments, 4245 28th Ave. S., is now completely filled. The fact this happened in an area of town with a 12.5 percent...

Written By: Ryan Johnson Sep 1st 2017 - 3pm.



Dorothy Kaufman sits Tuesday, Aug. 29, 2017, in her HomeField apartment built by Beyond Shelter, Inc., at 4245 28th Ave. S., Fargo. Michael Vosburg / Forum Photo Editor

FARGO-A new apartment building was 90 percent pre-leased weeks before prospective tenants could even see the building.

HomeField Apartments, 4245 28th Ave. S., is now completely filled. The fact this happened in an area of town with a 12.5 percent apartment vacancy rate isn't going unnoticed.

"If you talk to someone in the market-rate world, their jaws just drop," said Jamie Hager, regional manager for MetroPlains Management that oversees the new complex.

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It's not just the in-unit washers and dryers or the building's fitness center and media room-it's all about the rent. Senior citizen tenants here pay \$388 to \$696 for the 39 one- or two-bedroom units, depending on household size and income, far below the \$850 to \$900 they'd pay for a comparable one-bedroom elsewhere.

It's the latest project from Beyond Shelter Inc., a nonprofit started by former Fargo Housing and Redevelopment Authority staff in 1999. Board Member Bev Rohde told a crowd gathered earlier this week to celebrate that the nonprofit has come a long way since launching with a \$5,000 loan and "some wide-eyed optimism."

'Our last place'

Rohde said federal restrictions for affordable housing at the time were "uncomfortable," including a mandate to hire contractors with the lowest bid. That meant complexes were built with the cheapest materials and appliances and lacked basics like garages, air conditioning and carpet.

"We were fairly sure we could do better," she said.

Their work benefits people like Donna Allard. The 75-year-old said she appreciates HomeField's open floor plan that gives her plenty of room for furniture. She also likes having a garage stall. It's the price that ultimately drew her here. Allard said she previously struggled keeping up with a two-bedroom apartment in south Fargo that cost about \$800 per month.

"This is so nice," she said. "I just felt real fortunate when I was able to move in."

Marlys Workin got into her unit in mid-July. She left her Fargo house where she had lived for 48 years to move here, but she said she enjoys her "roomy and bright" new home. "I don't miss it a bit," she said.

Gary Hasse, too, said he's glad to be here. "I haven't met all the people that live here yet, but the ones that I have, we've all decided that this is our last place before we go upstairs," he said. "We're tired of moving, and this is an excellent place to call home."

More needed

With the completion of HomeField, as well as a groundbreaking later this month on the LaGrave on First project for homeless people in Grand Forks, CEO Dan Madler said Beyond Shelter has

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developed more than 1,000 affordable housing units in eight communities across North Dakota, South Dakota and Minnesota.

Madler said their work is about more than providing shelter. An affordable home can make residents safer, happier and healthier while also improving employment prospects, he said.

But it's not easy, according to Jolene Kline, and the executive director of the North Dakota Housing Financing Agency said the need is far beyond supply.

The only way to make it happen, she said, is a complicated "layering" of funding and support from local, state and federal partners as well as the private sector. For example, the agency allocated about \$600,000 of federal low income housing tax credits purchased by Wells Fargo to fund the \$6.18 million HomeField project.

"The private sector cannot and will not produce units at \$400 a month rent," Kline said.

But she said there's only funding to do a handful of projects each year, and Fargo will need more than 100 additional units of affordable housing each year for the next 15 years. She encouraged North Dakota legislators to provide state funding to help.

Beyond Shelter plans to build two more 39-unit complexes at the HomeField site in the next two years.

MetroPlains now manages 485 affordable apartment units for seniors in the Fargo-Moorhead area. Those units have a vacancy rate of less than 1 percent, far below the metro's overall 8.35 percent vacancy as of June 1, according to a study released by Appraisal Services Inc.

"I've been doing this for 17 years, and I always think we're going to hit this saturated market," Hager said. "We just have not done that yet, not in affordable."

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HOUSING INCENTIVE FUND PROJECTS

The North Dakota Housing Incentive Fund (HIF) is an effective, locally-driven, rental housing financing tool created and authorized during the 2011 North Dakota legislative session. Community leaders, private developers, and nonprofit organizations have leveraged HIF to construct new or improve existing rental housing. Because of HIF, low- to moderate-wage workers, the state’s aging population, individuals with disabilities, and persons experiencing homelessness have increased access to safe, decent and affordable housing.

Workforce Housing Projects

Persons wanting a two-bedroom apartment need to earn more than \$34,000 or \$16.44 per hour to afford \$855 in rent according to HUD’s Fair Market Rent summary. In November 2018, 17.4% of the jobs listed through Job Service North Dakota offered \$14.99 per hour or less.

Meadow Lark Homes — New Rockford, ND		Completed: 2016	
Project Focus	New Construction, Family	HIF Investment	\$430,000
# Units	10	Project Cost	\$1,435,268

Redeveloped the former New Rockford City Hospital, which closed in 1990 and had sat vacant for 25 years, was severely dilapidated and condemned due to asbestos. The New Rockford Area Betterment Corporation secured a grant from the EPA to clean up the site for redevelopment. Housing that is affordable was created to assist the school in filling vacant positions and allow older homeowners to downsize and be able to stay in New Rockford.

Prairie Heights I & II — Watford City, ND		Completed: 2013 and 2014	
Project Focus	New Construction, Family	HIF Investment	\$2,000,000
# Units	124	Project Cost	\$17,156,143

Mixed income housing for low- to moderate-income households including individuals and families employed by the private sector. Community-based living with green space and the ability to expand into a walkable community providing access to local amenities, such as childcare. Public financing was leveraged to create rents varying from \$400 to \$1,800. In 2017, 48.3% of households in Watford City earned less than \$75,000 per year and could qualify to live in income-restricted housing. The project showcases the value of public/private partnerships. MBI Energy contributed \$2 million to HIF in support of this project, recognizing the need for affordable workforce housing.

Senior Housing Projects

Most seniors ages 74 to 85-years-old and beyond are able to afford rents ranging from \$403 to \$898 based on 30% of their annual median income. Housing costs in excess of 30% can make them housing cost-burdened and force them to make choices between basic necessities, medications, food and transportation.

Cherrywood Village — Grand Forks, ND		Completed: 2014	
Project Focus	New Construction, Senior	HIF Investment	\$454,545
# Units	30	Project Cost	\$5,235,244

Independent-living apartments for seniors who are healthy enough to live on their own, but do not want the responsibility of maintaining a house and yard. 62.8% of North Dakotans 85 years and older still own their own home. As they explore other housing options, accessibility such as no stairs or elevator access and affordability are contributing factors for them to be able to move out of their home. Project funding included HUD’s Section 202 Supportive Housing Program and a project based rental assistance contract to support very low-income seniors.

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Senior Housing Projects

Legacy Living At Central Place — Williston, ND Completed: 2014

Project Focus	Adaptive Reuse, Senior	HIF Investment	\$949,898
# Units	44	Project Cost	\$12,482,215

The historic junior high school was rehabilitated into affordable senior living units as an option for seniors facing escalating rental prices. The median income for North Dakotans ages 75 to 84 is \$35,900 and drops to \$19,700 for residents 85 and older. At the time the project was completed the average price for a one-bedroom apartment in Williston was just under \$2,400. The architect preserved historic features of the building which was constructed in 1931 and is on the National Register of Historic Places.

Permanent Supportive Housing Projects

HIF is a source of gap financing leveraged when an income restricted rental housing project will not cash flow with traditional financing. Minimal debt after construction or rehabilitation results in lower monthly rents and reduces the need for housing vouchers.

Jeremiah Program Apartments — Fargo, ND Completed: 2018

Project Focus	New Construction, At Risk Family	HIF Investment	\$2,200,000
# Units	20	Project Cost	\$5,866,485

Supportive housing for single mothers with children under the age of five. Currently, more than 2,300 single mothers are living in poverty in the Fargo-Moorhead area, a number that has increased 16% over the last six years. The majority of these mothers have children under the age of four. An on-site early childhood education center and individualized support are offered to the families. College enrollment or career advancement track required to live in the units.

Grace Gardens — West Fargo, ND Estimated Completion: 2019

Project Focus	New Construction, At Risk Family	HIF Investment	\$500,000
# Units	30	Project Cost	\$6,993,549

Domestic violence survivor housing for women with children. In 2017, 314 women and children were eligible for Cass County YWCA's supportive housing units, but only 60 were able to gain homes through the organization. Unfortunately, women escaping domestic violence typically do not score high enough on assessments to be rapidly housed. Families will improve their economic stability and health, breaking the cycles of abuse and poverty for the next generation.

Edwinton Place — Bismarck, ND Estimated Completion: 2019

Project Focus	New Construction, At Risk Individuals	HIF Investment	\$500,000
# Units	40	Project Cost	\$10,355,768

Rapid housing for chronically homeless individuals that are working with a case manager. Chronically homeless individuals are frequent users of emergency services which can cost a community \$30,000 to \$50,000 per year per individual. Providing these individuals with immediate access to housing is estimated to save a community up to 40% of the total cost of experiencing chronic homelessness. Support services are offered to address the underlying causes of homelessness, such as mental health or substance abuse issues, chronic health conditions, or a history of physical or sexual abuse. This infill project maximized a vacant city lot and is located within a designated Opportunity Zone.

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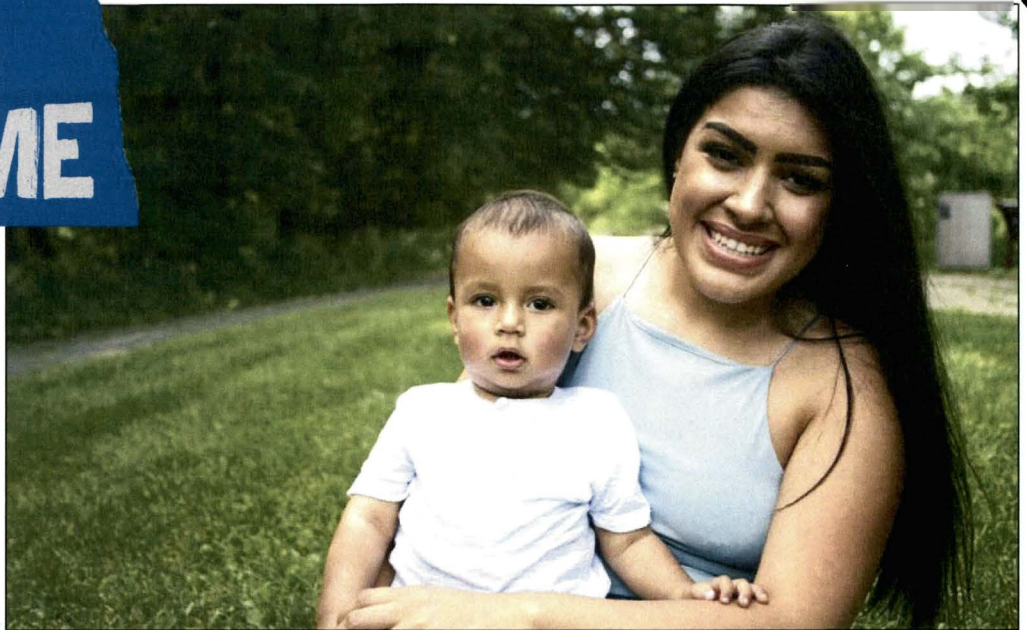
FACES OF HOME

From Poverty to Prosperity

Kristie Garcia's desire for a better life for herself and her 14-month-old son, Rey, was so strong that the prospect of driving eight hours roundtrip each week for 12 weeks did not deter her from her goal. In order to create the future she envisioned, the 22-year old knew she needed support and guidance.

Garcia learned about the Jeremiah Program, a comprehensive program that helps single mothers progress from poverty to prosperity, from a program participant. In order to be accepted into the Fargo-Moorhead program, she was required to complete an Empowerment course focused on effective conflict management, assertive communication and personal accountability. At the time, she was living in Richfield, Minn., more than 240 miles away.

"When I started Empowerment, I was still going through a lot of emotions and anger about my son's dad, who has not made an effort to be in Rey's life," Garcia said. "The class helped me have the right mentality and gain support from other women who were dealing with similar challenges. The drive was not as important to me as beginning a new journey that would be better for



When Kristie Garcia, 22, discovered she and her son could have a better life, she didn't give an eight-hour weekly round trip to Fargo, N.D., a second thought. She enrolled in Jeremiah Program's 12-week Empowerment class, undertaking the first step the program requires of single mothers who are motivated to lift themselves from poverty.

my son and me."

Jeremiah Program prepares determined single mothers like Garcia to excel in the workforce, readies their children to succeed in school, and reduces generational dependence on public assistance. Its Fargo-Moorhead campus has 20 furnished apartments designed to support the mothers who are required to work part time or volunteer, attend college full time working toward a career-track education, and participate in weekly coaching and life skills classes. A licensed early child development center, that serves children age six weeks until starting kindergarten, is part of the site.

The Fargo-Moorhead campus, which opened in January 2018, is one of the first supportive housing projects in the

country developed with assistance from the National Housing Trust Fund (HTF), a federal program that provides revenue to build, preserve, and rehabilitate housing for people with extremely low incomes. North Dakota Housing Finance Agency (NDHFA) administers the program on behalf of the state.

In early 2016, Diane Solinger, Jeremiah Program's Fargo-Moorhead executive director, had secured about half of the funds needed to develop the campus, including \$2.2 million in assistance from the North Dakota Housing Incentive Fund when she learned about the HTF. Jeremiah relies heavily on donations and at the time Solinger was optimistically pursuing a large contribution, but knew she would need at least \$1 million more to move the project forward.

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Jeremiah's Fargo-Moorhead campus has 20 apartments that provide the families who participate in the program with an affordable home while the mothers pursue a college education.

"When I learned about the National Housing Trust Fund from NDHFA, how it was dedicated to providing housing for families like ours, I knew we'd be competitive," said Solinger. While she continued working on her private donor, Solinger and the staff at Jeremiah's national office completed the HTF application.

"On Nov. 8, 2016, I had what I now refer to as my \$2 million day. In the morning, the private donor I'd been working with called to share that the million dollar gift had been secured. I was elated," said Solinger. "And, that same day, at 3:30 p.m., I received a call from NDHFA telling me that our project was one of three selected for a HTF award. We received exactly what we applied for, \$1,052,655."

A Wilder Research study estimates that every \$1 invested in a Jeremiah family returns up to \$4 to society through first-generation benefits of decreased dependence upon public assistance and increased taxable earnings, plus second-generation benefits of increased lifetime earnings/taxes paid, and savings from

costs associated with crime and special education.

The assistance provided through HTF allowed the Jeremiah Program to break ground on the Fargo-Moorhead campus the following year.

The first families moved into the

property in Jan. 2018.

"Affordable housing provides a stable platform for individuals and families that allows them to better their lives," said NDHFA Executive Director Jolene Kline. "If we can move a family out of poverty, it's a win for the household and a win for the community."

After completing the Empowerment

course, Garcia moved into one of the new apartments on the Fargo-Moorhead campus and found part-time work at a college bookstore. After she finishes some general coursework, Garcia will start classes at North Dakota State University. Rey attends the campus' on-site child development center while Garcia works and is in school.

Ultimately, Garcia plans to earn a bachelor's degree in radiological sciences and pursue a career as a diagnostic sonographer. She would like to specialize in obstetrics.

"I honestly don't know where I would be without this program and the donors and agencies who supported it," Garcia said. "I feel like I have grown so much as a person already and I am so happy to be in a program that has put my son and me on a better path. I feel like I finally have a fresh start and a place to call home."

(Published August 2018 by North Dakota Housing Finance Agency.)

National Housing Trust Fund

The National Housing Trust Fund (HTF) is a federal program established as part of the Housing and Economic Recovery Act of 2008. Its primary purpose is to increase and preserve the supply of affordable rental housing for extremely low-income households, those earning less than 30 percent of area median income, including homeless families.

As the administrator of HTF, North Dakota Housing Finance Agency (NDHFA) is responsible for the development of an Annual Allocation Plan, which defines the process by which funds are distributed. The plan promotes the selection of properties addressing the state's most crucial needs within the priorities outlined in North Dakota's Consolidated Plan and the relevant strategies identified in North Dakota's Ten-Year Plan to End Long-Term Homelessness.

HTF dollars can be used for the production, preservation, rehabilitation and operation of a project. The financial awards are structured as forgivable zero-interest loans with a minimum term of 30 years.

NDHFA made the first financial awards in 2016. Since then, six properties have shared \$5.58 million supporting the development of 85 housing units for individuals and families who have experienced homelessness or who are at risk of homelessness. NDHFA is currently accepting applications for the 2018 program with the project awards slated to be made in early November.

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Able to Stay in My Community

Alerene Hoffman's home in New Rockford, N.D., was getting to be just a little too much for her to handle. This retired widow loved spending time in her garden tending to her flowers but health issues slowed her down and she wished for something smaller with less maintenance and no steps. She also wanted to stay in the town she had called home for years.



Hoffman moved into one of Eddy County Housing Authority's new twin homes on June 1 fulfilling all those wishes.

Hoffman and her husband Robert raised five children on a farm north of town. She spent 30 years working at the Lutheran Home of the Good Shepherd, an 80-bed nursing home in the rural North Dakota town. When her husband was injured in a construction accident, she was the main bread winner and they moved from the farm to a large home in town. After her husband passed away, she moved into a smaller house on First Avenue. Now, she says, it's time for something with fewer steps.

When the twin homes were completed this spring, Hoffman was one of the lucky ones chosen to live in the rental units which went fast and now have a waiting list.

"This will be a wonderful experience for me," Hoffman said. "I don't have to mow the grass or shovel snow or any of that. This will just be great. These are such nice homes."

Eddy County Housing Authority took on the twin home project in 2010 to help alleviate a rental housing shortage in the community of about 1,400 people. There are two sets of twin homes with two-bedroom units on Seventh Street and three-bedroom units on Third Avenue.

"The response to this project was just

tremendous and really showed us the housing situation in the community," said

Tracy Henningsgard, executive director of the Eddy County Housing Authority. "We've had a lot of interest with over 25 families expressing interest in renting."

Hoffman agrees. "I think it is just wonderful that I can step out of my garage straight into my apartment and not have to worry about steps," she said. "There are a lot of us in town that are at that point where we have to take a step back and these apartments are just such a help."

This is the housing authority's first venture as property owners and came in response to low rental vacancy rates and aging housing stock in the town.

New Rockford Mayor Jim Belquist said there are a number of houses in such disrepair in the community that the city would soon be condemning them. He hoped that the Eddy County Housing project might spur other developments like it. "That will open up some lots so hopefully we can get some other new homes going in town," he said.

Henningsgard said they looked at three

things to make this project viable: controlling the costs, low-cost financing and low rents. "We looked at tax credits and other programs but those didn't work well with a small project like this," said Henningsgard.

Instead they used an Essential Function Bond through local lender Bank Forward, a U.S. Department of Housing and Urban Development HOME program loan from Eastern Dakota Housing Alliance, and cash contributions from Eddy County Housing and the New Rockford Area Betterment Corp. in addition to a \$50,000 Rural Housing Investment Incentive Program (RHIP) allocation from the North Dakota Housing Finance Agency (NDHFA).

"Without any of these, this would have been a dead project," Henningsgard said.

Rural Housing Investment Incentive
In 2009, the Industrial Commission approved a pilot program that it hoped would assist in overcoming these obstacles. The program supported the development of single- or multi-family housing, or the substantial rehab of existing structures in difficult to develop areas of the state by offering a dollar for dollar match for private sector investment.

The RHIP program was established as a pilot to help address the unique challenges to housing development in rural communities. NDHFA utilized \$400,000 of reserve

funds for the program which has been a resounding success leveraging more than \$6.6 million in housing activity in rural North Dakota.

In the New Rockford project, the RHIP award was matched with \$60,000 in equity investments. That had the effect of helping ease the \$225,000 projected appraisal gap on the project and lowering required rents by \$126 on average enabling affordable rents for low-income families.

NDHFA Director of Planning and Housing Development Jolene Kline said RHIP did just what it was supposed to. "New Rockford epitomizes the pilot," she said. "It addresses the valuation gap and affordability."

(Original article published June 2011.)

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Promise of Affordability

A pink rocking chair sways in the breeze on Miriam Shaw's front porch at ParkRidge Townhomes in Williston's new Harvest Hills subdivision as she stands at her stove tending to boiling pots. The spacious kitchen is the Jamaican native's favorite place in her new home and the comfort of knowing it will be affordable for years to come makes everything taste a little sweeter.



The units must remain at affordable levels for at least 15 years.

Shaw's townhome has an open-concept with all the amenities she was looking for including a heated attached garage. "That is so nice, to be able to pull in and throw the

Shaw moved into her townhome with her two children shortly after the complex opened in October 2015. "It reminds us of our home back in Georgia," she said. "It is really nice. We really like it."

In addition to medical staff, there are also law enforcement personnel, school employees and county workers who call ParkRidge home.

grocery bags out," she said. "The layout is nice. We have so much storage; they utilized every inch."

A nurse at Mercy Medical Center's occupational health clinic in Williston, Shaw moved to town in 2014 following her daughter who had come, like many others, in search of opportunity. She appreciates what the community and state have to offer. "I like Williston. It is small, but I like the open spaces, places to walk and the scenery," she said. "And I love living here. It is really comfy and just cozy like our [previous] home was."

Shaw said while market rate rents in Williston have fluctuated due to changes in the oil industry, the assurance that her rent will remain affordable was a huge bonus.

Housing Incentive Fund (HIF)
Administered by North Dakota Housing Finance Agency (NDHFA), HIF supports the development of affordable units for low- and moderate-income households.
The program was created during the 2011 Legislative Session. It was reauthorized during the 2013 and 2015 sessions.
Since HIF's inception, NDHFA has allocated over \$80 million to projects, leveraging nearly \$380 million in construction financing.

She also appreciates its convenient location just blocks from the new Williston High School, where her son will attend. "I'm excited to be closer to the school... probably more than he is," she said. "I'm going to be so happy to have a shorter drive to his school events."

Shaw struggled to find a place to live when she first arrived in Williston and lived in several other apartment units which had space and cost challenges before moving into the townhouse community. ParkRidge Townhomes, developed by Mountain Plains Equity Group, includes 36 units with half of them targeted to Essential Service Workers like Shaw. Rent for the ESWs are restricted and tenants must be below income limits.

"The promise that the price would remain affordable for 15 years is very nice," she said. "It just gives you comfort in your mind that it will remain. That really is a nice promise because we don't know what lies around the corner."

Shaw who lived and worked as a nurse in New York and Georgia before coming to North Dakota sees herself enjoying more evenings rocking in her pink chair which she hopes to make even more colorful or in her kitchen cooking unique Jamaican fare like jerked chicken and pork, rice and beans in coconut milk, curried goat and spicy fried fish dishes. "It is such a nice place," she said. "I feel like we are going to be here a while."

The stability of the rent in Shaw's unit at ParkRidge comes from its funding through the Housing Incentive Fund. The \$7.2 million project received just over \$2 million from HIF, administered by the North Dakota Housing Finance Agency.

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'Grateful for My Home'

When Jeri Fick first learned she would be able to move into the new North Sky Apartments in Fargo's Urban Plains neighborhood in the southwest part of town, she cried.

"I just get very emotional thinking about it because I am so appreciative," she said. "I don't know how people would be able to do it without assistance like this."

The first phase of North Sky Apartments opened in Fall 2014 and Jeri moved with her assistance dog, Molly, into her one-bedroom unit in January 2015 after living at another market-rate apartment complex in the community.

"It just got to be too expensive," she said. "I couldn't afford it anymore. It got to the point where I didn't know if I was going to be homeless."

That's what made her North Sky apartment so special to her. "I can actually have a life," she said. "I can afford my rent and still go to a movie if I want to now. Before, all of my money was going to pay rent."

She also appreciates the sense of community in the 55+ apartment complex. "I am meeting new friends and we're like a family; we watch out for each other," Fick said. "I enjoy baking brownies and things and taking them to my new neighbors. Everyone has just been so great."

And Fick says she is looking forward to the "family" extending. The second phase of



that population increases," said Beyond Shelter Inc. CEO Dan Madler. "Without multiple layers of support, our organization would not be able to keep a project's rents at such reasonable levels."

It is the reasonable rents that help Fick and other seniors like her. "I don't know how people would do it without

North Sky opened in September 2015 with a third phase breaking ground at the same time. In total, the project will have 84 units all targeted to seniors.

The \$11.65 million project was funded by a number of state and federal programs including the Neighborhood Stabilization Program, HOME Investment Partnerships Program, Low Income Housing Tax Credits and the North Dakota Housing Incentive Fund. In all, those

programs brought \$10.1 million in funding. The Fargo Housing and Redevelopment Authority, which manages the project, also placed project-based rental assistance vouchers on some of the units in North Sky I and plans to do the same in the other phases.

"It is a challenge for Fargo seniors to find housing that is affordable and every year

help like this," she said. "It makes me kind of sad that these buildings are all full because I know there are a lot of other people who need affordable apartments.

Housing Incentive Fund (HIF)
Administered by North Dakota Housing Finance Agency (NDHFA), HIF supports the development of affordable units for low- and moderate-income households. The program was created during the 2011 Legislative Session. It was reauthorized during the 2013 and 2015 sessions. Since HIF's inception, NDHFA has allocated over \$84 million to projects, leveraging more than \$429.2 million in construction financing.

Where would they go if this wasn't here?"

Fick, while working part time at Sam's Club, relies almost entirely on her Social Security disability check. "When you have a disability, there is no way you could live anywhere on just Social Security," she said. "I am just so grateful

for my home. I can't express how grateful I am.

"I wake up in the mornings and just look around in amazement. It is gorgeous. Everything is new and I'm just so proud," she said. "It is a blessing from God – it truly is a blessing."

(Original article published Sept. 2015)

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'Godsend To Our Police Department'

A year and a half ago, Hunter Easterling completed law enforcement training and moved from California to Dickinson, ND, to pursue a career as a police officer.

While settling in, Easterling found that finding a home in a growing oil boom town wasn't easy. He lived in an RV park, a hotel and an apartment that

was not quite ideal before Patterson Heights Apartments, a new affordable housing development, became available.

Patterson Heights is one of the first developments in North Dakota to set-aside rental units specifically for law enforcement personnel.

"The place is outstanding; everything is new," said Easterling. "It was such a relief to find a place to live, truly a weight off my shoulders."

In recent years, Dickinson has experienced an influx of energy industry workers and, while new housing units are being added, finding affordable housing is a challenge.

Recruiting and retaining the personnel that provide essential public services is difficult due to increased housing costs and shortages.

Dave Wilkie, administrative captain at the Dickinson Police Department, has noticed significant growth in his home town. "Our department has grown over the last few years and we are adding more and more officers as needed," said Wilkie. "Many out-of-



Heights and the development has truly been a Godsend to our police department."

Patterson Heights is supported by North Dakota Housing Finance Agency's Housing Incentive Fund (HIF) and a Law Enforcement Pilot Program (LEPP). The programs are a means to create affordable rental units for essential services

state workers are hired because they are good candidates looking for a job and their own local police departments are slowing down."

The Dickinson Police Department is constantly in touch with real estate

agents and apartment managers about potential listings, rental openings or even basements for rent to aid their staff in finding places to live. The city of Dickinson also has FEMA trailers available for officers just until they can find something more permanent.

"Having affordable housing is really important to our community. There are many people who don't work in the oil fields and they can't afford the high rents," said Wilkie. "We currently have three officers living in Patterson

workers and households of limited means.

Created during North Dakota's 2011 legislative session, HIF provides developers of affordable rental units with low-cost financing. It is

The Law Enforcement Pilot Program was created to address the challenge of providing affordable rental housing for law enforcement personnel in energy-impacted areas of North Dakota. The program was funded by the approximately \$3 million that the State received through the Mortgage Servicer Settlement Fund which originated from a landmark settlement reached with the nation's five major mortgage servicers.

capitalized by contributions from state taxpayers. Contributors to the fund received a dollar-for-dollar state income tax credit for their support.

The North Dakota Industrial Commission asked NDHFA to develop LEPP. The program is targeted to creating housing for

law enforcement personnel in communities in energy-impacted areas.

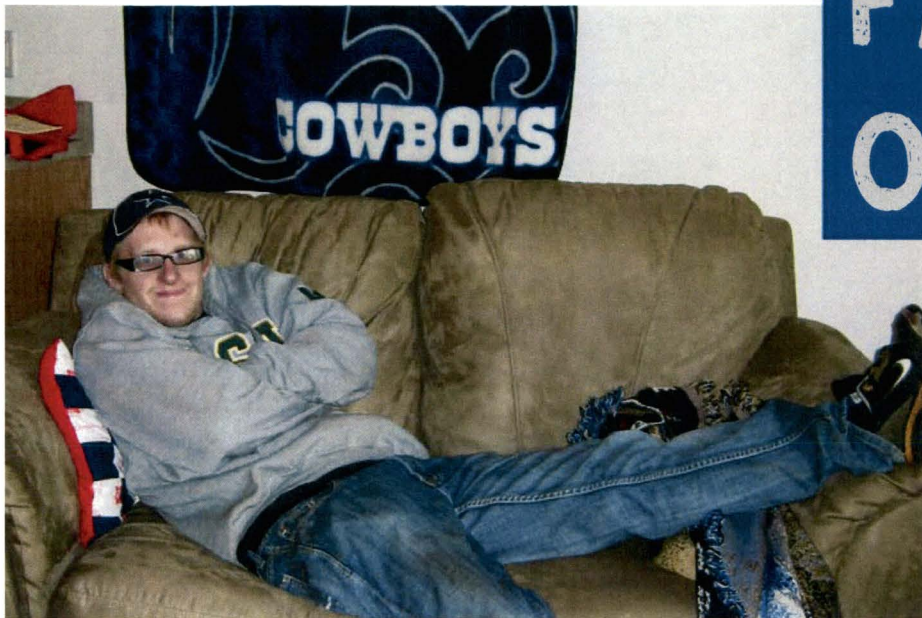
"I like Dickinson," said Easterling. "The city is growing, I like my new development and I really appreciate the housing I'm living in."

(Original article published in Oct. 2013.)

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Enjoying Life's Little Luxuries

FACES OF HOME



Bowman in 1985, the year ABLE opened the group home. Prior to that, Vogel, who is in his 70's, lived in Grafton, ND, at a state-run facility where most of North Dakota's developmentally disabled population was institutionalized before a landmark lawsuit in 1983 declared the practice to be a violation of their civil rights.

Carolynne Jones, director of satellite services for ABLE's Bowman and Hettinger properties, says that Vogel named himself 'Hoppy' after Hopalong Cassidy, a fictional cowboy hero. She believes that action saved his life. "He made a world for himself in order to live in the world he was put into," says Jones. Vogel enjoyed the little bit of freedom that living in the group home setting gave him. When asked if he wanted his own apartment, Jones says he was reluctant to make the change.

Many of us take for granted the little luxuries that come from having a place of our own. Having our own kitchen where we can cook what we want to eat, having a spacious bed to sleep in at night, and having the freedom to entertain guests whenever we please.

Two North Dakota men who are supported by ABLE Inc., a private, nonprofit organization that provides residential and day support to people with intellectual and development disabilities, are enjoying these little luxuries for the first time.

George "Hoppy" Vogel and David Hippe moved into their own apartments at The Landing in Bowman, ND, in July. Prior to the move, they lived in the same community in a Transitional Community Living Facility, a place commonly known as a "group home."

"Such a situation can be ideal for people that need intense physical or emotional support," says Mary Anderson, ABLE Inc. executive director. "For Hoppy and David, independent living is a much better fit."

Nine of the 26 housing units at The Landing, which was developed by Lutheran Social Services Housing, are reserved for people that receive

supportive services from ABLE. Having the units in close proximity allows the organization to efficiently provide services. And, thanks to the support of North Dakota Housing Finance Agency's Housing Incentive Fund (HIF), the rent is affordable.

"For the people who needed a change in environment, moving from group settings to apartments, the HIF program has been a huge plus," says Anderson. "We could not have improved their quality of housing without the development assistance."

George "Hoppy" Vogel, moved to



full-size bed was comfortable, he said sure and told me to quit worrying. Can you imagine your whole adult life in a twin-size bed?"

In his new independent living situation, Vogel is able to stock his own fridge and decide for himself what he wants to eat rather than participating in communal meals. Prior to the move, his medical team wanted him to gain some weight. Since moving into The Landing, Vogel has gained 7 pounds and everyone is pleased with how well he is doing living on his own.

Unlike Vogel, David Hippe longed for independence. He is in his mid-twenties and, like most young adults, he coveted a place of his own without roommates or restrictions on his decorating choices. He also wanted to be able to entertain friends at his home.

"David was rather lost and going down a destructive path in life when he moved to Bowman," said Jones. "He was embarrassed to live in the group home because he so wanted to be on his own yet knew he needed the structure and safety net ABLE provides."

Hippe adapted quickly to independent living. His new apartment is festooned with sports memorabilia from his favorite football team, the Dallas Cowboys. He enjoys inviting company over to watch a movie in the evening or come for coffee in the



morning. His Erickson's Meat Market co-workers are frequent guests.

Housing Incentive Fund

The Housing Incentive Fund (HIF) supports the development of affordable multifamily housing units for essential service workers, main street employees and fixed-income households. Approximately one-third of the 31 developments supported by HIF during the 2013-2015 biennium created housing for special needs households including disabled, homeless and elderly individuals and families.

"This move has made a huge difference in people's lives," says Jones. "At first, not having joint gathering spaces – a centralized kitchen or recreation space – was a concern, people pretty much stayed to themselves in their own apartments. After about a month we started to see people, if they wanted company, inviting guests to come into their home. It's on their terms, the way it should

be."

Including HIF, a program that supports the development of affordable multifamily housing, The Landing received more than \$2.4 million from the state of North Dakota to ensure the units occupied by people supported by ABLE are affordable. The remaining 17 units in the complex rent at market rate.

ABLE is dedicated to enhancing relationships, providing opportunities for growth and encouraging people to reach their personal dreams. The organization supports people in their homes, work and communities.

ABLE is currently working with Sullivan Properties in Dickinson, ND, to develop an apartment complex that will offer living arrangements similar to the set-up at The Landing.

(Original article published in Dec. 2014.)

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FACES OF HOME

Meeting a Need in the Community

Kris Fehr of AK Investments doesn't shy away from helping her community of Dickinson, North Dakota. She serves as an assisting minister and sings in the choir at St. John's Lutheran church; she is director of the Best Friends Mentoring Program; she's involved with Boy Scouts, is an active Rotarian, and serves as President of the school board. So when an opportunity came to further help residents of Dickinson, Fehr jumped right in.



Dickinson has become a hub for the oil and gas industry and many people have moved into the area for the economic opportunities. The current housing stock that is affordable for low-to moderate-income households has become limited with the high growth rates.

In 2011, Fehr read about the Housing Incentive Fund (HIF), administered by the North Dakota Housing Finance Agency. It was created during the legislative session that year to provide developers of affordable rental units with low cost financing.

"I was hearing heartbreaking stories," said Fehr. "Rents were increasing and some residents couldn't afford to stay here. I felt like we could make a difference and help address our community's affordable housing shortage."

Fehr put an application together and it was accepted in an early 2012 funding round. HIF was the perfect tool for Kris

and her husband, Alan, to convert 161 S Main, a 100-year-old property, into 10 units of affordable housing.

While the couple had acquired and owned rental property for many years, this would be the first project that they would be developing. Despite the challenges of finding a contractor, working through a myriad of details, coordinating city inspections, utilities, water, additional financing and dealing with a couple minor setbacks, the apartments were completed in September 2013.

"We didn't set out to be developers; we enjoyed meeting a need in the community," said Fehr. "HIF did what it was intended to do. Our units were nearly all rented in two months and our tenants are new residents of Dickinson – all ages and all ethnicities."

Through the process, Fehr developed a new admiration for developers.

"There is really so much involved and so much can go wrong, you really have to work as a team and depend on others to complete the project," said Fehr. "It was my goal to be open, honest and straightforward with what I'm doing

and to communicate. In the end it was really satisfying to know we could help others."

Since 2011, developers like Fehr have made more than 1,500 units in 57 developments in communities across the state possible by utilizing HIF.

Housing Incentive Fund (HIF)
Administered by North Dakota Housing Finance Agency (NDHFA), HIF supports the development of affordable units for low- and moderate-income households. The program was created during the 2011 Legislative Session. It was reauthorized and expanded during the 2013 session. Since HIF's inception, NDHFA has allocated over \$49 million to projects, leveraging more than \$240 million in construction financing.

Those projects provide much-needed housing for families, essential service workers and disabled and elderly households.

"These units are for people who are not making the big money, yet they are working as ambulance drivers, firefighters, grocery store clerks, mechanics, office managers, dental hygienists. They are part of what makes our town great, progressive and productive. If we don't find ways to support them, they will leave," said Fehr. "Everyone deserves quality housing."

(Original article published April 2014.)

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Table 2.44 North Dakota Household Projections for Renter-Occupied Housing Units with Householder Ages 65 and Older, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Renter-Occupied Housing Units with Householder Ages 65 and Older			Units with Householder Ages 65 and Older			
	Estimates		% change: 2010 to 2014	Projections			% change: 2014 to 2029
	2010	2014		2019	2024	2029	
North Dakota	16,449	18,496	12.4%	21,657	25,719	29,166	57.7%
Adams County	118	82	-30.2%	87	90	89	8.1%
Barnes County	482	521	8.1%	579	636	675	29.6%
Benson County	147	133	-9.8%	144	165	176	32.8%
Billings County	19	11	-39.6%	12	14	15	30.7%
Bottineau County	232	193	-16.6%	211	229	243	25.6%
Bowman County	67	92	37.2%	93	111	115	25.1%
Burke County	52	48	-8.6%	45	44	45	-5.3%
Burleigh County	2,015	2,164	7.4%	2,713	3,348	3,906	80.5%
Cass County	3,585	4,300	20.0%	5,738	7,128	8,262	92.1%
Cavalier County	98	108	9.7%	105	106	101	-6.1%
Dickey County	206	153	-25.6%	152	166	172	12.3%
Divide County	53	46	-13.7%	41	45	46	0.6%
Dunn County	37	26	-29.2%	30	37	42	60.4%
Eddy County	78	63	-18.9%	66	71	72	13.8%
Emmons County	75	116	54.7%	118	123	130	12.0%
Foster County	142	95	-32.8%	95	104	111	16.3%
Golden Valley County	27	52	91.5%	49	46	47	-9.1%
Grand Forks County	1,060	1,474	39.1%	1,767	2,049	2,258	53.1%
Grant County	66	90	36.6%	96	101	104	15.4%
Griggs County	102	100	-1.6%	102	103	99	-1.4%
Hettinger County	76	58	-23.4%	57	54	53	-9.0%
Kidder County	95	62	-34.8%	71	78	79	27.6%
LaMoure County	112	120	7.2%	135	147	145	20.7%
Logan County	44	36	-18.0%	33	28	26	-27.9%
McHenry County	193	146	-24.6%	152	160	164	12.7%
McIntosh County	65	89	37.4%	81	84	87	-2.6%
McKenzie County	94	231	145.7%	323	433	589	155.0%
McLean County	205	264	28.9%	289	329	346	31.0%
Mercer County	141	151	6.9%	174	209	226	49.9%
Morton County	611	702	14.9%	814	965	1,084	54.4%
Mountrail County	60	151	151.5%	184	238	291	92.8%
Nelson County	111	63	-42.9%	61	65	64	1.1%
Oliver County	32	54	68.9%	63	71	74	36.9%
Pembina County	178	242	35.7%	271	302	313	29.6%
Pierce County	204	222	9.0%	225	244	269	21.0%
Ramsey County	500	568	13.6%	617	705	810	42.6%
Ransom County	182	205	12.5%	206	213	214	4.5%
Renville County	51	66	29.5%	67	70	73	10.6%
Richland County	324	321	-0.9%	367	422	451	40.5%
Rolette County	170	195	14.7%	235	276	315	61.6%
Sargent County	120	92	-23.6%	108	121	128	39.5%
Sheridan County	27	41	53.3%	40	40	38	-8.2%
Sioux County	65	96	47.6%	101	107	118	23.0%
Slope County	8	7	-13.7%	8	8	8	15.9%
Stark County	698	696	-0.2%	764	975	1,195	71.6%
Steele County	37	86	131.2%	100	122	148	73.0%
Stutsman County	722	781	8.1%	861	955	1,045	33.9%
Towner County	82	102	24.9%	113	126	122	19.1%
Traill County	368	295	-19.7%	326	378	422	42.9%
Walsh County	404	374	-7.4%	371	374	369	-1.4%
Ward County	1,131	1,285	13.6%	1,343	1,569	1,776	38.2%
Wells County	187	164	-12.5%	158	163	170	3.9%
Williams County	491	662	34.9%	696	972	1,246	88.1%
Bismarck city	1,912	2,132	11.5%	2,724	3,357	3,937	84.6%
Devils Lake city	488	518	6.2%	544	619	714	37.7%
Dickinson city	651	645	-1.0%	617	763	924	43.3%
Fargo city	2,957	3,336	12.8%	4,673	5,824	6,839	105.0%
Grand Forks city	1,004	1,330	32.5%	1,629	1,892	2,091	57.2%
Jamestown city	666	721	8.2%	809	900	986	36.8%
Mandan city	491	631	28.4%	723	856	960	52.2%
Minot city	996	1,122	12.6%	1,064	1,233	1,400	24.8%
Valley City city	448	487	8.6%	543	594	633	30.1%
Wahpeton city	226	149	-34.1%	171	190	203	36.3%
West Fargo city	398	731	83.7%	1,025	1,273	1,422	94.5%
Williston city	392	558	42.5%	455	632	798	42.9%
Fort Berthold Reservation	63	111	76.2%	120	128	137	23.4%
Spirit Lake Reservation	65	49	-24.6%	49	49	49	0.0%
Standing Rock Reservation	65	96	47.6%	101	107	118	23.0%
Turtle Mountain Reservation	78	63	-19.2%	65	67	69	9.5%
Region 1	638	939	47.2%	1,060	1,450	1,881	100.3%
Region 2	1,923	2,111	9.8%	2,227	2,554	2,861	35.5%
Region 3	1,075	1,169	8.7%	1,280	1,449	1,596	36.5%
Region 4	1,753	2,154	22.9%	2,470	2,790	3,004	39.5%
Region 5	4,616	5,299	14.8%	6,845	8,384	9,625	81.6%
Region 6	2,062	2,060	-0.1%	2,196	2,386	2,530	22.8%
Region 7	3,332	3,740	12.2%	4,479	5,371	6,105	63.2%
Region 8	1,050	1,025	-2.4%	1,100	1,335	1,564	52.6%

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Table 2.45 Numeric and Percent Change in North Dakota Renter-Occupied Housing Unit Projections by Age of Householder, 2014 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Change in Renter-Occupied Housing Units by Age of Householder									
	Total		Less than 25		Ages 25 to 44		Ages 45 to 64		Ages 65 and older	
	Numeric	Percent	Numeric	Percent	Numeric	Percent	Numeric	Percent	Numeric	Percent
North Dakota	25,664	22.9%	1,001	4.0%	13,466	31.4%	526	2.0%	10,670	57.7%
Adams County	62	20.1%	23	28.6%	44	45.7%	-11	-22.8%	7	8.1%
Barnes County	45	3.0%	-13	-4.5%	-41	-9.6%	-55	-21.5%	154	29.6%
Benson County	-73	-8.9%	6	12.9%	-37	-11.0%	-85	-28.1%	43	32.8%
Billings County	-3	-3.1%	1	6.5%	-6	-20.1%	-1	-2.0%	4	30.7%
Bottineau County	75	10.2%	98	86.0%	-20	-10.8%	-51	-21.0%	50	25.6%
Bowman County	35	9.8%	17	37.0%	7	5.6%	-13	-14.9%	23	25.1%
Burke County	23	6.5%	49	51.5%	-12	-8.1%	-11	-15.6%	-3	-5.3%
Burleigh County	3,648	31.7%	643	27.4%	1,060	27.2%	202	6.6%	1,742	80.5%
Cass County	9,822	28.2%	680	7.5%	4,343	29.9%	838	12.1%	3,962	92.1%
Cavalier County	-28	-12.2%	-2	-8.5%	8	17.2%	-27	-51.2%	-7	-6.1%
Dickey County	-16	-2.5%	52	31.4%	-54	-32.0%	-32	-23.4%	19	12.3%
Divide County	59	31.1%	1	14.8%	63	77.2%	-5	-8.6%	0	0.6%
Dunn County	96	30.8%	26	50.2%	61	41.3%	-6	-7.2%	16	60.4%
Eddy County	-30	-10.5%	3	9.0%	-11	-10.0%	-31	-42.0%	9	13.8%
Emmons County	-4	-1.4%	-9	-11.7%	17	32.3%	-26	-43.4%	14	12.0%
Foster County	-11	-2.7%	-7	-8.0%	0	0.2%	-19	-26.4%	16	16.3%
Golden Valley County	30	13.5%	-1	-10.2%	20	24.5%	16	21.9%	-5	-9.1%
Grand Forks County	1,191	8.2%	-1,054	-21.5%	1,871	34.1%	-410	-15.4%	784	53.1%
Grant County	-22	-8.7%	4	10.6%	-16	-22.1%	-24	-42.2%	14	15.4%
Griggs County	-40	-15.0%	3	18.5%	-9	-12.3%	-33	-39.3%	-1	-1.4%
Hettinger County	59	27.7%	26	69.3%	39	52.1%	-2	-4.6%	-5	-9.0%
Kidder County	4	1.8%	1	2.5%	-1	-1.5%	-12	-37.3%	17	27.6%
LaMoure County	-7	-1.8%	10	12.1%	2	1.9%	-44	-41.2%	25	20.7%
Logan County	8	5.3%	3	6.1%	21	54.8%	-6	-20.9%	-10	-27.9%
McHenry County	-2	-0.3%	12	21.1%	-28	-14.6%	-4	-3.2%	18	12.7%
McIntosh County	-21	-8.9%	-3	-15.3%	1	0.8%	-16	-42.3%	-2	-2.6%
McKenzie County	1,563	100.0%	36	53.1%	742	99.3%	427	82.7%	358	155.0%
McLean County	128	13.3%	61	37.5%	30	11.1%	-44	-16.4%	82	31.0%
Mercer County	118	17.9%	28	26.5%	73	32.7%	-58	-32.7%	75	49.9%
Morton County	536	18.1%	30	5.5%	127	13.4%	-3	-0.4%	382	54.4%
Mountrail County	430	38.6%	14	22.4%	201	39.0%	76	19.5%	140	92.8%
Nelson County	-5	-1.9%	3	9.8%	27	22.3%	-36	-47.6%	1	1.1%
Oliver County	25	19.7%	-4	-20.9%	21	61.6%	-12	-51.3%	20	36.9%
Pembina County	-34	-4.5%	-4	-5.9%	-20	-7.8%	-81	-43.1%	71	29.6%
Pierce County	26	5.1%	-2	-3.6%	16	13.5%	-35	-33.2%	47	21.0%
Ramsay County	195	10.4%	-2	-1.6%	78	11.9%	-123	-24.7%	242	42.6%
Ransom County	-10	-1.5%	-6	-8.8%	52	30.9%	-66	-26.8%	9	4.5%
Renville County	-24	-9.1%	3	9.5%	-16	-15.2%	-18	-27.0%	7	10.6%
Richland County	208	11.8%	6	1.3%	185	33.1%	-113	-29.0%	130	40.5%
Rolette County	220	15.2%	63	36.9%	65	9.5%	-29	-7.3%	120	61.6%
Sargent County	18	4.6%	-5	-8.4%	20	16.7%	-33	-28.8%	36	39.5%
Sheridan County	-13	-14.5%	0	-	4	39.6%	-13	-33.9%	-3	-8.2%
Sioux County	147	23.1%	8	23.8%	71	28.5%	46	17.9%	22	23.0%
Slope County	6	11.5%	0	1.4%	5	15.9%	-1	-15.5%	1	15.9%
Stark County	1,510	39.2%	386	49.7%	401	27.8%	224	24.0%	499	71.6%
Steele County	2	0.9%	-6	-15.3%	-26	-39.3%	-28	-50.1%	62	73.0%
Stutsman County	-32	-1.0%	20	4.4%	-62	-6.6%	-254	-26.2%	264	33.9%
Towner County	-5	-2.3%	6	39.5%	3	5.6%	-34	-51.2%	20	19.1%
Trail County	0	0.0%	-12	-9.6%	-61	-20.4%	-53	-30.6%	127	42.9%
Walsh County	-72	-5.9%	-3	-1.6%	63	21.7%	-127	-35.7%	-5	-1.4%
Ward County	2,622	24.1%	-368	-13.0%	2,229	48.9%	269	12.2%	491	38.2%
Wells County	-3	-0.8%	6	10.0%	31	35.4%	-47	-37.1%	6	3.9%
Williams County	3,213	61.9%	181	31.2%	1,884	77.3%	564	37.4%	584	88.1%
Bismarck city	3,416	30.7%	551	23.3%	1,003	27.2%	58	2.0%	1,805	84.6%
Devils Lake city	125	7.6%	-4	-2.7%	56	10.3%	-122	-27.5%	196	37.7%
Dickinson city	1,215	35.6%	328	46.3%	497	38.5%	111	14.4%	279	43.3%
Fargo city	8,342	28.1%	689	8.3%	3,574	29.2%	576	10.1%	3,503	105.0%
Grand Forks city	900	6.8%	-1,022	-21.6%	1,661	35.1%	-500	-20.4%	761	57.2%
Jamestown city	-6	-0.2%	32	7.8%	-51	-6.6%	-252	-28.4%	265	36.8%
Mandan city	401	16.0%	6	1.2%	103	12.6%	-38	-6.7%	329	52.2%
Minot city	1,808	21.8%	-330	-15.6%	1,787	55.7%	72	3.9%	278	24.8%
Valley City city	49	3.8%	8	3.0%	-53	-16.1%	-52	-24.7%	146	30.1%
Wahpeton city	126	9.8%	25	5.8%	149	36.3%	-102	-34.3%	54	36.3%
West Fargo city	1,159	27.7%	-3	-0.5%	426	23.7%	44	4.4%	691	94.5%
Williston city	2,151	48.9%	148	29.6%	1,455	71.5%	309	23.7%	240	42.9%
Fort Berthold Reservation	254	23.1%	16	22.5%	111	23.0%	101	23.3%	26	23.4%
Spirit Lake Reservation	2	0.3%	0	0.0%	1	0.4%	1	0.4%	0	0.0%
Standing Rock Reservation	147	23.1%	8	23.8%	71	28.5%	46	17.9%	22	23.0%
Turtle Mountain Reservation	75	8.9%	7	9.6%	38	8.8%	24	8.8%	6	9.5%
Region 1	4,835	69.7%	218	33.3%	2,689	82.3%	986	47.4%	942	100.3%
Region 2	3,151	21.9%	-196	-6.0%	2,371	40.7%	226	7.0%	750	35.5%
Region 3	278	5.7%	74	16.6%	106	5.6%	-329	-23.7%	427	36.5%
Region 4	1,079	6.4%	-1,059	-20.3%	1,942	31.6%	-655	-20.0%	850	39.5%
Region 5	10,040	25.9%	656	6.6%	4,513	28.7%	544	6.9%	4,326	81.6%
Region 6	-78	-1.1%	69	5.6%	-110	-5.4%	-507	-27.9%	470	22.8%
Region 7	4,566	25.8%	762	22.8%	1,384	23.6%	55	1.2%	2,365	63.2%
Region 8	1,793	33.2%	477	46.9%	571	28.0%	205	15.5%	539	52.6%

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Table 2.46 North Dakota Household Projections for Extremely Low Income Households, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Extremely Low Income Households - Earning 0% to 30% of the Median Family Income (MFI)						% change: 2014 to 2029
	2014	Projections					
		2019	2024	2029			
North Dakota	50,607	54,703	58,249	62,538		23.6%	
Adams County	149	153	160	162		9.0%	
Barnes County	760	789	799	809		6.5%	
Benson County	626	623	620	611		-2.3%	
Billings County	64	61	65	71		11.6%	
Bottineau County	587	589	614	643		9.6%	
Bowman County	203	204	228	235		15.6%	
Burke County	217	207	207	218		0.4%	
Burleigh County	4,710	5,292	5,965	6,665		41.5%	
Cass County	11,307	12,623	13,659	14,900		31.8%	
Cavalier County	229	216	207	193		-15.8%	
Dickey County	374	365	385	392		4.7%	
Divide County	182	174	179	187		2.8%	
Dunn County	236	266	296	319		35.4%	
Eddy County	226	233	229	217		-4.1%	
Emmons County	380	375	378	381		0.4%	
Foster County	288	278	288	296		2.6%	
Golden Valley County	196	200	200	211		7.4%	
Grand Forks County	6,332	6,508	6,370	6,745		6.5%	
Grant County	270	275	273	265		-2.0%	
Griggs County	149	146	144	139		-6.4%	
Hettinger County	141	143	139	141		0.0%	
Kidder County	196	208	219	213		8.7%	
LaMoure County	354	379	387	377		6.4%	
Logan County	159	152	137	129		-18.7%	
McHenry County	461	468	479	487		5.6%	
McIntosh County	313	293	284	276		-11.9%	
McKenzie County	606	897	1,075	1,265		108.6%	
McLean County	709	756	796	814		14.9%	
Mercer County	635	684	755	794		25.1%	
Morton County	1,662	1,826	2,034	2,207		32.8%	
Mountrail County	541	647	730	813		50.2%	
Nelson County	311	292	290	279		-10.2%	
Oliver County	123	138	151	153		24.5%	
Pembina County	498	502	510	503		1.0%	
Pierce County	428	428	444	473		10.6%	
Ramsey County	1,056	1,106	1,183	1,264		19.8%	
Ransom County	363	358	353	348		-4.2%	
Renville County	167	166	165	164		-1.6%	
Richland County	1,107	1,184	1,209	1,251		13.0%	
Rolette County	1,796	1,955	2,070	2,186		21.7%	
Sargent County	252	274	283	284		12.8%	
Sheridan County	111	107	103	97		-12.4%	
Sioux County	307	348	364	380		23.8%	
Slope County	57	65	69	65		13.6%	
Stark County	1,744	2,004	2,304	2,635		51.0%	
Steele County	120	127	143	166		38.4%	
Stutsman County	1,561	1,613	1,655	1,726		10.6%	
Towner County	180	189	191	182		1.0%	
Traill County	565	592	615	640		13.3%	
Walsh County	950	922	909	901		-5.1%	
Ward County	3,495	3,842	4,078	4,368		25.0%	
Wells County	398	385	389	394		-1.0%	
Williams County	1,759	2,076	2,470	2,904		65.1%	
Bismarck city	4,458	4,976	5,599	6,284		41.0%	
Devils Lake city	928	951	1,005	1,076		15.9%	
Dickinson city	1,403	1,533	1,707	1,903		35.7%	
Fargo city	9,598	10,757	11,513	12,583		31.1%	
Grand Forks city	5,898	6,017	5,847	6,191		5.0%	
Jamestown city	1,226	1,274	1,302	1,363		11.2%	
Mandan city	1,246	1,345	1,504	1,628		30.7%	
Minot city	2,846	2,989	3,127	3,337		17.2%	
Valley City city	571	605	600	610		6.8%	
Wahpeton city	657	711	680	696		6.0%	
West Fargo city	1,258	1,459	1,662	1,799		43.0%	
Williston city	1,366	1,431	1,656	1,918		40.4%	
Fort Berthold Reservation	513	552	592	631		23.0%	
Spirit Lake Reservation	409	409	409	409		0.0%	
Standing Rock Reservation	307	348	364	380		23.8%	
Turtle Mountain Reservation	1,118	1,151	1,183	1,217		8.9%	
Region 1	2,547	3,147	3,724	4,356		71.0%	
Region 2	5,896	6,347	6,717	7,166		21.5%	
Region 3	4,112	4,322	4,500	4,653		13.1%	
Region 4	8,090	8,224	8,079	8,428		4.2%	
Region 5	13,714	15,158	16,262	17,589		28.3%	
Region 6	4,356	4,400	4,468	4,538		4.2%	
Region 7	9,101	10,009	11,038	11,969		31.5%	
Region 8	2,790	3,096	3,461	3,839		37.6%	

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Table 2.47 North Dakota Household Projections for Very Low Income Households, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Very Low Income Households - Earning 31% to 50% of the Median Family Income (MFI)				
	2014	Projections			% change: 2014 to 2029
		2019	2024	2029	
North Dakota	49,919	55,178	58,929	62,579	25.4%
Adams County	194	196	202	205	5.8%
Barnes County	795	832	837	855	7.5%
Benson County	445	442	437	428	-3.8%
Billings County	26	26	28	29	11.2%
Bottineau County	480	495	518	537	11.8%
Bowman County	161	164	178	185	14.6%
Burke County	141	141	140	136	-3.9%
Burleigh County	5,452	6,108	6,848	7,581	39.1%
Cass County	12,682	14,540	15,849	17,150	35.2%
Cavalier County	260	246	234	215	-17.4%
Dickey County	414	400	396	391	-5.7%
Divide County	154	153	150	158	2.3%
Dunn County	214	237	263	283	32.4%
Eddy County	144	147	148	144	0.0%
Emmons County	361	354	348	350	-3.1%
Foster County	182	179	184	188	3.4%
Golden Valley County	154	156	158	174	12.9%
Grand Forks County	5,098	5,554	5,743	5,898	15.7%
Grant County	173	173	164	160	-7.7%
Griggs County	225	216	208	198	-12.2%
Hettinger County	201	214	215	219	8.8%
Kidder County	165	168	163	158	-4.5%
LaMoure County	254	266	264	252	-0.9%
Logan County	159	153	141	136	-14.3%
McHenry County	435	442	445	448	3.1%
McIntosh County	301	293	278	266	-11.7%
McKenzie County	668	967	1,208	1,511	126.3%
McLean County	696	758	795	807	15.9%
Mercer County	362	391	431	451	24.7%
Morton County	1,874	2,043	2,245	2,407	28.4%
Mountrail County	399	487	550	609	52.5%
Nelson County	217	210	211	205	-5.6%
Oliver County	93	105	114	114	22.1%
Pembina County	570	562	562	550	-3.5%
Pierce County	365	365	372	387	6.2%
Ramsey County	886	895	913	929	4.9%
Ransom County	391	389	398	403	3.0%
Renville County	131	127	125	125	-4.6%
Richland County	908	965	1,001	1,032	13.6%
Rolette County	680	735	763	793	16.7%
Sargent County	227	257	262	259	13.9%
Sheridan County	89	88	87	86	-3.3%
Sioux County	194	215	228	237	22.2%
Slope County	55	62	63	59	6.8%
Stark County	1,867	2,173	2,421	2,683	43.7%
Steele County	147	143	148	158	7.8%
Stutsman County	1,522	1,538	1,559	1,567	2.9%
Towner County	157	169	166	151	-3.6%
Traill County	509	524	521	520	2.2%
Walsh County	761	727	697	675	-11.3%
Ward County	4,949	5,503	5,779	6,126	23.8%
Wells County	348	339	336	338	-3.0%
Williams County	1,583	2,146	2,435	2,653	67.6%
Bismarck city	4,872	5,435	6,094	6,764	38.8%
Devils Lake city	621	621	617	617	-0.6%
Dickinson city	1,450	1,652	1,816	1,978	36.4%
Fargo city	10,293	11,951	12,959	14,076	36.8%
Grand Forks city	4,318	4,674	4,814	4,921	14.0%
Jamestown city	1,306	1,319	1,335	1,343	2.8%
Mandan city	1,431	1,532	1,683	1,800	25.8%
Minot city	3,792	4,073	4,284	4,533	19.5%
Valley City city	567	610	597	612	7.9%
Wahpeton city	467	514	525	535	14.6%
West Fargo city	1,806	1,993	2,197	2,338	29.5%
Williston city	1,238	1,617	1,775	1,881	52.0%
Fort Berthold Reservation	238	257	275	292	22.7%
Spirit Lake Reservation	211	211	211	211	0.0%
Standing Rock Reservation	194	215	228	237	22.2%
Turtle Mountain Reservation	393	404	416	428	8.9%
Region 1	2,405	3,266	3,793	4,322	79.7%
Region 2	6,900	7,560	7,929	8,368	21.3%
Region 3	2,571	2,634	2,661	2,660	3.4%
Region 4	6,645	7,053	7,213	7,328	10.3%
Region 5	14,864	16,818	18,179	19,522	31.3%
Region 6	4,202	4,216	4,203	4,191	-0.3%
Region 7	9,460	10,403	11,423	12,351	30.6%
Region 8	2,872	3,228	3,528	3,837	33.6%

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Table 2.48 North Dakota Household Projections for Low Income Households, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Low Income Households - Earning 51% to 80% of the Median Family Income (MFI)					% change: 2014 to 2029
	2014	2019	Projections		2029	
			2024	2029		
North Dakota	68,690	75,587	79,668	83,184	21.1%	
Adams County	300	305	311	315	4.9%	
Barnes County	1,118	1,119	1,112	1,088	-2.7%	
Benson County	580	570	558	544	-6.3%	
Billings County	89	93	93	89	0.4%	
Bottineau County	596	600	619	635	6.6%	
Bowman County	264	270	271	275	4.3%	
Burke County	200	195	190	186	-6.9%	
Burleigh County	8,007	8,860	9,815	10,760	34.4%	
Cass County	16,494	18,850	20,284	21,712	31.6%	
Cavalier County	377	362	347	326	-13.5%	
Dickey County	519	505	493	481	-7.2%	
Divide County	210	228	236	243	15.6%	
Dunn County	285	309	346	374	31.4%	
Eddy County	274	256	235	218	-20.4%	
Emmons County	402	384	368	345	-14.2%	
Foster County	369	361	346	336	-8.9%	
Golden Valley County	124	125	120	129	4.0%	
Grand Forks County	6,611	7,225	7,535	7,582	14.7%	
Grant County	274	262	241	225	-18.0%	
Griggs County	265	240	222	203	-23.5%	
Hettinger County	306	337	337	341	11.3%	
Kidder County	236	239	231	221	-6.6%	
LaMoure County	461	475	449	424	-8.1%	
Logan County	215	216	202	204	-5.3%	
McHenry County	592	598	587	582	-1.8%	
McIntosh County	295	291	270	256	-13.3%	
McKenzie County	789	1,176	1,398	1,616	104.9%	
McLean County	946	1,008	1,020	1,019	7.7%	
Mercer County	712	743	779	801	12.5%	
Morton County	3,087	3,289	3,453	3,592	16.3%	
Mountrail County	625	758	803	845	35.2%	
Nelson County	361	352	353	346	-4.1%	
Oliver County	163	155	151	150	-8.1%	
Pembina County	836	813	787	756	-9.6%	
Pierce County	400	395	380	370	-7.5%	
Ramsey County	1,085	1,099	1,121	1,141	5.1%	
Ransom County	514	506	499	494	-3.8%	
Renville County	242	242	231	217	-10.5%	
Richland County	1,492	1,518	1,580	1,606	7.6%	
Rolette County	959	1,024	1,032	1,045	8.9%	
Sargent County	430	455	450	436	1.4%	
Sheridan County	188	183	171	163	-13.4%	
Sioux County	237	263	277	290	22.2%	
Slope County	34	34	31	33	-1.6%	
Stark County	2,306	2,688	2,931	3,239	40.4%	
Steele County	258	259	246	222	-13.8%	
Stutsman County	2,428	2,415	2,410	2,394	-1.4%	
Towner County	202	208	197	177	-12.3%	
Traill County	734	752	737	726	-1.1%	
Walsh County	1,217	1,196	1,170	1,150	-5.5%	
Ward County	6,133	7,177	7,679	7,980	30.1%	
Wells County	503	493	480	468	-7.0%	
Williams County	2,344	3,111	3,484	3,814	62.7%	
Bismarck city	6,917	7,594	8,400	9,227	33.4%	
Devils Lake city	776	780	788	803	3.5%	
Dickinson city	1,650	1,909	2,038	2,188	32.6%	
Fargo city	12,699	14,638	15,620	16,681	31.4%	
Grand Forks city	5,386	5,840	6,095	6,096	13.2%	
Jamestown city	1,914	1,882	1,870	1,855	-3.1%	
Mandan city	2,327	2,424	2,522	2,600	11.7%	
Minot city	4,445	5,249	5,641	5,798	30.4%	
Valley City city	667	676	664	657	-1.4%	
Wahpeton city	693	699	731	729	5.2%	
West Fargo city	2,496	2,729	2,991	3,203	28.3%	
Williston city	1,666	2,034	2,222	2,417	45.1%	
Fort Berthold Reservation	499	537	575	614	23.0%	
Spirit Lake Reservation	264	264	264	264	0.0%	
Standing Rock Reservation	237	263	277	290	22.2%	
Turtle Mountain Reservation	573	590	606	623	8.7%	
Region 1	3,343	4,515	5,118	5,673	69.7%	
Region 2	8,789	9,965	10,489	10,815	23.1%	
Region 3	3,477	3,519	3,490	3,451	-0.8%	
Region 4	9,025	9,586	9,845	9,834	9.0%	
Region 5	19,922	22,340	23,796	25,196	26.5%	
Region 6	6,173	6,115	5,984	5,854	-5.2%	
Region 7	14,254	15,386	16,506	17,566	23.2%	
Region 8	3,707	4,161	4,440	4,795	29.3%	

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Table 2.49 North Dakota Household Projections for Lower Moderate Income Households, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Lower Moderate Income Households - Earning 81% to 115% of the Median Family Income (MFI)				
	2014	2019	Projections		% change: 2014 to 2029
			2024	2029	
North Dakota	35,211	39,247	41,168	42,632	21.1%
Adams County	128	133	138	140	9.8%
Barnes County	641	641	636	616	-4.0%
Benson County	203	200	198	195	-3.9%
Billings County	26	28	27	27	3.6%
Bottineau County	257	250	250	248	-3.6%
Bowman County	148	156	156	155	4.6%
Burke County	91	88	85	86	-5.2%
Burleigh County	4,530	4,970	5,456	5,944	31.2%
Cass County	8,427	9,699	10,381	10,996	30.5%
Cavalier County	164	151	137	122	-25.5%
Dickey County	264	257	233	217	-17.9%
Divide County	112	134	143	145	29.8%
Dunn County	127	136	147	158	24.9%
Eddy County	143	143	133	121	-15.6%
Emmons County	107	99	92	83	-22.3%
Foster County	188	186	180	176	-6.3%
Golden Valley County	67	65	68	77	14.6%
Grand Forks County	2,885	3,126	3,234	3,245	12.5%
Grant County	78	80	71	63	-19.4%
Griggs County	113	101	92	83	-26.4%
Hettinger County	120	138	143	146	22.2%
Kidder County	129	129	122	115	-10.8%
LaMoure County	228	233	213	197	-13.7%
Logan County	91	95	97	98	8.1%
McHenry County	335	333	337	336	0.3%
Md ntosh County	99	94	84	76	-23.5%
McKenzie County	614	904	1,043	1,183	92.8%
McLean County	436	464	466	464	6.4%
Mercer County	391	405	411	413	5.6%
Morton County	1,403	1,497	1,539	1,578	12.4%
Mountrail County	408	511	537	554	35.6%
Nelson County	196	184	174	165	-15.8%
Oliver County	77	85	88	84	9.6%
Pembina County	381	364	340	320	-16.1%
Pierce County	254	246	232	219	-13.8%
Ramsey County	477	489	500	505	5.9%
Ransom County	313	309	307	308	-1.6%
Renville County	132	127	123	121	-8.4%
Richland County	752	759	784	793	5.5%
Rolette County	373	396	400	403	8.1%
Sargent County	239	268	262	250	4.8%
Sheridan County	69	67	59	55	-20.7%
Sioux County	104	120	125	129	24.0%
Slope County	48	55	54	49	1.4%
Stark County	1,546	1,852	1,975	2,107	36.3%
Steele County	99	96	90	80	-19.5%
Stutsman County	1,113	1,082	1,055	1,028	-7.6%
Towner County	135	142	129	112	-17.1%
Traill County	417	412	390	364	-12.6%
Walsh County	617	585	556	539	-12.6%
Ward County	3,135	3,732	4,024	4,152	32.4%
Wells County	189	187	186	185	-2.1%
Williams County	1,593	2,244	2,466	2,607	63.7%
Bismarck city	3,655	3,972	4,356	4,762	30.3%
Devils Lake city	288	302	310	318	10.4%
Dickinson city	1,287	1,538	1,630	1,717	33.4%
Fargo city	5,481	6,369	6,784	7,189	31.2%
Grand Forks city	2,283	2,482	2,599	2,587	13.3%
Jamestown city	784	754	732	724	-7.7%
Mandan city	912	965	998	1,018	11.7%
Minot city	2,163	2,550	2,747	2,824	30.5%
Valley City city	425	432	420	410	-3.6%
Wahpeton city	338	345	360	361	6.9%
West Fargo city	1,976	2,127	2,302	2,422	22.6%
Williston city	1,120	1,554	1,672	1,726	54.1%
Fort Berthold Reservation	207	223	238	256	23.7%
Spirit Lake Reservation	72	72	72	72	0.0%
Standing Rock Reservation	104	120	125	129	24.0%
Turtle Mountain Reservation	210	217	222	230	9.5%
Region 1	2,318	3,282	3,652	3,935	69.8%
Region 2	4,613	5,287	5,588	5,716	23.9%
Region 3	1,495	1,521	1,497	1,458	-2.5%
Region 4	4,079	4,259	4,304	4,269	4.7%
Region 5	10,246	11,543	12,214	12,791	24.8%
Region 6	2,926	2,876	2,776	2,676	-8.5%
Region 7	7,324	7,916	8,429	8,928	21.9%
Region 8	2,209	2,563	2,708	2,859	29.4%

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Table 2.52 North Dakota Household Projections for Tax Credit Households, 2019 to 2029

Sources: U.S. Census Bureau and the Center for Social Research at NDSU

Area	Tax Credit Income Households - Earning 0% to 60% of the Median Family Income (MFI)					% change: 2014 to 2029
	2014	Projections			2029	
		2019	2024	2029		
North Dakota	115,438	126,203	134,390	143,168	24.0%	
Adams County	407	413	425	431	6.0%	
Barnes County	1,738	1,805	1,822	1,851	6.5%	
Benson County	1,201	1,193	1,184	1,163	-3.1%	
Billings County	104	101	108	117	12.2%	
Bottineau County	1,174	1,194	1,249	1,311	11.7%	
Bowman County	430	430	467	484	12.5%	
Burke County	415	404	401	402	-3.1%	
Burleigh County	11,752	13,156	14,751	16,368	39.3%	
Cass County	27,674	31,353	34,036	36,933	33.5%	
Cavalier County	574	544	520	484	-15.7%	
Dickey County	868	845	858	856	-1.4%	
Divide County	390	376	380	398	2.0%	
Dunn County	495	550	608	654	32.1%	
Eddy County	431	436	429	410	-4.8%	
Emmons County	817	803	796	799	-2.2%	
Foster County	559	542	552	562	0.6%	
Golden Valley County	410	417	414	443	7.9%	
Grand Forks County	12,924	13,722	13,863	14,394	11.4%	
Grant County	502	498	489	476	-5.2%	
Griggs County	449	427	411	388	-13.5%	
Hettinger County	396	414	411	415	4.7%	
Kidder County	416	433	439	426	2.4%	
LaMoure County	695	734	739	716	3.1%	
Logan County	366	352	320	311	-15.0%	
McHenry County	1,066	1,083	1,093	1,103	3.5%	
McIntosh County	698	667	642	620	-11.1%	
McKenzie County	1,382	2,021	2,471	2,997	116.8%	
McLean County	1,618	1,743	1,828	1,858	14.8%	
Mercer County	1,260	1,351	1,481	1,555	23.4%	
Morton County	4,173	4,546	4,984	5,348	28.2%	
Mountrail County	1,034	1,249	1,401	1,550	49.9%	
Nelson County	632	605	602	585	-7.5%	
Oliver County	246	269	287	290	18.0%	
Pembina County	1,235	1,230	1,232	1,206	-2.3%	
Pierce County	885	883	902	946	6.9%	
Ramsey County	2,231	2,301	2,410	2,520	13.0%	
Ransom County	860	854	857	857	-0.3%	
Renville County	334	330	325	322	-3.7%	
Richland County	2,300	2,452	2,534	2,620	13.9%	
Rolette County	2,690	2,919	3,062	3,208	19.2%	
Sargent County	546	602	612	607	11.1%	
Sheridan County	231	226	222	211	-8.5%	
Sioux County	552	624	652	681	23.3%	
Slope County	116	130	135	129	10.8%	
Stark County	4,156	4,810	5,430	6,101	46.8%	
Steele County	305	308	323	350	14.8%	
Stutsman County	3,642	3,717	3,778	3,864	6.1%	
Towner County	368	388	385	358	-2.6%	
Traill County	1,295	1,346	1,360	1,384	6.9%	
Walsh County	1,962	1,893	1,846	1,814	-7.5%	
Ward County	9,901	10,992	11,609	12,343	24.7%	
Wells County	869	841	836	840	-3.3%	
Williams County	3,666	4,681	5,419	6,109	66.6%	
Bismarck city	10,768	11,980	13,421	14,940	38.7%	
Devils Lake city	1,775	1,803	1,864	1,945	9.6%	
Dickinson city	3,309	3,715	4,104	4,510	36.3%	
Fargo city	22,850	26,094	28,096	30,563	33.8%	
Grand Forks city	11,421	12,029	12,073	12,508	9.5%	
Jamestown city	2,951	3,011	3,047	3,120	5.7%	
Mandan city	3,216	3,433	3,763	4,023	25.1%	
Minot city	7,677	8,214	8,650	9,170	19.4%	
Valley City city	1,230	1,312	1,295	1,322	7.5%	
Wahpeton city	1,230	1,339	1,334	1,360	10.6%	
West Fargo city	3,552	4,010	4,483	4,816	35.6%	
Williston city	2,750	3,252	3,653	4,028	46.5%	
Fort Berthold Reservation	849	914	980	1,046	23.2%	
Spirit Lake Reservation	695	697	697	697	0.3%	
Standing Rock Reservation	552	624	652	681	23.3%	
Turtle Mountain Reservation	1,643	1,692	1,738	1,789	8.9%	
Region 1	5,438	7,078	8,270	9,504	74.8%	
Region 2	14,809	16,135	16,980	17,977	21.4%	
Region 3	7,494	7,781	7,990	8,143	8.7%	
Region 4	16,754	17,450	17,543	17,999	7.4%	
Region 5	32,980	36,915	39,722	42,751	29.6%	
Region 6	9,882	9,930	9,958	10,008	1.3%	
Region 7	21,567	23,649	25,929	28,012	29.9%	
Region 8	6,515	7,265	7,998	8,774	34.7%	

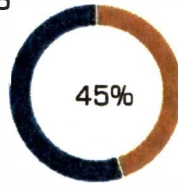
District 17 Affordable Housing Facts

POPULATION
15,878

HOUSEHOLDS
6,789

MEDIAN HOUSEHOLD INCOME
\$76,796

RENTER HOUSEHOLDS
2,146



are cost burdened



SENIOR HOUSEHOLDS
1,586

SENIOR HOUSEHOLDS WITH FOOD STAMPS
61

SENIORS WITH A DISABILITY
621

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
1,299

WITH FOOD STAMPS
88



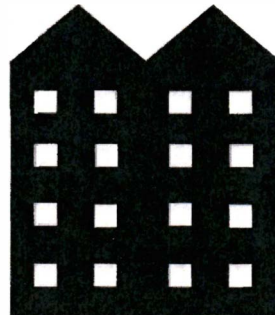
HOUSEHOLDS WITH FOOD STAMPS
336

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
\$15,000



HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
1,779

AVERAGE SOCIAL SECURITY INCOME PER YEAR
\$21,312



EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLDS PROJECTIONS (2014-2029)
Grand Forks + 1,213

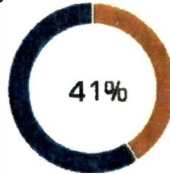
District 40 Affordable Housing Facts

POPULATION
15,684

HOUSEHOLDS
5,927

MEDIAN HOUSEHOLD INCOME
\$62,101

RENTER HOUSEHOLDS
3,296



are cost burdened



SENIOR HOUSEHOLDS
688

SENIOR HOUSEHOLDS WITH FOOD STAMPS
55

SENIORS WITH A DISABILITY
277

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
972

WITH FOOD STAMPS
76



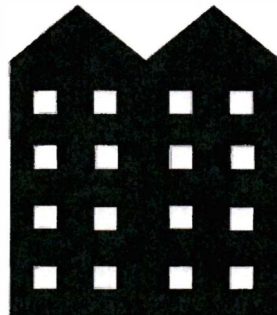
HOUSEHOLDS WITH FOOD STAMPS
254

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
\$22,955



HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
768

AVERAGE SOCIAL SECURITY INCOME PER YEAR
\$17,946



EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLDS PROJECTIONS (2014-2029)
Ward +2,050

HIF MAKES A DIFFERENCE

3 HIF projects for a total of 127 units

- Fieldcrest
- Kenwood on Fifth
- Sunset Ridge



\$4.63 leveraged for each HIF dollar invested

Sm. Wanzek

2 HB 1014
3-4-2019

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District 29 Affordable Housing Facts

POPULATION
13,410

HOUSEHOLDS
5,783

MEDIAN HOUSEHOLD INCOME
\$61,164

RENTER HOUSEHOLDS
1,184



are cost burdened



Median Rent for a
2 bedroom apartment
Foster \$700
LaMoure \$723
Stutsman \$760

\$13.46
\$13.90
\$14.62

hourly wage
needed

SENIOR HOUSEHOLDS
1,720

SENIOR HOUSEHOLDS WITH
FOOD STAMPS
94

SENIORS WITH A DISABILITY
892

HOUSEHOLDS WITH AN
INDIVIDUAL WITH A DISABILITY
1,411

WITH FOOD STAMPS
111



HOUSEHOLDS WITH FOOD
STAMPS
258

MEDIAN INCOME OF A
HOUSEHOLD WITH FOOD
STAMPS
\$13,519



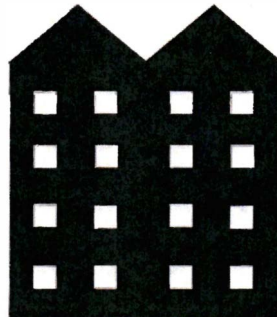
affordable rent

HOUSEHOLDS WITH A SOCIAL
SECURITY INCOME
1,855

AVERAGE SOCIAL SECURITY
INCOME PER YEAR
\$18,324



affordable rent



EXTREMELY LOW-INCOME
HOUSEHOLDS THAT ARE COST
BURDENED

Foster 152
LaMoure 79
Stutsman 702

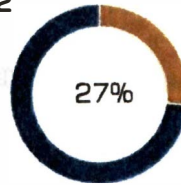
District 1 Affordable Housing Facts

POPULATION
21,473

HOUSEHOLDS
8,433

MEDIAN HOUSEHOLD INCOME
\$92,844

RENTER HOUSEHOLDS
3,202



are cost burdened



SENIOR HOUSEHOLDS
1,333

SENIOR HOUSEHOLDS WITH FOOD STAMPS
107

SENIORS WITH A DISABILITY
786

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
1,574

WITH FOOD STAMPS
216



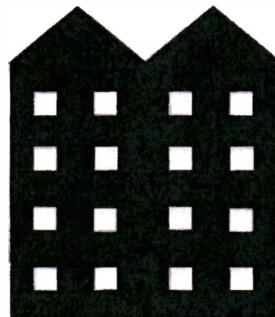
HOUSEHOLDS WITH FOOD STAMPS
657

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
\$18,533



HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
1,587

AVERAGE SOCIAL SECURITY INCOME PER YEAR
\$19,962

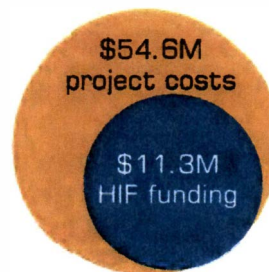


EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLDS PROJECTIONS (2014-2029)
Williams +2,216

HIF MAKES A DIFFERENCE

6 HIF projects for a total of 293 units

- 714 Place
- Mercy Heights
- Renaissance on Main
- WSC Foundation Housing I and II
- Legacy at Central Place



\$4.83 leveraged for each HIF dollar invested

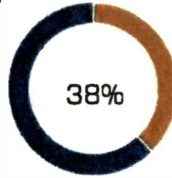
District 32 Affordable Housing Facts

POPULATION
14,757

HOUSEHOLDS
7,221

MEDIAN HOUSEHOLD INCOME
\$48,743

RENTER HOUSEHOLDS
2,804



are cost burdened



Median Rent for a
2 bedroom apartment
Burleigh* \$863

\$16.60

hourly wage
needed

*Bismarck Metropolitan Fair Market Rent Area

SENIOR HOUSEHOLDS
1,875

**SENIOR HOUSEHOLDS WITH
FOOD STAMPS**
183

SENIORS WITH A DISABILITY
892

**HOUSEHOLDS WITH AN
INDIVIDUAL WITH A DISABILITY**
1,816

WITH FOOD STAMPS
381



**HOUSEHOLDS WITH FOOD
STAMPS**
730

**MEDIAN INCOME OF A
HOUSEHOLD WITH FOOD
STAMPS**
\$12,176



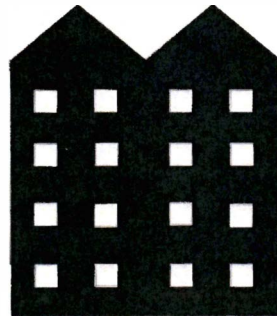
affordable rent

**HOUSEHOLDS WITH A SOCIAL
SECURITY INCOME**
2,152

**AVERAGE SOCIAL SECURITY
INCOME PER YEAR**
\$17,762



affordable rent



**EXTREMELY LOW- AND VERY
LOW-INCOME HOUSEHOLDS
PROJECTIONS (2014-2029)**
Burleigh +4.085

HIF MAKES A DIFFERENCE
2 HIF projects for a total of 70 units

- Edwinton Place
- 100 West Main Apartments



\$15.36
leveraged for
each HIF dollar invested

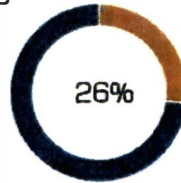
District 28 Affordable Housing Facts

POPULATION
13,513

HOUSEHOLDS
6,116

MEDIAN HOUSEHOLD INCOME
\$54,138

RENTER HOUSEHOLDS
1,118



are cost burdened

Median Rent for a
2 bedroom apartment



\$16.60
\$13.46
\$13.90

hourly wage
needed

*Bismarck Metropolitan Fair Market Rent Area

SENIOR HOUSEHOLDS
2,058

**SENIOR HOUSEHOLDS WITH
FOOD STAMPS**
168

SENIORS WITH A DISABILITY
1,042

**HOUSEHOLDS WITH AN
INDIVIDUAL WITH A DISABILITY**
1,429

WITH FOOD STAMPS
163



**HOUSEHOLDS WITH FOOD
STAMPS**
325

**MEDIAN INCOME OF A
HOUSEHOLD WITH FOOD
STAMPS**
\$15,673



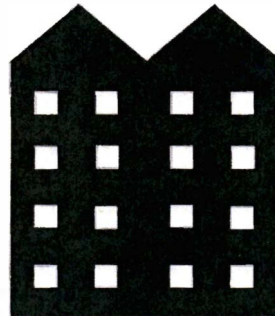
affordable rent

**HOUSEHOLDS WITH A SOCIAL
SECURITY INCOME**
2,344

**AVERAGE SOCIAL SECURITY
INCOME PER YEAR**
\$16,510



affordable rent



**EXTREMELY LOW-INCOME
HOUSEHOLDS THAT ARE COST
BURDENED**

Burleigh 2,450
Dickey 141
Emmons 52
LaMoure 79
Logan 23
McIntosh 35

HIF MAKES A DIFFERENCE

1 HIF projects for a total of 6 units
• Bel Tower Apartments, Kulm



\$4.39
leveraged for
each HIF dollar invested

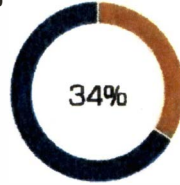
District 12 Affordable Housing Facts

POPULATION
13,795

HOUSEHOLDS
6,140

MEDIAN HOUSEHOLD INCOME
\$52,628

RENTER HOUSEHOLDS
2,718



are cost burdened



SENIOR HOUSEHOLDS
1,505

SENIOR HOUSEHOLDS WITH FOOD STAMPS
297

SENIORS WITH A DISABILITY
727

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
1,566

WITH FOOD STAMPS
478



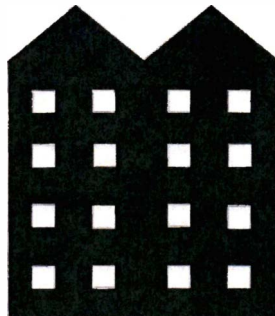
HOUSEHOLDS WITH FOOD STAMPS
760

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
\$18,571



HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
1,901

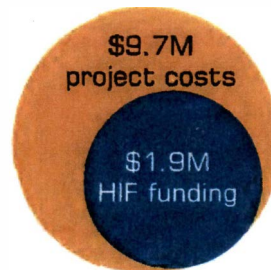
AVERAGE SOCIAL SECURITY INCOME PER YEAR
\$16,911



EXTREMELY LOW-INCOME HOUSEHOLDS THAT ARE COST BURDENED
Stutsman+210

HIF MAKES A DIFFERENCE
2 HIF projects for a total of 64 units

- Garden Hills
- Jamestown Court Rowhomes



\$5.12 leveraged for each HIF dollar invested

Sen. Hogue

2

HB 1014
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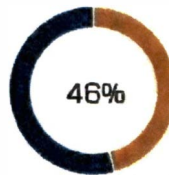
District 38 Affordable Housing Facts

POPULATION
17,997

HOUSEHOLDS
6,437

MEDIAN HOUSEHOLD INCOME
\$72,233

RENTER HOUSEHOLDS



are cost burdened



Median Rent for a
2 bedroom apartment
Ward \$1,079

\$20.75

hourly wage
needed



SENIOR HOUSEHOLDS
1,077

**SENIOR HOUSEHOLDS WITH
FOOD STAMPS**
58

SENIORS WITH A DISABILITY
457

**HOUSEHOLDS WITH AN
INDIVIDUAL WITH A DISABILITY**
1,182

WITH FOOD STAMPS
109



**HOUSEHOLDS WITH FOOD
STAMPS**
218

**MEDIAN INCOME OF A
HOUSEHOLD WITH FOOD
STAMPS**
\$18,015



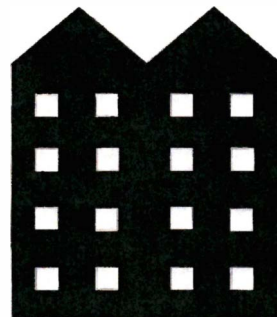
affordable rent

**HOUSEHOLDS WITH A SOCIAL
SECURITY INCOME**
1,338

**AVERAGE SOCIAL SECURITY
INCOME PER YEAR**
\$19,364



affordable rent



**EXTREMELY LOW- AND VERY
LOW-INCOME HOUSEHOLDS
PROJECTIONS (2014-2029)**
Ward +2,050

HIF MAKES A DIFFERENCE

1 HIF projects for a total of 40 units

- The Willows, Burlington



\$2.75
leveraged for
each HIF dollar invested

Sum. Lee

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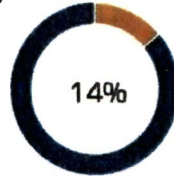
District 22 Affordable Housing Facts

POPULATION
18,977

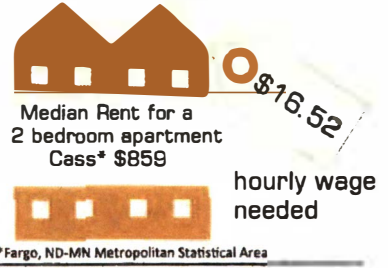
HOUSEHOLDS
6,948

MEDIAN HOUSEHOLD INCOME
\$90,313

RENTER HOUSEHOLDS
1,500



are cost burdened



SENIOR HOUSEHOLDS
1,020

SENIOR HOUSEHOLDS WITH FOOD STAMPS
41

SENIORS WITH A DISABILITY
503

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
1,221

WITH FOOD STAMPS
129



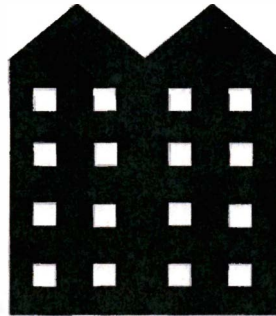
HOUSEHOLDS WITH FOOD STAMPS
245

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
\$32,431



HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
1,409

AVERAGE SOCIAL SECURITY INCOME PER YEAR
\$20,297



EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLDS PROJECTIONS (2014-2029)
Cass +8,061

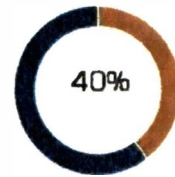
District 11 Affordable Housing Facts

POPULATION
14,590

HOUSEHOLDS
7,183

MEDIAN HOUSEHOLD INCOME
\$43,016

RENTER HOUSEHOLDS



are cost burdened



*Fargo, ND-MN Metropolitan Statistical Area

SENIOR HOUSEHOLDS
1,551

**SENIOR HOUSEHOLDS WITH
FOOD STAMPS**
130

SENIORS WITH A DISABILITY
823

**HOUSEHOLDS WITH AN
INDIVIDUAL WITH A DISABILITY**
1,657

WITH FOOD STAMPS
333



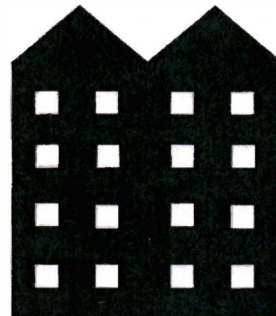
**HOUSEHOLDS WITH FOOD
STAMPS**
808

**MEDIAN INCOME OF A
HOUSEHOLD WITH FOOD
STAMPS**
\$20,625



**HOUSEHOLDS WITH A SOCIAL
SECURITY INCOME**
1,750

**AVERAGE SOCIAL SECURITY
INCOME PER YEAR**
\$16,693



**EXTREMELY LOW- AND VERY
LOW-INCOME HOUSEHOLDS
PROJECTIONS (2014-2029)**
Cass +8,061

HIF MAKES A DIFFERENCE
2 HIF projects for a total of 50 units

- Grace Garden
- Jeremiah Program



\$4.78
leveraged for
each HIF dollar invested

District 15 Affordable Housing Facts

POPULATION
13,832

HOUSEHOLDS
5,964

MEDIAN HOUSEHOLD INCOME
\$55,676

RENTER HOUSEHOLDS
2,161



are cost burdened



SENIOR HOUSEHOLDS
1,677

SENIOR HOUSEHOLDS WITH FOOD STAMPS
128

SENIORS WITH A DISABILITY
985

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
1,581

WITH FOOD STAMPS
195



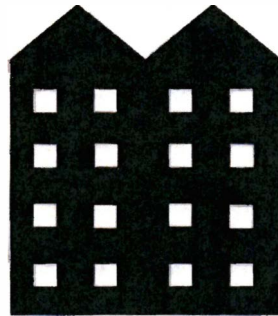
HOUSEHOLDS WITH FOOD STAMPS
480

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
\$15,446



HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
1,904

AVERAGE SOCIAL SECURITY INCOME PER YEAR
\$16,838



EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLDS PROJECTIONS (2014-2029)
Ramsey +252
Towner -4

HIF MAKES A DIFFERENCE

- 3 HIF projects for a total of 42 units
- Agassiz Circle I and II, Devils Lake
 - Lakeland Court, Devils Lake



\$3.66
leveraged for each HIF dollar invested

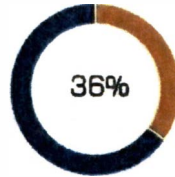
District 7 Affordable Housing Facts

POPULATION
19,026

HOUSEHOLDS
7,385

MEDIAN HOUSEHOLD INCOME
\$80,858

RENTER HOUSEHOLDS



are cost burdened

Median Rent for a
2 bedroom apartment



Median Rent for a 2
bedroom apartment
Burleigh* \$863



hourly wage
needed

*Bismarck Metropolitan Fair Market Rent Area

SENIOR HOUSEHOLDS
1,297

SENIOR HOUSEHOLDS WITH
FOOD STAMPS
30

SENIORS WITH A DISABILITY
710

HOUSEHOLDS WITH AN
INDIVIDUAL WITH A DISABILITY
1,353

WITH FOOD STAMPS
43



HOUSEHOLDS WITH FOOD
STAMPS
188

MEDIAN INCOME OF A
HOUSEHOLD WITH FOOD
STAMPS
\$25,637



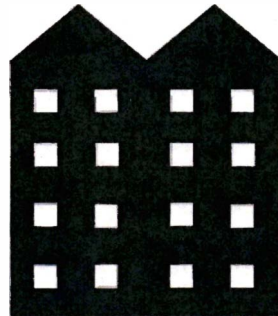
affordable rent

HOUSEHOLDS WITH A SOCIAL
SECURITY INCOME
1,467

AVERAGE SOCIAL SECURITY
INCOME PER YEAR
\$20,619



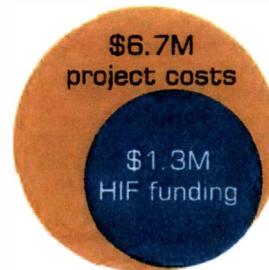
affordable rent



EXTREMELY LOW- AND VERY
LOW-INCOME HOUSEHOLDS
PROJECTIONS (2014-2029)
Burleigh +4,085

HIF MAKES A DIFFERENCE
3 HIF projects for a total of 43 units

- Independence Living
- Independence Pointe
- North 19th Street



\$5.28
leveraged for
each HIF dollar invested

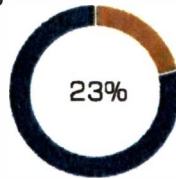
District 24 Affordable Housing Facts

POPULATION
14,341

HOUSEHOLDS
6,543

MEDIAN HOUSEHOLD INCOME
\$57,843

RENTER HOUSEHOLDS
1,995



are cost burdened



SENIOR HOUSEHOLDS
1,958

SENIOR HOUSEHOLDS WITH FOOD STAMPS
162

SENIORS WITH A DISABILITY
759

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
1,504

WITH FOOD STAMPS
282



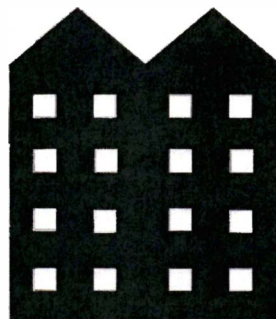
HOUSEHOLDS WITH FOOD STAMPS
507

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
\$20,000



HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
2,262

AVERAGE SOCIAL SECURITY INCOME PER YEAR
\$17,136



EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLDS PROJECTIONS (2014-2029)

Barnes + 109
Cass + 8,061
Ransom - 4

HIF MAKES A DIFFERENCE

2 HIF projects for a total of 76 units

- Meridian Apartments, Valley City
- Valley Bluffs, Valley City



\$3.33
leveraged for each HIF dollar invested

Sen Sorvaag

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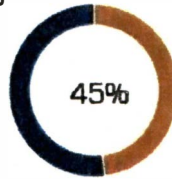
District 45 Affordable Housing Facts

POPULATION
15,319

HOUSEHOLDS
4,821

MEDIAN HOUSEHOLD INCOME
\$61,790

RENTER HOUSEHOLDS
1,408



are cost burdened



SENIOR HOUSEHOLDS
768

SENIOR HOUSEHOLDS WITH
FOOD STAMPS
34

SENIORS WITH A DISABILITY
447

HOUSEHOLDS WITH AN
INDIVIDUAL WITH A DISABILITY
833

WITH FOOD STAMPS
42



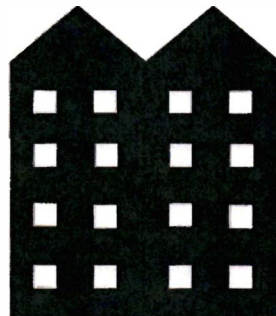
HOUSEHOLDS WITH FOOD
STAMPS
200

MEDIAN INCOME OF A
HOUSEHOLD WITH FOOD
STAMPS
\$31,548



HOUSEHOLDS WITH A SOCIAL
SECURITY INCOME
1,034

AVERAGE SOCIAL SECURITY
INCOME PER YEAR
\$19,662



EXTREMELY LOW- AND VERY
LOW-INCOME HOUSEHOLDS
PROJECTIONS (2014-2029)
Cass +8,061

3 HB 1014
3-4-2019
AJ 1

SENATE APPROPRIATIONS COMMITTEE

**TESTIMONY IN SUPPORT OF HB1014
“Housing Incentive Fund”**

Chairman Holmberg and Committee Members. My name is Jessica Thomasson, and I serve as CEO for Lutheran Social Services of North Dakota. I am here on behalf of Lutheran Social Services Housing to speak in support of the work of the ND Housing Finance Agency in helping to create and preserve affordable housing in North Dakota, and to ask for your support of the Housing Incentive Fund.

Housing is about more than a place to live. We at Lutheran Social Services know that first hand, and perhaps with a somewhat unique perspective. We are a provider of both housing and supportive services to families, seniors, in communities all across the state. In almost every hearing we have provided testimony for, we have been able to authentically reference housing and the role it played or can play in that person's road to achieving wellbeing.

In past years we have put Housing Incentive Fund dollars to work in Watford City, Belfield, Bowman, Hettinger, Beulah and Williston. The availability of this flexible yet targeted state housing development resource was the difference between these projects being built and not. We were able to create mixed income rental housing properties that served community needs, blending lower rent apartments with more moderate rent apartments to serve people across the income spectrum.

In addition to the HIF-funded projects noted above, Lutheran Social Services also manages projects that make federal rent assistance available to tenants via USDA Rural Development of the U.S. Department of Housing and Urban Development, as well as non-subsidized properties. Our experience as a landlord to over 1,000 households across rural North

#3 HB 1014
3-4-2019
AS 2

Dakota, is that having access to a safe, decent affordable place to live is absolutely essential to their wellbeing. The housing is what provides a base level of stability from which each of those individuals can build a stable and successful life.

While our individual Housing Incentive Fund projects are not built specifically to serve any specific “special needs population”, they do serve people with special needs – every single day. We – today – are providing housing for veterans who had previously been homeless, seniors who are living alone on fixed incomes, young working families who struggle to make ends meet, people in recovery from addiction and/or mental illness, men and women exiting the justice system and returning to community. People who are new to our communities and people who have been our neighbors for decades. Regular North Dakotans. Who have one thing in common – they need a safe, decent affordable place to live.

Re-investing resources into the Housing Incentive Fund can be part of making sure North Dakota has strong affordable housing infrastructure that meets the needs of people living in communities all across the state.

Thank you for the opportunity to speak to you today. I would be happy to answer any questions you have for me.

Jessica Thomasson
President/CEO, Lutheran Social Services of North Dakota
ND Lobbyist #234
Email: jessicat@lssnd.org
Phone: 701-271-3272

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HB1014 Testimony on 03/04/2019
Presented by Lorraine Davis,
Founder & Executive Director of the Native American Development Center

The President's 2019 Budget reflects his commitment to fiscal responsibility by reforming programs to encourage the dignity of work and self-sufficiency while supporting critical functions that provide assistance to vulnerable households recognizing a greater role for State and local governments and the private sector to address community and economic development needs and affordable housing production. The Budget requests an \$8.8 billion or 18.3-percent decrease from the 2017 enacted level.¹

Now taking a look at housing for Native Americans---Housing infrastructure in Indian Country continues to struggle with being able to increase housing development through new construction and rehabilitated housing. Over 70 percent of existing housing stock in tribal communities are in need of upgrades and repairs, many of them extensive. A fast-growing population amongst the Native American population will intensify existing housing needs-- From 2000 to 2010, the population of American Indians/Alaska Natives rose 18 percent, which is almost twice the population growth rate of the U.S. population in general.²

Historical and current problems have been over crowdedness, long waiting lists and unlivable standards of existing units on reservations. Poverty and unemployment rates – already high – have risen and remain consistently higher than the general American population. The unemployment rate on reservations is 25 percent – nearly six times the official unemployment rate.

Although, this is directly a federal government issue on tribal reservations, the negative impact made on tribal members attempting to transition into urban areas across North Dakota is disproportionate and has been obvious for many decades. Furthermore, this negatively impacts our state of North Dakota's resources that are underfunded to address this particular issue.

Effective ways to address this issue is through the allocation of funds towards affordable housing programs, such as, low income housing tax credits, housing incentive fund and Medicaid's 1915i. Affordable Housing and permanent supportive housing developments are dependent upon the state's allocations into the Housing Incentive Fund and Low-Income Tax Credit, and private investors.

Permanent Supportive Housing - Why it Works³

Chronic homelessness costs the state \$30,000 to \$50,000 per person per year.¹ Permanent Supportive Housing (PSH) reduces this cost by 40 percent on average. PSH combines affordable housing assistance with voluntary support services to address the needs of chronically homeless people and individuals and families at risk of becoming homeless. Services are designed to build independent living and tenancy skills, and connect people with community-based health care, treatment, employment services, childcare, and life skills coaching. A cost-effective solution, PSH has been proven to lower public costs associated with the use of crisis services such as shelters, hospitals, jails, and reduce generational dependence on public assistance.

Having A Home. HIF is leveraged as gap financing to construct or rehabilitate rental housing where all or a portion of the units are allocated for persons and families either at risk of becoming homeless or currently experiencing homelessness. **Providing Supportive Services.** HIF does not cover the cost of supportive services. Applicants seeking HIF funding must identify either a state, nonprofit or private entity that will provide services to the residents.

I ask that this governing body would support HB1014 Housing Incentive Fund.

¹ An American Budget. Fiscal Year 2019. Office of the U.S. Government, Department of Housing and Urban Development, p. 63. Retrieved from <https://www.whitehouse.gov/omb/budget/>

² U.S. Census Bureau. (2010). The American Indian and Alaska Native Population: 2010. Retrieved from <https://www.census.gov/prod/cen2010/briefs/c2010br-10.pdf>

³ North Dakota Housing Finance Agency.

Native American Development Center | 209 N. 24th St., Ste. A Bismarck ND 58501

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#4

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pg 2

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Highlights:

- The Department of Housing and Urban Development (HUD) promotes decent, safe, and affordable housing for Americans and provides access to homeownership opportunities.
- The Budget reflects the President's commitment to fiscal responsibility by reforming programs to encourage the dignity of work and self-sufficiency while supporting critical functions that provide assistance to vulnerable households. The Budget recognizes a greater role for State and local governments and the private sector to address community and economic development needs and affordable housing production.
- The Budget requests \$39.2 billion in gross discretionary funding for HUD, an \$8.8 billion or 18.3-percent decrease from the 2017 enacted level.

The President's 2019 Budget:

HUD promotes affordable housing for low-income families and supports access to homeownership. A secure, healthy housing situation is a foundation on which families can establish economic security, improve their quality of life, and form strong communities. In a fiscally constrained environment, the Budget strategically invests \$39.2 billion in programs to support HUD's core functions, and ensures HUD programs remain a vital resource to the most vulnerable households and first-time homeowners. The Budget provides \$33.8 billion for HUD's rental assistance programs and requests legislative reforms to place these programs on a more fiscally sound path while encouraging work and self-sufficiency for tenants. The Budget also continues to support efforts across the United States to reduce homelessness and remove lead and other hazards from over 9,500 homes. For first-time and low- to moderate-income homebuyers, HUD's Federal Housing Administration (FHA) remains a critical source of mortgage financing.

The Budget also eliminates programs that are duplicative or have failed to demonstrate effectiveness, such as the Community Development Block Grant (CDBG) program, and devolves responsibility for community and economic development to State and local governments that are better equipped to respond to local conditions.

Reforms Rental Assistance. The Budget requests \$33.8 billion across HUD's rental assistance programs, a decrease of 11.2 percent relative to the 2017 enacted level. To address the increasing and unsustainable Federal costs of rental assistance, the Budget requests legislative reforms that

would produce significant cost savings. In addition to these reforms, the Budget proposes program-specific savings in the Housing Voucher and Public Housing programs. The Budget does not request funding for the Public Housing Capital Fund, as the provision of affordable housing should be a responsibility more fully shared with State and local governments. These funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically decreasing the Federal footprint of HUD's rental assistance programs over time.

Encourages Work Among HUD-Assisted Households. The Budget proposes legislative reforms to encourage work and self-sufficiency across its core rental assistance programs, consistent with broader Administration goals. Currently, tenants generally pay 30 percent of their adjusted income toward rent. The Administration's reforms require able-bodied individuals to shoulder more of their housing costs and provide an incentive to increase their earnings, while mitigating rent increases for the elderly and people with disabilities. The Administration's legislative proposal would also reduce administrative and regulatory burdens and allow communities further flexibility to develop tenant rent requirements that are consistent with local needs and objectives.

Leverages Private Capital for Housing Improvements. The Budget provides investments and statutory authorities to facilitate a shift from the Public Housing funding platform to Housing Vouchers and Project-Based Rental Assistance (PBRA). The Voucher and PBRA programs benefit from greater private sector involvement and are able to leverage private financing to modernize their units, generally resulting in higher quality housing for assisted low-income families. To further this objective, the Budget requests \$100 million for the Rental Assistance Demonstration, which supports the redevelopment of Public Housing units through conversion to the Housing Voucher and PBRA funding platforms. Additional authorities in the Public Housing program, such as tenant protection vouchers and the strategic release of certain public housing assets, would also assist in this effort.

Establishes EnVision Centers for a Holistic Approach to Self-Sufficiency. On December 7, 2017, Secretary Ben Carson announced the launch of EnVision Centers to help HUD-assisted households achieve self-sufficiency and deliver on the President's commitment to a better future. Detroit, Michigan is home to the first of 10 sites that will be part of this demonstration. EnVision Centers will provide communities with a centralized hub for HUD's four pillars of self-sufficiency: 1) Economic Empowerment; 2) Educational Advancement; 3) Health and Wellness; and 4) Character and Leadership. Through partnerships with non-profits, corporations, and State and local governments, these EnVision Centers would leverage private and public resources for maximum community impact. The Budget requests funding to evaluate these EnVision Centers, and adjust the program design and improve implementation if needed to achieve better outcomes for individuals and communities.

"We need to think differently about how we can empower Americans to climb the ladder of success. EnVision Centers are designed to help people take the first few steps towards self-sufficiency."

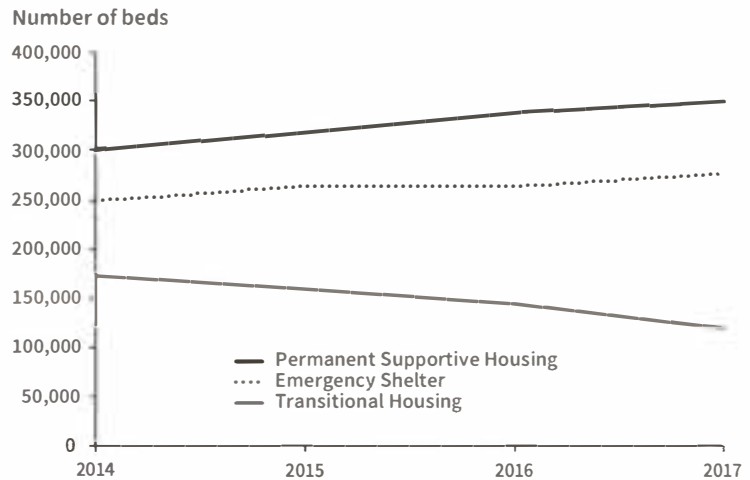
Ben Carson
Secretary
December 7, 2017

Promotes Economic Mobility and Improves Quality of Life. The Budget requests \$75 million for the Family Self-Sufficiency program and \$10 million for the Jobs-Plus Initiative. By connecting HUD-assisted households to social services and employment resources, these programs help tenants maximize their earning potential and improve their financial situations and quality of life. Rigorous evaluations have shown that the Jobs-Plus program produces lasting increases in the wage earnings of tenants.

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Continues Supporting Communities in their Efforts to Reduce Homelessness. The Budget requests \$2.4 billion for the Homeless Assistance Grants (HAG) program, equal to the 2017 enacted level. HAG primarily funds the Continuum of Care program, which is designed to be a coordinated community-based network of programs to prevent and address local homelessness. HUD uses its annual grant competition to encourage grantees to allocate funds to evidence-based and cost-effective strategies. These policies have encouraged communities to increasingly support evidence-based interventions such as permanent supportive housing rather than models such as transitional housing that have been proven less effective. The Budget also requests \$255 million for Emergency Solutions Grants, which would enable municipalities to support emergency shelter, rapid re-housing, and homelessness prevention.

Beds Available for Homeless and Formerly Homeless People



Source: HUD's 2017 Annual Homeless Assessment Report to the Congress, December 2017.

Reduces Lead Exposure for Low-Income Children. Lead paint in housing presents a significant threat to the health, safety, and future productivity of America's next generation. The Budget continues to make progress to promote healthy and lead-safe homes by requesting \$145 million, equal to the 2017 enacted level, for the mitigation of lead-based paint and other hazards in low-income homes, especially those in which children reside. This funding level also includes resources for enforcement, education, and research activities to further support this goal. Research suggests that this program generates high returns on investment due to higher wages and reduced medical costs.

Supports Sustainable Homeownership Opportunities and Upgrades FHA Operations. The Budget preserves access to sustainable homeownership opportunities for creditworthy borrowers through FHA and Ginnie Mae credit guarantees. FHA provides a crucial source of mortgage financing for first-time homebuyers, who accounted for over 80 percent of FHA-insured home purchase loans in 2017. FHA's activities enable these new homeowners to build wealth and establish economic security. The Budget requests an additional \$20 million above the 2017 enacted level of \$130 million for FHA to upgrade its operations by investing in information technology and contract support. This additional funding is fully offset by a modest new fee on FHA lenders, better aligning the responsibilities for the costs and benefits of this program.

Eliminates Major Block Grants. Similar to the 2018 Budget, the Administration continues to propose eliminating funding for programs that lack measureable outcomes and are ineffective. The Budget eliminates HUD's community and economic development as well as affordable housing production programs. The Budget eliminates CDBG, a program that has expended more than \$150 billion since its inception in 1974, but has not demonstrated sufficient impact. Studies have shown that the allocation formula, which has not been updated since 1978, is ineffective at targeting funds to the areas of greatest need, and many aspects of the program have become outdated. The Budget also eliminates the HOME Investment Partnerships Program, which has not been authorized since 1994. The Budget devolves responsibility to State and local governments, which are better positioned to assess local community needs and address unique market challenges.

HOUSING INCENTIVE FUND PERMANENT SUPPORTIVE HOUSING

The North Dakota Housing Incentive Fund (HIF) is an effective, locally-driven, rental housing financing tool, created and authorized during the 2011 North Dakota legislative session. Community leaders, private developers, and nonprofit organizations have leveraged HIF to construct new or improve existing rental housing creating and rehabilitating rental housing across the state. Because of HIF, low- to moderate-wage workers, the state's aging population, and individuals with disabilities and persons experiencing homelessness have increased access to safe, decent and affordable housing.

Permanent Supportive Housing - Why it Works

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Having A Home. HIF is leveraged as gap financing to construct or rehabilitate rental housing where all or a portion of the units are allocated for persons and families either at risk of becoming homeless or currently experiencing homelessness.

Providing Supportive Services. HIF does not cover the cost of supportive services. Applicants seeking HIF funding must identify either a state, nonprofit or private entity that will provide services to the residents.

Defining Chronically Homeless. Over the past decade, the state's annual homeless population average has been 1,012, of which 75.5 are chronically homeless.² Chronically homeless is defined as an individual or family that resides in a place not meant for human habitation, in an emergency shelter for a year or has experienced homelessness for at least four separate occasions in the past three years.

At-Risk Causes. More than 75,000 or 10 percent of North Dakotans are below the poverty level and almost 27,000 live in extreme poverty.³ Vulnerable individuals and families lack adequate housing, income and support systems. Personal circumstances elevate the chance of homelessness such as family violence and abuse, foster care, teenage pregnancy, addiction, mental health issues, and discharge from hospital or correctional facilities.

Statewide Homeless and At-Risk

\$30,000 - \$50,000
annual cost per
chronically
homeless person

75.5
average chronically
homeless population

1,012
average homeless
population

26,964
living in extreme poverty

Homeless and At-Risk Housing Projects

Jeremiah Program,
Fargo

Grace Gardens,
West Fargo

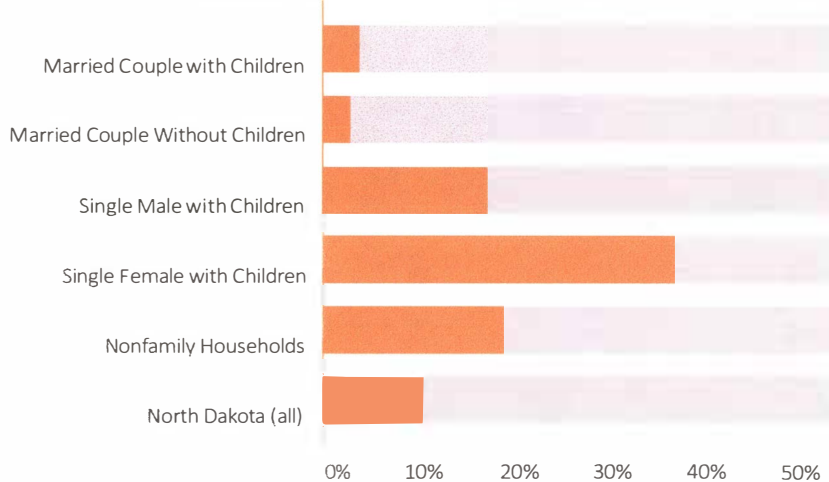
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Bismarck

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North Dakota's Cost-Burdened Households

Across North Dakota, there is a shortage of rental homes affordable and available to extremely low income households. Many of these households are severely cost burdened, spending more than half of their income on housing. Individuals facing economic limitations, physical disabilities, mental health issues, substance abuse, and justice involvement must sacrifice other necessities like healthy food and healthcare to pay rent. These difficult trade-offs increase the risk of unstable housing situations like evictions and homelessness.

Households Below the Poverty Level by Type, 2016



According to the National Low-Income Housing Coalition, 24 percent or 26,964 of North Dakota renters are extremely low income, which is a maximum income of \$24,300 annually for a four-person household. Persons wanting a two-bedroom apartment need to earn \$34,190 per year or \$16.44 per hour to afford \$855 in rent.⁴ In November 2018, 17.4 percent of the jobs listed through Job Service North Dakota offered \$14.99 per hour or less.⁵

Ongoing Need for HIF

HIF creates gap financing for rental housing projects that cannot supporting building debt in order to provide supportive services to the chronically homeless or the families with children that need services to become housing stable and independent. Without HIF these housing projects would not be feasible.

If North Dakotans cannot afford housing, it impacts their ability to maintain stability, advance economically, pursue educational opportunities, and be able to afford necessities such as food, utilities, transportation, childcare and healthcare. The upfront investment in HIF is critical to off-set the socioeconomic costs communities and the state incur when people become desperate for a place to call home.

Financing Structure

HIF awards are structured as forgivable loans and are available to local housing authorities, tribal entities, and non-profit or for-profit housing developers. The maximum award size varies depending on whether a project also receives federal funding. The award amount typically equals less than 30 percent of the total development cost, and no more than \$3 million. Awards are competitive and projects must meet strict scoring criteria.

^{2,3} 2018 North Dakota's 10-Year Plan to End Long-Term Homelessness.

⁴ National Low Income Housing Coalition 2018 North Dakota Housing Profile.

⁵ JSND North Dakota Workforce Intelligence.

Testimony in Support of HB 1014
Senate Appropriations
Chairman: Senator Ray Holmberg
March 4, 2019

#5 HB 1014
3-4-2019
A1

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter Inc. (BSI),
701-730-2734, dmadler@beyondshelterinc.com, Lobbyist #8

Chairman Holmberg and members of the Committee, my name is Dan Madler, I live in ND District 27 and I am the CEO of Beyond Shelter, Inc. (BSI), a mission driven North Dakota nonprofit developer of affordable housing. I would like to express my support for House Bill 1014 and urge this committee to appropriate \$20,000,000 to fund the Housing Incentive Fund (HIF).

Invest in things that work and the HIF works:

- It is a great tool for Community and Economic Development
- It strengthens local North Dakota communities
- It provides a positive return on investment for example, for every \$1 of HIF investment, BSI has been able to produce \$6.63 in long-term affordable housing assets
- It supports an increase in the availability of affordable housing options within North Dakota communities and I would day that we all thrive when there is housing available for all incomes within every North Dakota community
- It has improved the quality of life for North Dakota residents that call one of 2,500 HIF units home

The need for HIF is absolute:

- NDHFA has always received far more applications for HIF funding then HIF funds available
- Beyond Shelter's current vacancy rates are 2% in Fargo, 2.9% in Dickinson, and 7.5% in Minot.
- Beyond Shelter has 39 affordable senior homes under construction and has a wait list of 36 seniors for one of the 33 1-bedroom homes and 17 seniors for one of the 6 2-bedroom homes
- To be competitive, North Dakota communities need to increase their availability of affordable housing options

In closing, I respectfully urge this committee to appropriate \$20,000,000 to fund the Housing Incentive Fund.

Thank you for your time and consideration.

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pg 1

March 4th, 2019

Dear Chairman Holmberg and members of the committee,

My name is Katie Jo Armbrust, I work for the Grand Forks Housing Authority. I'm here today to discuss the impact of the Housing Incentive Fund (HIF).

The Grand Forks Housing Authority participated in the development of the first project to utilize HIF, Cherrywood Village, in 2014. This apartment complex provides 30 - 1 bedroom/bathroom units of affordable housing to people 62 years or older in our community. People like Eunice, who after 26 years as a house mother to a local sorority, decided it was time to retire. At the age 77, her decision to retire was only made after she learned she would be eligible for a new property, designed exclusively for seniors with rents based upon annual income. As one of the original Cherrywood Village residents from the 2014 opening, Eunice now takes time for herself by voluntarily preparing food for neighbors, potlucks, playing cards, and volunteering for other city and community events. Very rarely will Eunice miss an opportunity to cheer on a UND game, she is a valued member of the Cherrywood Village community!

Without HIF, people like Eunice wouldn't have safe, decent, affordable housing. Not only does HIF provide a vital funding source to fill the gap for development of affordable housing, it can also provide funding for the preservation of existing units as well as targeted supportive services designated to prevent homelessness. These funding opportunities continue to be desperately needed in our state and I urge you to consider the impact HIF can have.

Respectfully submitted,
Katie Jo Armbrust



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Testimony of Brent Ekstrom, Executive Director, Lewis & Clark Development Group

In Support of HIF Funding – March 4, 2019

Chairman Holmberg and Members of the Committee:

Thank you for the opportunity to speak in support of funding the Housing Incentive Fund.

I'm Brent Ekstrom of Bismarck. I have the pleasure of serving as the Executive Director of the Lewis & Clark Development Group, which is a collaboration of three separate non-profit organizations: the Lewis & Clark Regional Development Council (RDC), the Lewis & Clark Certified Development Company (CDC), and CommunityWorks North Dakota.

Together, we provide programs and loans to support businesses, local governments, and individuals in expanding affordable housing opportunities and advancing economic and community development across North Dakota. This year marks our organization's 50th anniversary. In our 50 years of operation, Lewis & Clark Development Group has made a significant and lasting impact throughout North Dakota. In fact, just within the last 25 years, we've...

- Helped leverage public, private, and philanthropic investment totaling almost **\$600 million dollars**;
- Helped to create or maintain **3,692 jobs**, and
- Helped to create more than **2,800 single- and multi-family housing units** across North Dakota.

As you know, affordable housing is one of North Dakota's persistent challenges. Expanding affordable housing is central to our work. As you can see from the handout I've provided, HIF is essential to our work and, because of HIF, Lewis & Clark Development Group been able to participate in 16 projects creating 539 units of affordable housing across North Dakota.

The average cost of construction of the units produced in projects we have participated in is \$155,424 per unit. HIF funding represents 17% of the funding need to produce those units. That results in the average reduction in rent to the ultimate renter of \$150 per unit per month. Bottom line is that without HIF there projects would likely have not happened and certainly would have resulted in higher rental rates.

We all know how to judge investments based on their rate of return. And, in my professional experience, HIF is one of the most innovative and effective tools available to address North Dakota's housing challenges. It's innovation and effectiveness rests in the return on investment it yields in building homes that would otherwise have not been built and in housing low-income residents and families who would otherwise have been forced to look for other housing alternatives.

Chairman Holmberg and Members of the Committee, Investing into HIF is one of the wisest and most sensible investments you can make.

I respectfully ask you to vote yes and thank you for the opportunity to share my thoughts with you this morning and I stand for any questions.



WHY HIF MATTERS

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Since its inception in 2011, the Housing Incentive Fund (HIF) has provided critical funding to address North Dakota's housing needs. HIF funds have developed affordable and multi-family housing for essential workers, small business employees, senior citizens and families on fixed incomes. HIF is a sterling example of an innovative policy solution to a major persistent challenge.

- ☑ Support for HIF is a vote for continued innovation and collaboration that successfully addresses local and regional housing needs.

BY THE NUMBERS

539

The number of housing units created through HIF

\$155,424

The total cost per unit

\$26,948

The average HIF investment per unit

\$150 PER UNIT PER MONTH

On average, HIF kept the ultimate rental cost down by \$150 per unit over a 15-year compliance period

14 OUT OF 22

LCD Group has participated in or funded 22 housing projects. Of these, we utilized HIF in the following 14 projects throughout central and western North Dakota, which created 539 housing units. Without HIF and us, the following projects would likely not have happened....

BISMARCK

- Century Cottages - 35 units
- Pride Independence Pt. - 22 units
- Ruth Meiers Hospitality House - 85 Units
- Sierra Court - 40 units
- 100 West Main - 30 units

BOWMAN

- The Landing - 26 units

CROSBY

- Loretta Bay - 24 Units

DICKINSON

- Dacotah Ridge - 24 units

HAZEN

- Pioneer Homes - 22 units

MINOT

- Minot Place Rowhomes - 30 units

WATFORD CITY

- Prairie Heights I - 58 units
- Prairie Heights II - 66 units

WILLISTON

- Williston School - 45 units
- ParkRidge Townhomes - 36 units



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www.lcdgroup.org
701.667.7600

Brent Ekstrom, Executive Director
brent@lcdgroup.org

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AG!

March 4, 2019
HB 1014
Senate Appropriations
Senator Ray Holmberg, Chairman

Chairman Holmberg and members of the committee, for the record, Blake Crosby, Executive Director North Dakota League of Cities. We are in support of HB 1014 that addresses the needs of Housing Finance Agency (HFA), particularly its Housing Incentive Fund.

The lack of affordable housing is impacting nearly all North Dakota cities. As cities look at their demographics and realize the needs of the seniors, young families with low to moderate income and low to moderate citizens in general, they see significant needs for not only affordable single-family homes but affordable multi-family units.

Affordable housing is also critical as we look at ways to address our worker shortage. The current prices of existing housing/rental stock is hampering the ability to recruit and retain essential workers. This just continues the drag on our economy.

I respectfully ask for a DO-PASS on HB 1014 with an increase in the appropriation for the Housing Incentive Fund (HIF) as administered by the Housing Finance Agency.

Thank you for your time and consideration.

HB 1014

City of West Fargo Testimony

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Submitted by: Tina Fisk, City Administrator; Larry Weil, Community Development Director; Matt Marshall, Economic Development Director

Our comments relate to the need for more affordable housing in our community. Housing costs have increased at a much more significant rate than have wages creating a workforce housing issue. There is a need to provide incentive support for workforce housing, as well as support for housing for the elderly. **HB 1014** provides appropriations for the Housing Finance Agency, and the City of West Fargo would encourage adding a significant appropriation under the Agency to be directed to a housing incentive fund for the biennium beginning July 1, 2019. The City of West Fargo would like to go on record in **support** of such funding within **HB 1014** for the following reasons:

- The City of West Fargo continues to be a rapidly growing community with a significant number of seniors and young families who have low to moderate incomes.
- The City recognizes the importance for State and Federal assistance to meet housing needs for seniors and families with low to moderate incomes.
- Many residents in our community have benefited in the past from programs funded through the housing incentive program, which has resulted in a stronger community.
- The housing incentive program has helped leverage Low Income Housing Tax Credits through efforts of local non-profits resulting in more housing choices for residents and strengthened the City's neighborhoods.
- Increases in housing costs in the area has resulted in many families not being able to afford a home, thereby increasing the need for affordable multiple family units.
- The City has reviewed market studies regularly, which demonstrate that there is a need for more affordable senior housing. The City has recognized the increased need for subsidized housing for the elderly and has supported applications, as well as provided local tax incentives to stimulate project development.
- The 2016 North Dakota Statewide Housing Needs Assessment showed that in 2014 there were 1,473 cost-burdened owner-occupied housing units in West Fargo, or 16.1% of all owner-occupied housing units. There were also 1,397 cost-burdened renter-occupied housing units in the City.
- A recent market study for a housing project in the City found that there were 5,987 households, or about 40% of the households in West Fargo below the median household income.

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Senate Appropriations Committee
Engrossed House Bill No. 1014 Budget No. 475
North Dakota Mill & Elevator Association
March 4, 2019

Mr. Chairman and Senators:

I am Vance Taylor, President and CEO, of the North Dakota Mill and Elevator. With me today is Ed Barchenger our CFO and Cathy Dub our Controller.

The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour mill and the 7th largest wheat milling company in the United States with sales approaching \$340 million per year.

Our milling complex includes 8 milling units with the capacity to produce 4,950,000 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 110,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 33,000,000 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 153 full time employees.

Our milling units process about 92% spring wheat and 8% 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.

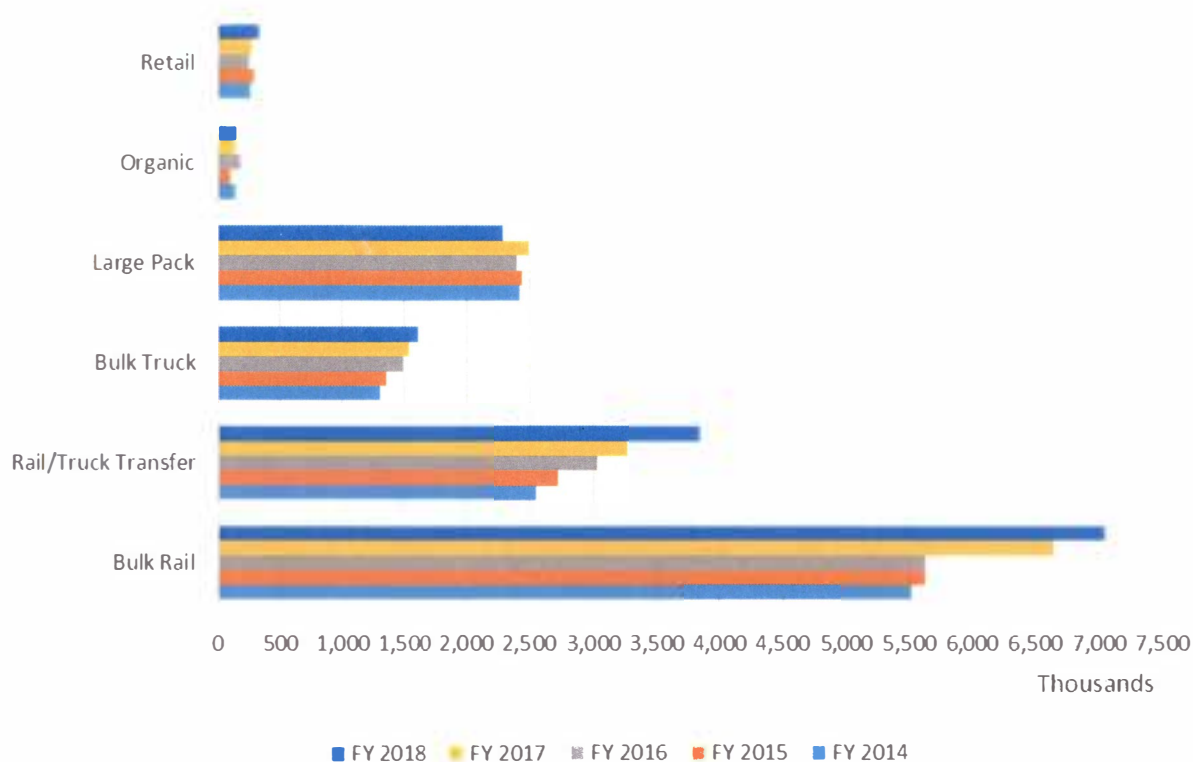
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 #1
 P3

Flour Shipments in cwts.



Projects and Business Growth

In 2001 we had a milling capacity of 27,000 cwts of flour per day. Since that time we have completed multiple expansion projects listed below, including the recent start-up of our G Mill. These projects have grown our milling complex to a total of 49,500 cwts. of flour per day. Increasing our capacity has allowed us to service additional demand from current and new customers as well as improve profitability and increase the number of bushels purchased from North Dakota farmers.

- 2001 Renovation and Expansion Project \$19.5 million
- 2005 Whole Wheat Mill Expansion Project \$1.7 million
- 2007 C Mill Addition \$6.3 million
- 2009 E Mill Addition \$2.4 million
- 2010 D Mill Expansion \$2.4 million
- 2013 K Mill Renovation and Expansion \$8.4 million.
- G Mill Addition and Flour Storage \$38.7 million
- High Speed Truck and Rail Wheat Unloading System \$9.3 million
- Phase II Shuttle Track & Grain Storage \$24.7 million.

HB 1014
3-4-19 pm

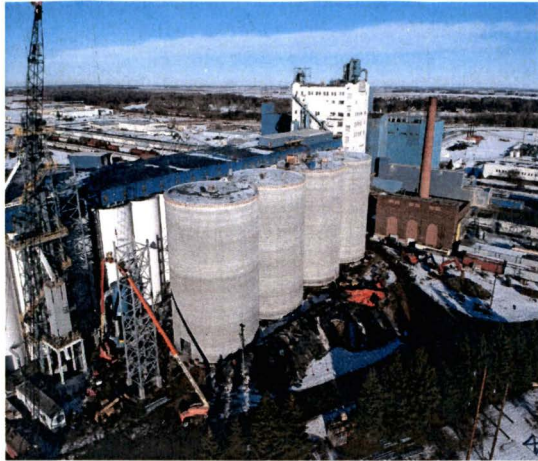
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Our need to expand has been driven by increasing demand from our current customers and the addition of new customers. The completion of these major projects has been vitally important for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State. Below are five potential projects that could be completed over the next five years to increase the North Dakota Mill's profitability and transfers to the General Fund.

- Increase Whole Wheat Milling Capacity \$2.5 million
- Increase Durum Milling Capacity \$5.1 million
- Flour and Millfeed Distribution System \$3.6 million
- Terminal Elevator Conveyors and Automation \$18.5 million
- H Mill Addition (to meet potential future demand) \$19.5 million

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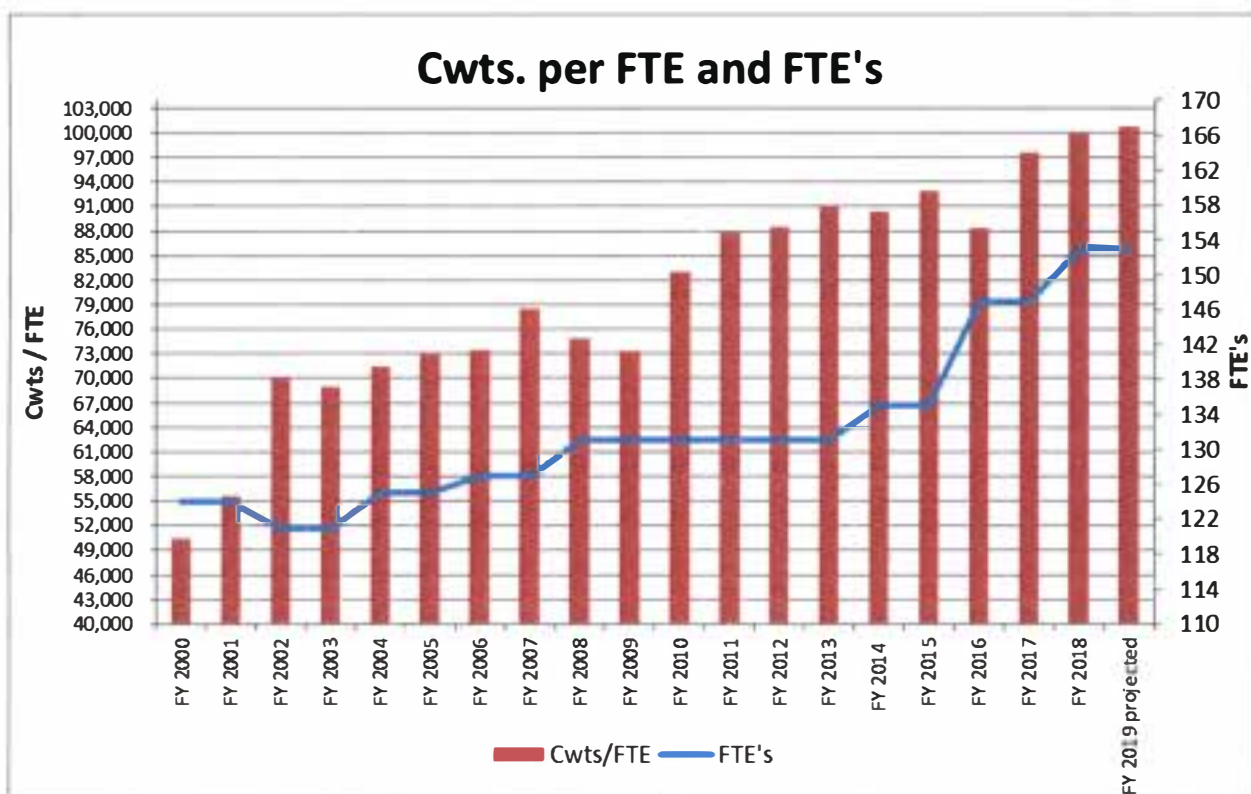
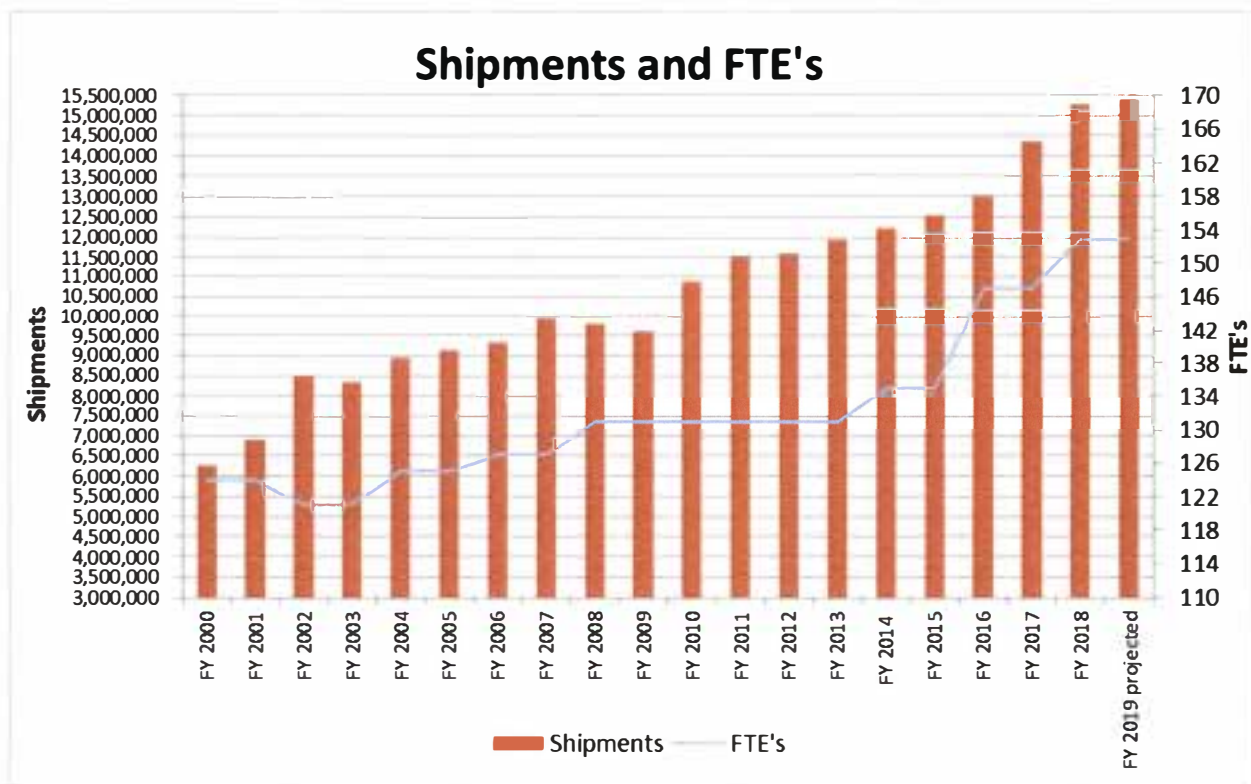
Gain-Sharing Program Study

To satisfy the legislative intent of SB 2014 Section 30, a study was completed by Eide Bailly of the North Dakota Mill gain sharing program. This study was presented by Eide Bailly to the Government Finance Committee on June 7, 2018.

Findings of the Eide Bailly Study included:

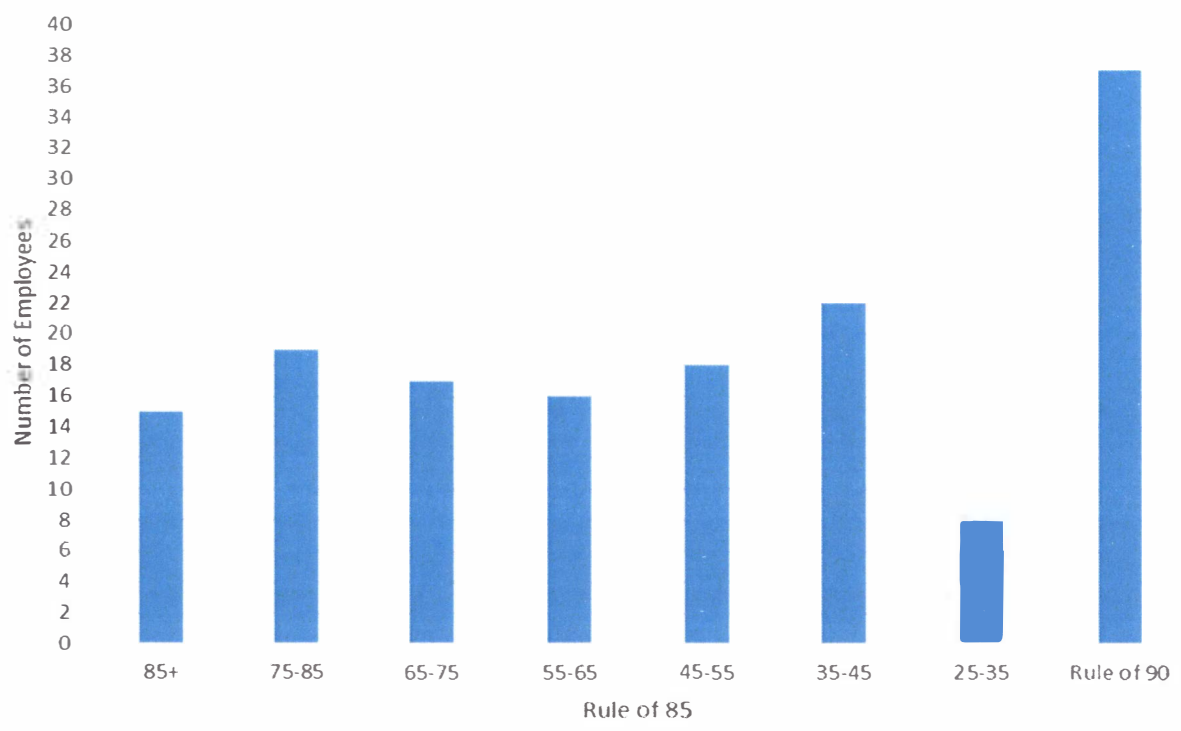
- Each flour mill responding to the Eide Bailly survey of milling competitors included a bonus or incentive program as a part of their employee compensation package.
- The study indicated the North Dakota Mill has favorable labor and benefits costs compared to similar entities.
- Local comparison of labor competition indicated the North Dakota Mill has lower or similar base pay scales.
- Employee survey responses consistently indicated that the gain-sharing program was effective to increase profits, improve safety and overall work performance.
- Eide Bailly concluded the gain-sharing program is financially feasible.

The employee survey also indicated the potential need for additional scheduling options, including a possible four (4) shift operation. Starting a four (4) shift operation, in any department would create the need for more FTE's in that department.

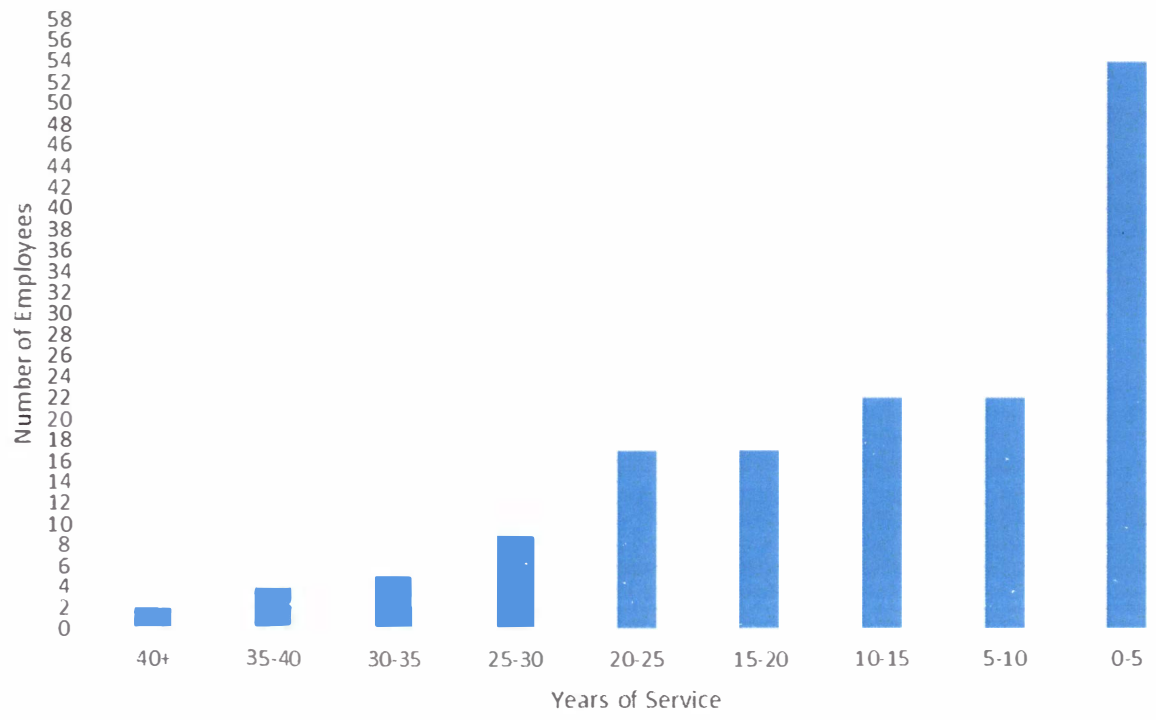


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Number of Employees: Rule of 85 or 90

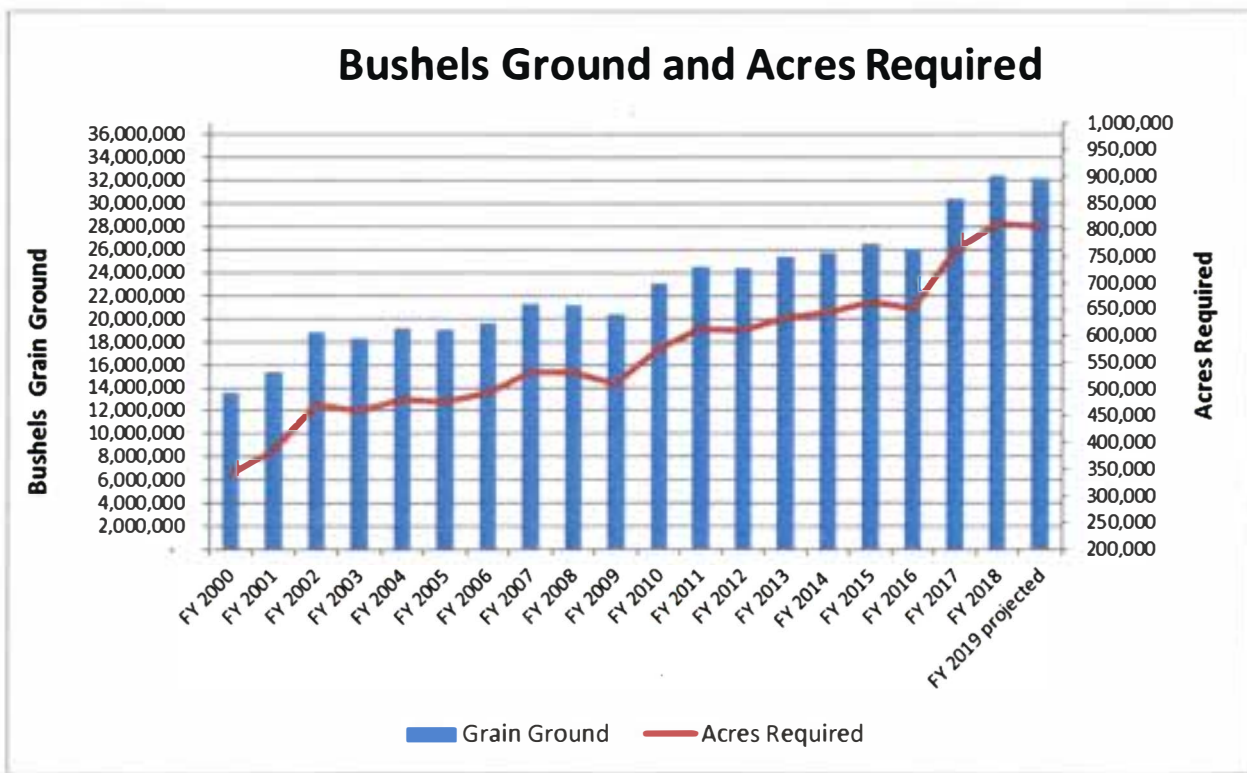
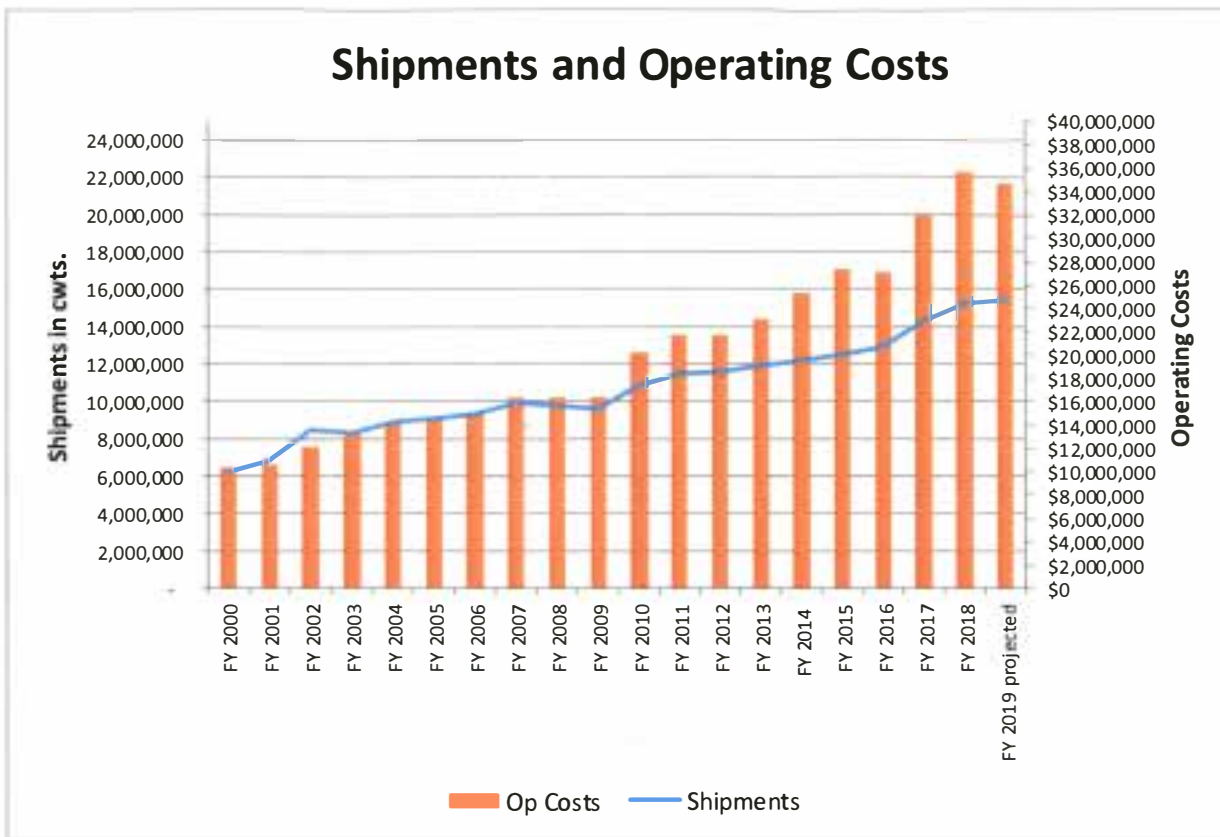


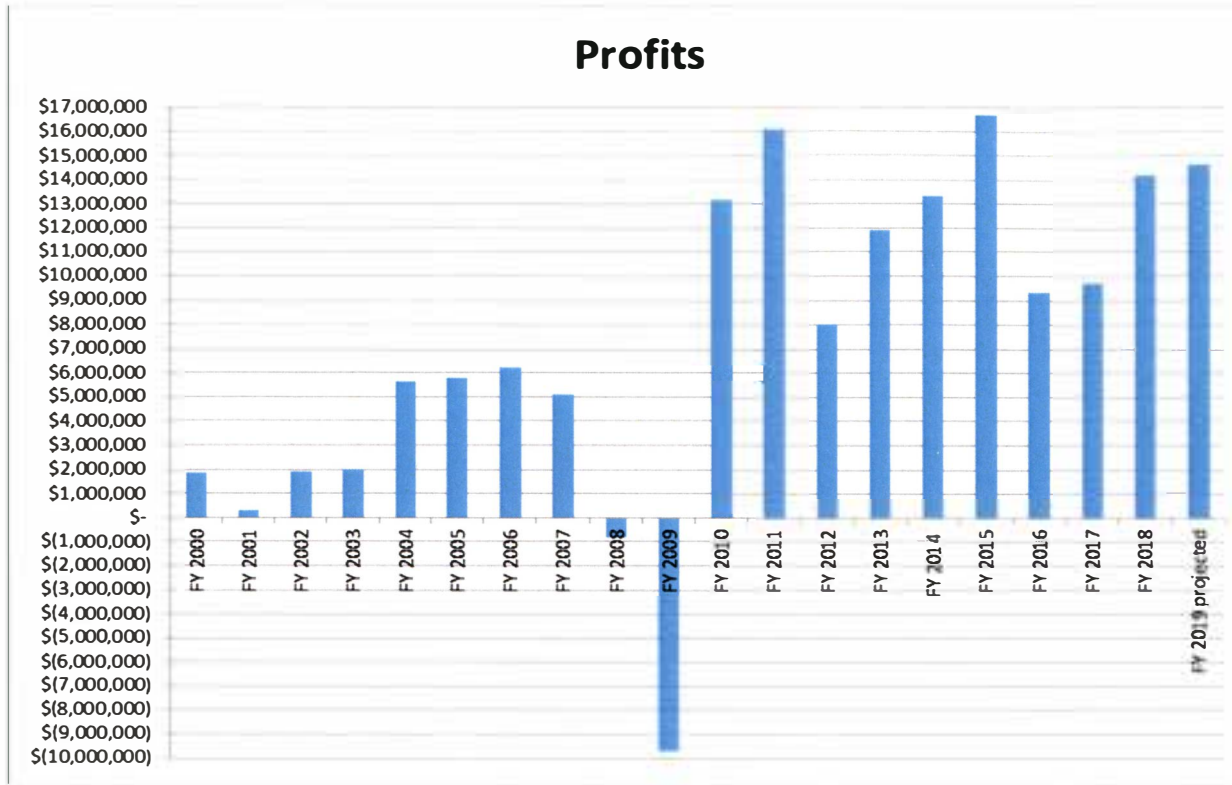
Number of Employees: Years of Service Average Years of Service 12.3 Years



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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 Korea. 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 FSSC 22000 certification.

Going forward, we intend to continue to increase flour shipments using the additional production capacity 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.

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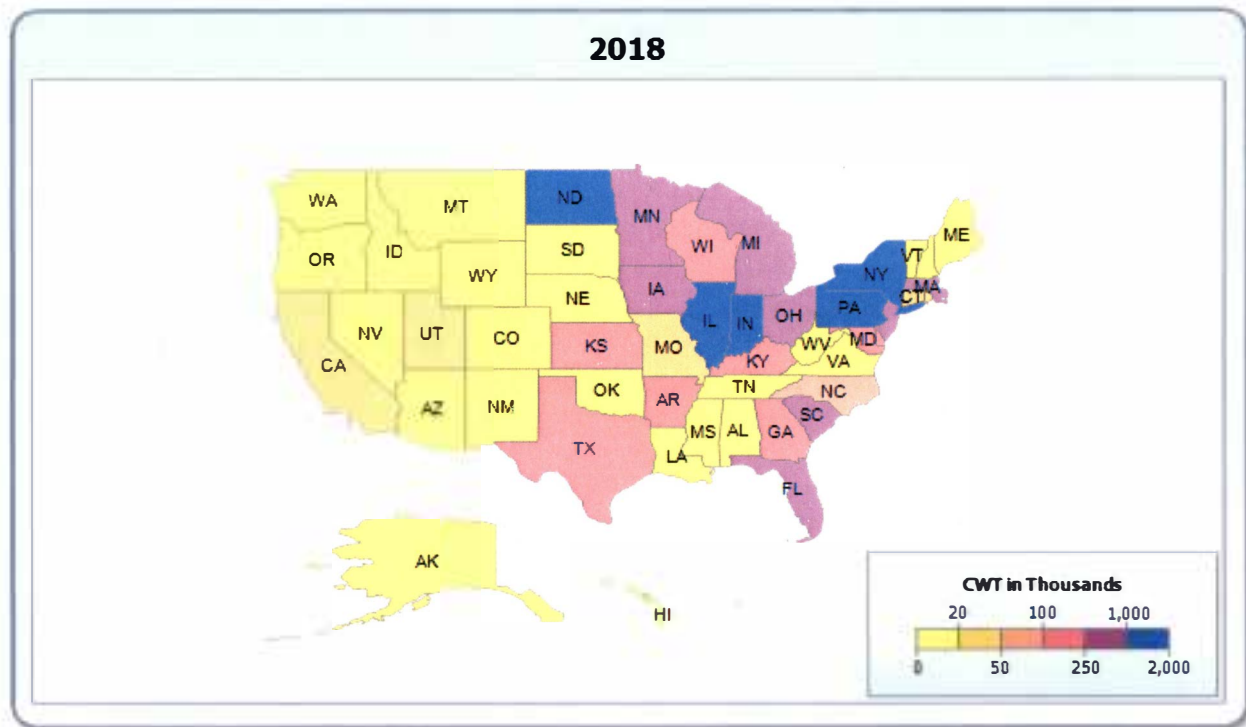
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**LARGEST U.S. MILLING COMPANIES
TOTAL DAILY CAPACITY (CWTS.)**

	<u>WHEAT FLOUR</u>
ARDENT MILLS	482,500
ADM MILLING CO.	288,400
GRAIN CRAFT	163,060
MILLER MILLING	94,600
GENERAL MILLS, INC.	77,500
BAY STATE MILLING CO.	75,140
*NORTH DAKOTA MILL	49,500
BARTLETT MILLING COMPANY	41,000
THE MENNEL MILLING CO.	40,900
SIEMER MILLING CO.	36,500
SNAVELY'S MILL, INC.	35,600
MONDELEZ	31,000
STAR OF THE WEST MILLING CO.	25,100
CONAGRA FOODS	21,000
MINOT MILLING	20,800
U.S. DURUM MILLING, INC.	19,000
DAKOTA GROWERS PASTA CO.	17,000
KING MILLING CO.	16,500
WILKINS-ROGERS, INC.	14,500
C.H. GUENTHER & SONS, INC.	<u>10,000</u>
TOTAL 20 LARGEST COMPANIES	1,559,600

*LARGEST SINGLE SITE FLOUR MILL

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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 2018, the Mill generated \$255,128,000 in direct economic activity resulting in an additional \$591,897,000 in secondary economic activity. This results in a total economic impact to the region of more than \$847,025,000 during the last fiscal year.

Strategic Plan 2019

Working with the UND Office of Work Force Development, the North Dakota Mill management team has developed the following strategic objectives for Fiscal Year 2019:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Maximize Profit Potential
- Grow our Customer Base
- Invest in our Employees

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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 are received from the State.

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The Mill is requesting adjustments or enhancements to the base level budget found in House Bill 1014 to salaries and wages (including benefits) of \$7,371,412 and \$1,642,000 to operating expenses for a total increase of \$9,013,412. This increase results in a total appropriation of \$77,226,931 as reflected in the Governor's Executive Budget. This increase allows the Mill to continue to grow and meet customer demand for the flour produced at the mill as well as to increase profits and transfers to Agricultural Product Utilization Fund (APUF) and the General Fund.

Our original request was for four (4) new FTE's for the new biennium. The four FTE's would cost the mill \$588,089 over the biennium.

Two (2) of the positions are for Food Safety. The House removed one (1) of these positions (\$210,080). There has been an increase in awareness of Food Safety and Security. This increased awareness has resulted in frequent plant inspections that are more rigorous by customers and certifying boards. This requires more man-hours to meet the requirements for our FSSC 22000 certification and other inspections. These positions added \$319,142 to the salary and benefits expense. Taking into account this increasing focus in the food industry on food safety I ask that you reinstate the position removed by the House.

Two (2) of the positions are for utility workers to assist in Food Safety and Security and to assist in reducing the overtime by plant employees. The House also removed one (1) of these positions (\$177,039). Industry standards for Sanitation and Food Safety and Security continue to increase resulting in more time and effort to satisfy the standards. Meeting these standards is critical to maintain the high product quality that our customers require. The utility workers added \$268,947 to salary and benefits. I ask that you reinstate the position removed by the House.

In the first year of the current biennium, the Mill spent \$17,972,765 on wages and benefits. This leaves a balance of \$21,335,754 for the current fiscal year. To achieve the high production and sales volumes the Mill had higher than budgeted overtime expense. Benefits are running less than anticipated. For the 2019-2021 Biennium we are requesting \$46,679,931 in salary and benefits which includes the salary and benefit expense for the four (4) new FTE's that were originally requested. I am asking that you restore the \$387,119 that was removed by the House for two (2) of these FTE's.

In the first year of the current biennium, the Mill spent \$4,379,960 on utilities leaving \$6,680,040 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. The Mill

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expanded the grain storage capacity and with this new capacity there are additional power requirements. We budgeted \$11,767,000 for utilities for the 2019-2021 Biennium.

In the first year of the current biennium, the Mill spent \$3,077,956 on repairs leaving \$3,272,044 for the current fiscal year. With our growth and expansion over the past several years, we have increased the amount of equipment at the Mill, which requires maintenance and repairs. We anticipate this expense to be \$6,650,000 in the 2019-2021 Biennium.

In the first year of the current biennium, the Mill spent \$1,031,450 on insurance which leaves \$1,568,550 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. 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 new mill buildings and a new high speed grain unloading system to insure for the biennium. We anticipate our insurance costs to be \$2,850,000 in the next biennium.

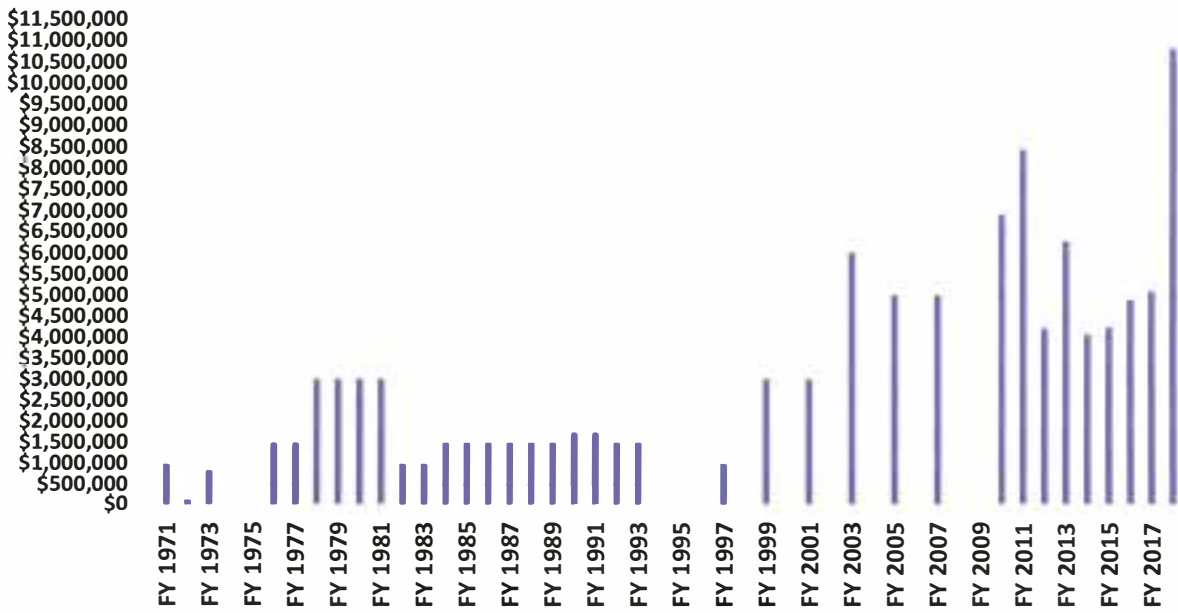
Four items, wages and benefits, utility expense, repair and demurrage expense, and insurance expense reflect the increase of \$7,843,678 in our requested appropriations or 95% of the request. The volume of production and sales at the Mill drives a large share of these expenses. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2018 reaching 15,289,777 cwts., a 6.4% increase over the previous fiscal year. This represents grinding more than 32,500,000 bushels of spring wheat and durum.

The Mill currently transfers 5% of profits to the APUF and a portion of the remaining profits to the General Fund. In fiscal year 2018, the Mill transferred \$709,414 (5% of profits) to the APUF and \$10,109,147 (75% of remaining profits) to the General Fund. Continued transfers to the General Fund at this level will result in higher debt levels resulting in reductions in capital spending and reduced profits and transfers. We respectfully request that the General Fund Transfer amount be set at a maximum of 50% of the remaining profits. In the past nine (9) years, due to business growth and increased profits, the Mill has transferred as much money to the General Fund as it had transferred in the previous thirty six (36) years (\$55,014,000 compared to \$55,500,000).

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Transfer to General Fund & APUF



Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

Industrial Commission
of North Dakota

Doug Burgum
GOVERNOR

Wayne Stenehjem
ATTORNEY GENERAL

Doug Goehring
AGRICULTURE COMMISSIONER



North Dakota Public Finance Authority

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House Bill 1014
Senate Appropriations Committee
Testimony of DeAnn Ament
North Dakota Public Finance Authority
March 4, 2019

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority (PFA). The PFA 2017-2019 appropriation was \$791,567. I am providing this testimony in support of the Industrial Commission's requested appropriation which includes optional requests approved in the Governor's budget for the Public Finance Authority for the 2019-2021 biennium in the amount of \$813,283. The requested biennial appropriation is \$21,716 or 3% more than the current biennial appropriation. The 2019-2021 budget includes the recommended salary and benefit adjustments outlined in the Governor's budget. Salaries and benefits are approximately 77% of the budget. The overall budget increase is due to salary increases included in the Governor's budget which were in part offset by operating expense reductions to meet the Governor's 90% budget request which included reductions to travel, telecommunications, supplies and professional development; the optional request to restore \$20,000 professional fees was approved.

Expenditures for the first 18 months of the biennium total approximately \$402,854 or 51% of the 2017-2019 appropriation. It is anticipated that total 2017-2019 biennium expenditures will be approximately \$552,850 or 70% 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.** 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 2017-2019 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 2019-2021 biennium while we assess the demand for our services under existing programs as well as any potential new programs.

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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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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 \$194,163,000 and funded draws of \$28,590,037 for the Clean Water State Revolving Loan Fund; the largest dollar amount of loans approved in a year in the history of the program. Clean Water projects financed recently include \$146,729,000 for regionalization of the wastewater treatment plant in Fargo, \$18,960,000 for Minot's flood protection utility location and upsized pipe from aeration to the lagoon and \$9,000,000 for UV disinfection and a connector pipeline in Grand Forks as well as \$4,800,000 for Jamestown to open a new landfill cell. The Drinking Water State Revolving Loan Fund had approvals of \$52,282,500 and funded loan draws of \$85,703,297; the largest year in the history of the Drinking Water program. Projects financed under the Drinking Water program include \$1,734,000 to Minot for flood protection utility relocation, \$285,000 to replace a raw water pipe under a slough in Rugby, and \$1,700,000 for Cass Rural Water District to provide water supply to the City of Leonard.

These State Revolving Fund programs continue to require many changes for documenting, funding and reporting purposes. Congress passed amendments to the Drinking Water State Revolving Loan Fund which has resulted in an increased workload as we work to implement fiscal sustainability plans, new fee guidance and affordability criteria. These new requirements in addition to administering American Iron and Steel, Davis-Bacon wages, 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 Munich issued \$1,360,000 of special assessment debt to finance street improvements in 2018. 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 2018 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

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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, 2012, 2015 and 2016 do not contain

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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, 2018, the Public Finance Authority has made \$260,448,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is \$151,395,000. 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. These loans assisted political subdivisions until federal and state money was available or aided 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 \$276,098 were outstanding as of December 31, 2018.

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

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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, \$220,247,688 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2018. Through December 31, 2018, 301 loans totaling \$844,011,241 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2019 includes over \$381,805,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, \$207,530,767 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2018. Through December 31, 2018, 248 loans totaling \$642,775,930 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2019 includes approximately \$639,314,000 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 1.5% 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. The PFA obtained an additional rating for the North Dakota SRF Program bonds from Standard & Poor's Ratings Services which assigned their highest rating, "AAA," on June 29, 2015.

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.

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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 "A+" 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 borrower. 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.

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**North Dakota Public
Finance Authority**

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY

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Industrial Commission of North Dakota

Doug Burgum
Governor
Chairman

Wayne Stenejem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Keith Lund
Grand Forks

Linda Svihovec
Bismarck

Vacant

Staff

DeAnn Ament
Executive Director

Lisa Froelich
Business Manager

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NORTH DAKOTA
PUBLIC FINANCE AUTHORITY

2018 Annual Report

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Attachment 2: Bonds Issued 1977 through 2018

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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

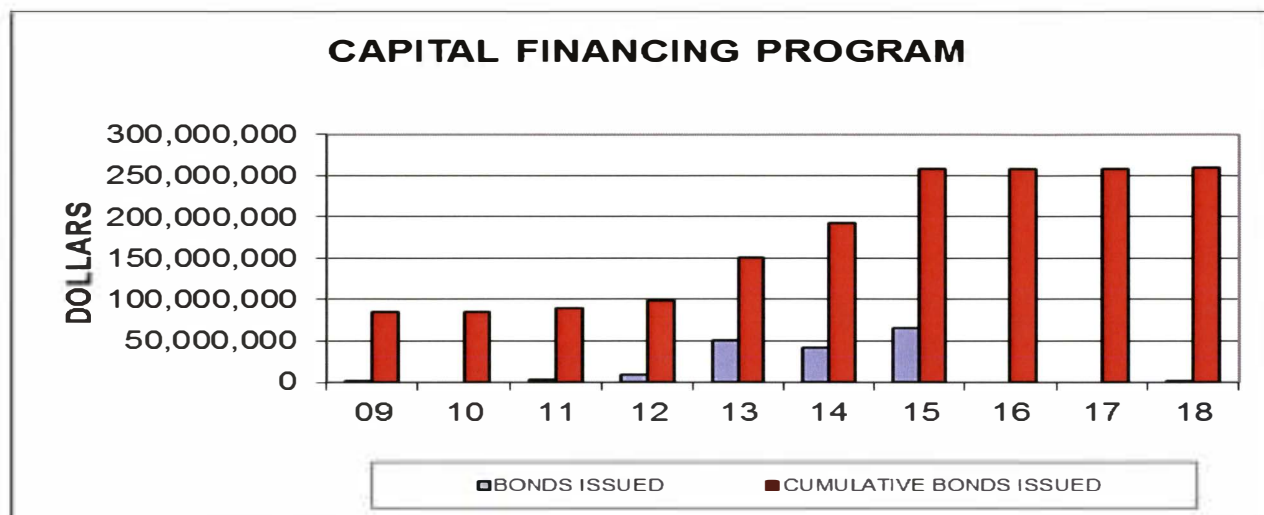
A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority's (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as 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.

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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 September 26, 2018 the Capital Financing Program was upgraded from a rating of “A+” to “AA-” by Standard & Poor’s Ratings Group.

The PFA issued \$1,360,000 of CFP Bonds in 2018. The proceeds of the 2018 CFP Bonds were used to fund a loan to the City of Munich.

The total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2018, was \$26,924,698. 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).

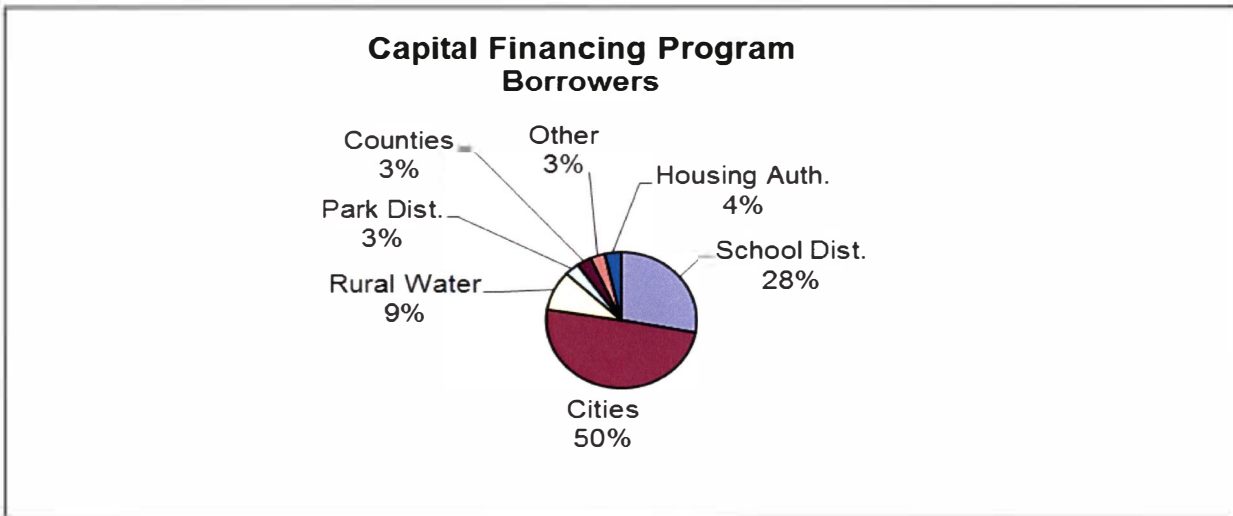
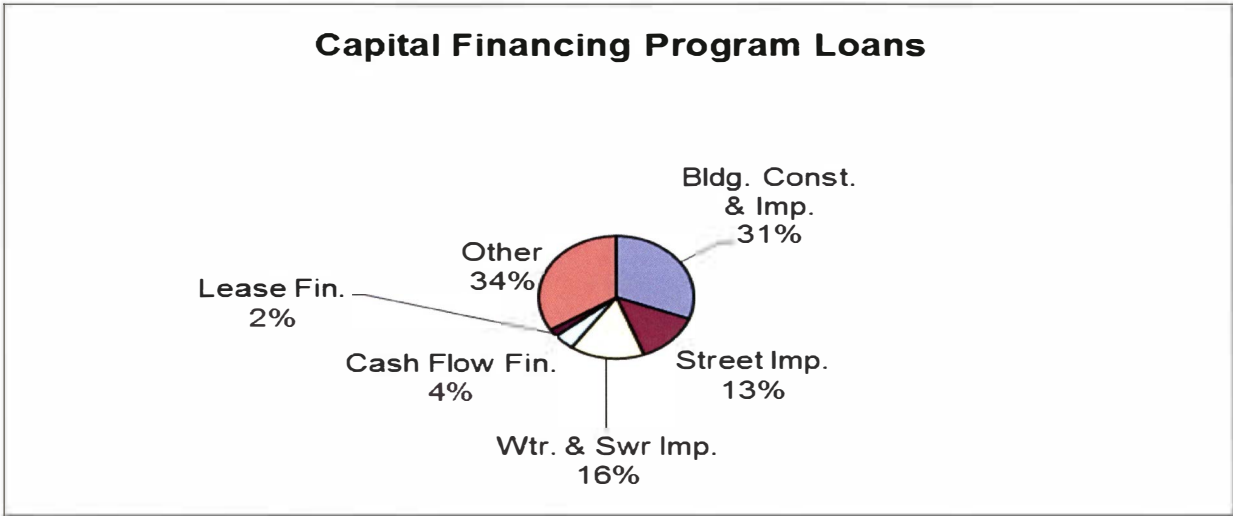
As of December 31, 2018, the total cumulative amount of bonds issued under the CFP General Bond Resolution was \$259,480,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was \$151,395,000.

Part F of Attachment 1 beginning on page 1-6 of this Report contains a complete list, as of December 31, 2018, 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.

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Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2018, 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.



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CAPITAL FINANCING DISASTER LOAN PROGRAM

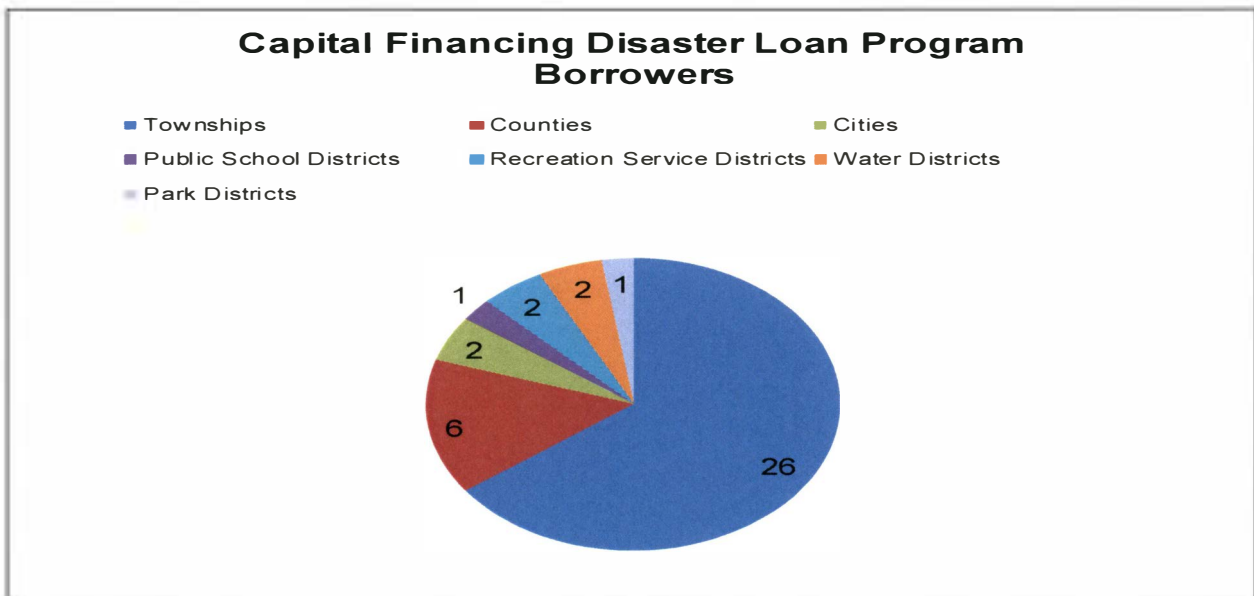
On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events. Under its Capital Financing Disaster Loan Program, the PFA makes loans for the purpose of providing disaster assistance 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%.

There were no Disaster Financing loans approved in 2018. Loans approved under this program total \$71,531,546 and \$276,098 were outstanding as of December 31, 2018. Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2018, 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 proceeds of the CFP Disaster Bonds have historically been used to make loans to political subdivisions approved for financing under the Disaster Loan Program. The PFA did not sell any CFP Disaster Bonds to Bank of North Dakota in 2018. As of December 31, 2018, the total cumulative amount of bonds issued under the Disaster Loan Program was \$14,405,612 and there are no bonds outstanding under the Disaster Loan Program.

Part G of Attachment 2 on page 2-2 of this Report contains a complete list, as of December 31, 2018, 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.



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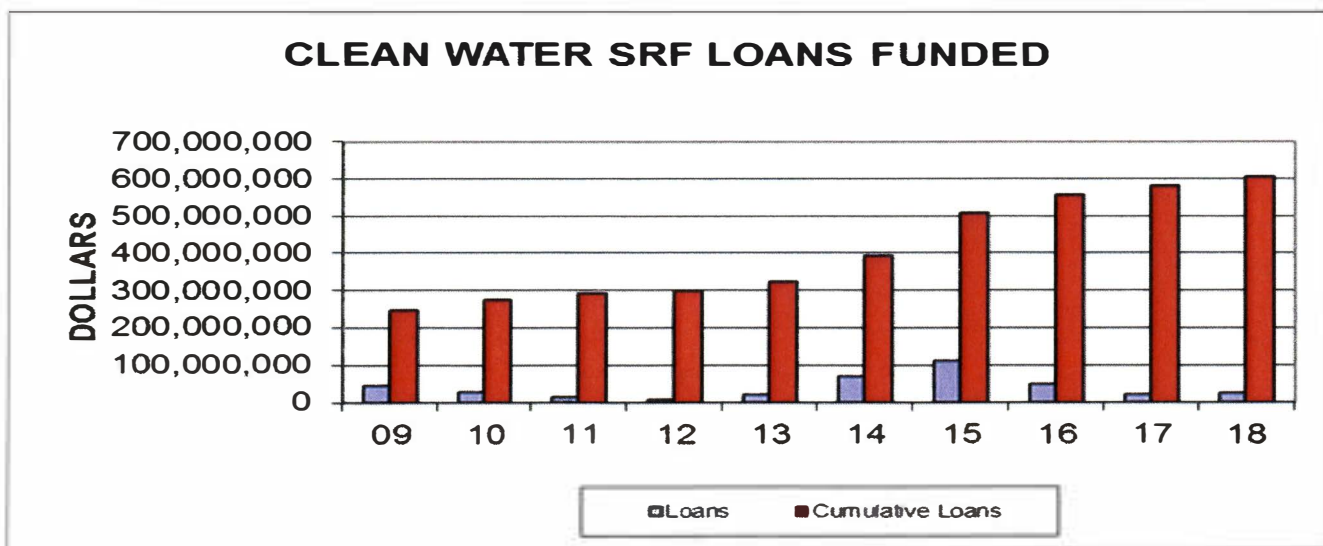
STATE REVOLVING FUND PROGRAM

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.

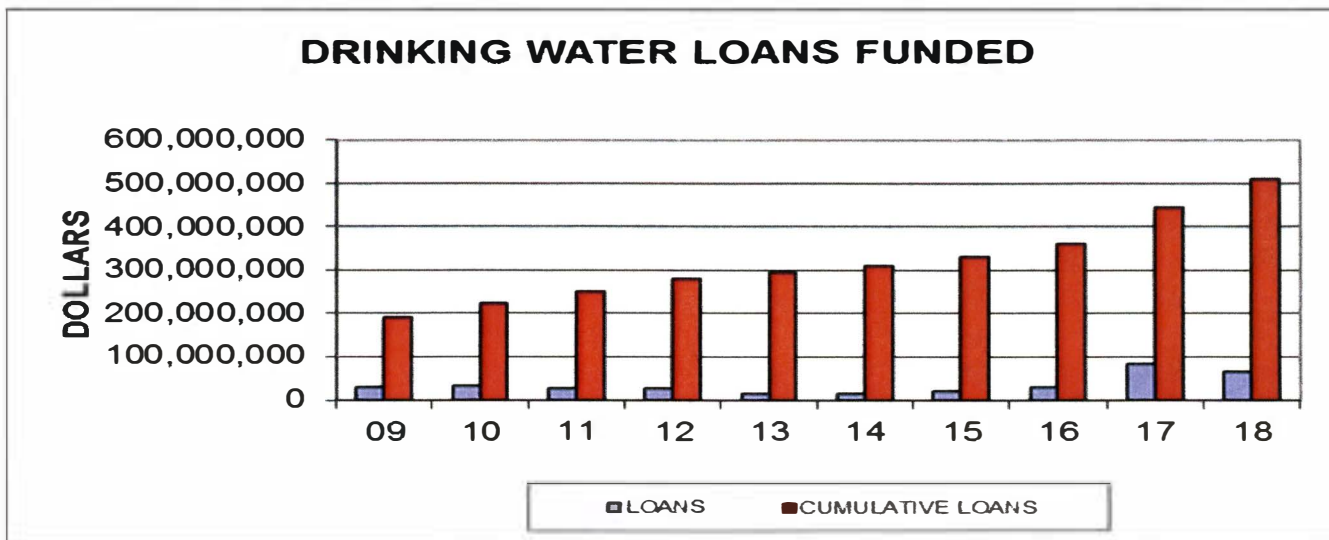
In 2001, Moody’s Investors Service, Inc. upgraded the North Dakota SRF Program from “Aa2” to “Aaa”, Moody’s highest rating. In 2015, the PFA obtained an additional rating for the North Dakota SRF Program bonds from Standard & Poor’s Ratings Services which assigned their highest rating, “AAA,” on June 29, 2015.

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 1.0% and/or have a loan forgiveness component.

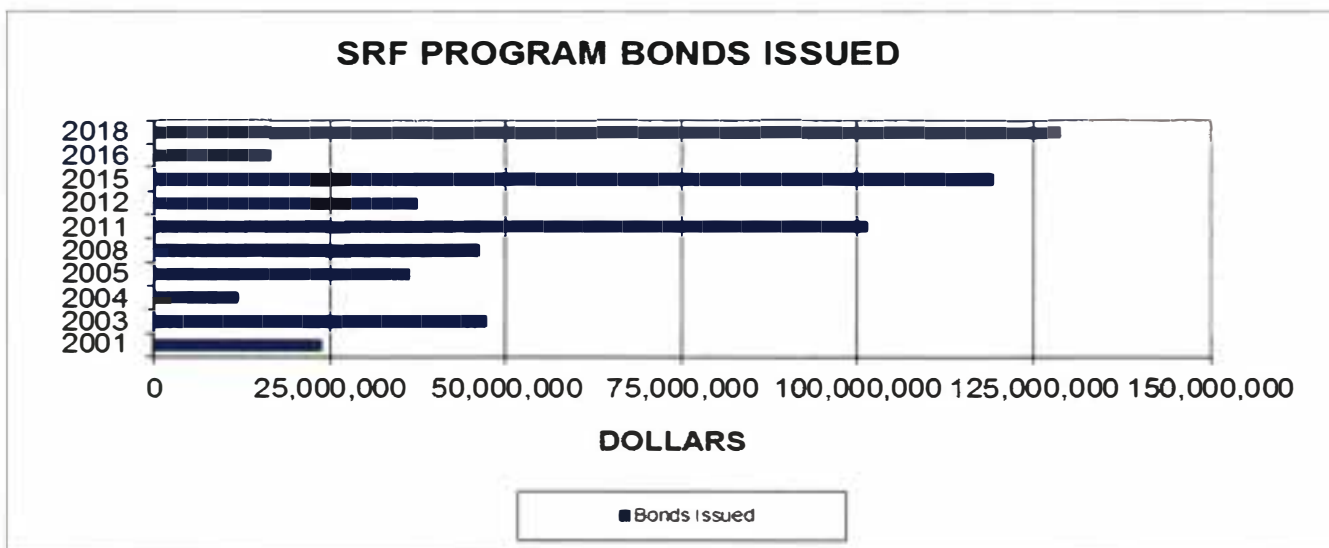
The PFA approved \$193,860,583 of Clean Water SRF Program loans to 16 political subdivisions in 2018. Subpart 27 of Part G of Attachment 1 on page 1-18 of this Report contains a list of all approved Clean Water SRF Program loans for 2018, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2018.



The PFA approved \$51,965,469 of Drinking Water SRF Program loans to 26 political subdivisions in 2018. Subpart 20 of Part H of Attachment 1 on page 1-25 of this Report contains a list of loans made under the Drinking Water SRF Program during 2018, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2018.



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is \$683,365,000. This total includes \$151,085,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003A, 2003B, 2004, 2005 and 2008 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.



As of December 31, 2018, the total amount of SRF Program Bonds outstanding was \$344,255,000, and the total outstanding amount of SRF Program loans was \$673,260,377. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2018, was \$5,359,684, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part H of attachment 2 on page 2-3 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.

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INDUSTRIAL DEVELOPMENT BOND PROGRAM

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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 borrower 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 September 26, 2018 the Industrial Development Bond Program was upgraded from a rating of "A+" to "AA-" by Standard & Poor's Ratings Group. The PFA did not issue IDBP Bonds in 2018.

Part I of Attachment 1 beginning on page 1-27 of this Report contains a complete list, as of December 31, 2018, 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 2-3 of this Report contains a complete list, as of December 31, 2018, 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, 2018 was \$436,230. 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.

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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 2019-2021 biennium is \$26,192,863, and the debt service requirement for the outstanding SRF Program Bonds for the 2019-2021 biennium is \$70,959,712. The outstanding IDBP debt service requirement for 2019-2021 is \$416,700.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2019-2021 biennium is \$97,569,275.

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ATTACHMENT 1 #2
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**NORTH DAKOTA PUBLIC FINANCE AUTHORITY
LOANS MADE 1977 THROUGH 2018**

Part A

Subpart 1

\$15,000,000 1977 Series A Bonds

Borrower

Alexander PSD	Kensal PSD	Rock Lake PSD
Alexander	Kinloss PSD	Rolla
Almont	Kinyon PSD	Rutland
Ashley	Kulm	Sawyer PSD
Barney	LaMoure PSD	Scotia PSD
Bell PSD	LaMoure	Scranton
Beulah	Lawton	Sharon
Bismarck	Leeds	Sharon PSD
Bismarck Park District	Lehr	Sherwood
Butte PSD	Leonard PSD	Sheyenne PSD
Buxton	Leonard	Solen PSD
Carrington PSD	Lidgerwood	South Heart PSD
Cass County	Lignite	South Bend PSD
Casselton	Lincoln PSD	Southern PSD
Center	Linton	Southwest Fargo
Courtenay Special PSD	Linton PSD	Stanley
Drake	Maddock	Stanton
Edinburg PSD	Mandan	Steele
Edmore PSD	Mayville	Streeter PSD
Elgin	McVile	Sutton PSD
Ellendale PSD	Michigan	Thompson
Emerado	Minnewauken PSD	Tioga PSD
Enderlin	Napoleon	Tolna
Esmond	Nedrose PSD	Traill County District
Esmond PSD	Nesson PSD	Turtle Lake
Fingal PSD	New Salem	Valley City
Finley	New Leipzig Fire District	Velva
Fordville	New Rockford	Verona
Gackle PSD	New Leipzig PSD	Walcott
Galt PSD	New Leipzig	Walhalla
Garrison	New Rockford	Washburn
Glen Ullin PSD	North Sargent PSD	Watford City
Gwinner	Park River	Westhope
Halliday	Parshall	Wildrose PSD
Hampden PSD	Pembina	Wilton
Hazelton Moffitt PSD	Portland	Wishek PSD
Hazen	Reeder PSD	Wishek
Jamestown	Regent PSD	Woodworth PSD
Juzeler PSD	Reynolds	Yellowstone Irrigation District
Kathryn PSD	Robinson PSD	Zeeland PSD

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Subpart 2

\$16,590,000 1979 Series A Bonds

Borrower

Anita Fire Protection District	Hazen	Richardson PSD
Ashley PSD	Hazen PSD	Rock Lake
Beulah	Hebron	Rolla
Beulah PSD	Hettinger	Scranton
Center PSD	Hope	Sherwood Fire Protection District
Edgeley	Hunter	Stanley
Edinburg	Linton	Stanton
Edmore	Lisbon	Strasburg
Enderlin	Mandan	Streeter
Finley	Mayville	Thompson
Gackle	Medina	West Fargo PSD
Garrison	Mott	Wilton
Glen Ullin	Napoleon	Wishek
Grand Forks Park District	New Rockford	Zap
Halliday	New Rockford Park District	
Harwood	Park River	
Hazelton	Portland	

Subpart 3

\$11,600,000 1983 Series A Bonds

Borrower

Anamoose	Grafton PSD	New Leipzig
Antler	Gwinner	Osnabrock
Binford	Hankinson Rural Fire District	Pembina
Bismarck Rural Fire District	Horace	Pingree PSD
Bowbells PSD	Killdeer	Rhame
Carrington	Lakota PSD	Richardton
Cass Richland Drainage District	Larimore	Rolette
Casselton	Leonard	Stanley
Crosby	Linton	Strasburg
Dodge	Mandan	Towner
Edgeley PSD	Manning PSD	Velva
Elgin PSD	Mapleton	Westhope
Enderlin	Medina	Wildrose
Finley	Michigan PSD	Zap PSD
Flasher PSD	Milnor	
Gladstone	New England	

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Part B

**Local Government Assistance Program
\$35,290,000 1985 Series A Bonds**

Borrower

- | | | |
|-----------------------|--------------------|-----------------|
| Barnes County | Fargo PSD | Morton County |
| Bismarck PSD | Fessenden | Powers Lake PSD |
| Border Central PSD | Fordville | Ramsey County |
| Burleigh County | Grace City PSD | Richland County |
| Cass Valley North PSD | Grand Forks County | Solen PSD |
| Cass County | Grand Forks PSD | Stanton PSD |
| Crary PSD | Killdeer PSD | Stark County |
| Dakota PSD | LaMoure PSD | Steele County |
| Dickey County | Mandan PSD | Stutsman County |
| Dickinson PSD | Mandan | Tolley PSD |
| Drayton PSD | McIntosh County | Walsh County |
| Edgeley PSD | Michigan PSD | West Fargo PSD |
| Epping PSD | Minot 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

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Capital Financing Disaster Loan Program

Part E

<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
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	4,300
Logan County	6,000,000	265,000
Dickey County	5,000,000	0
Rolling Green Township, Ward County	460,742	6,798
Cameron Township, Ward County	495,000	0
Otis Township, McLean County	35,000	0
Normanna Township, Cass County	40,000	0
Casselton Township, Cass County	83,000	0
Ward County	10,000,000	0
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	0
Valley Springs Township, Stutsman County	904,483	0
Lowery Township, Stutsman County	600,000	0
Wadsworth Township, Stutsman County	26,000	0
St Paul Township, Stutsman County	278,500	0
Ashland Township, Stutsman County	5,741	0
Woodbury Township, Stutsman County	150,000	0
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	0
North Prairie Rural Water District	700,000	0
North Prairie Rural Water District	450,000	0
Minnewaukan Public School District	2,500,000	0
	<u>55,560,907</u>	<u>276,098</u>
Subpart 2	2012	
Newman Township, Ward County	40,000	0
Griffin Township, Stutsman County	1,030,530	0
Minot Park District	7,000,000	0
Rice Lake Recreation Service District	672,600	0
	<u>8,743,130</u>	<u>0</u>

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Borrower

Subpart 3

2013

Gray Township, Stutsman County
Minnewaukan
German Township, Dickey County
Chicago Township, Stutsman County

	<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
\$	30,000	\$ 0
	6,637,509	0
	360,000	0
	200,000	0
	<u>7,227,509</u>	<u>0</u>
Total Capital Financing Disaster Program Loans	\$ <u>71,531,546</u>	\$ <u>276,098</u>

Capital Financing Program

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Part F

<u>Borrower</u>	<u>Original Loan Amount</u>
Subpart 1 1990	
Morton County	\$ 400,000
Linton	185,000
Mandan	95,000
Hankinson	155,000
Fargo Park District	680,000
Trail County WaterResource 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.	<u>335,000</u>
	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	<u>400,000</u>
	7,015,000

<u>Borrower</u>	<u>Original Loan Amount</u>
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	<u>100,000</u>
	12,150,000

Subpart 4 1993	
Lake MetigosheRSD	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
McVile	230,000
Milnor	195,000
Emerado PSD	60,000
Grand Forks PSD	2,000,000
Burleigh County Housing Auth.	<u>325,000</u>
	7,905,000

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Borrower **Original**
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	<u>50,000</u>
	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	<u>75,000</u>
	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	<u>230,000</u>
	3,365,000

Borrower

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	<u>1,550,000</u>
	15,345,000

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<u>Borrower</u>		<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
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	0
West Fargo PSD		1,000,000	0
Sims PSD		50,000	0
Park River		450,000	35,000
		<u>3,010,000</u>	<u>35,000</u>
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	100,000
		<u>4,530,000</u>	<u>100,000</u>
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
		<u>4,215,000</u>	<u>0</u>
Subpart 12	2001		
Frontier		735,000	0
		<u>735,000</u>	<u>0</u>
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
		<u>1,600,000</u>	<u>0</u>

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<u>Borrower</u>		<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 14	2003		
Langdon Rural Water District		\$ 1,495,000	\$ 0
Subpart 15	2004		
Traill Rural Water		300,000	0
Surrey		500,000	0
Mercer County Housing		80,000	0
		<u>880,000</u>	<u>0</u>
Subpart 16	2006		
Rolette County Housing Authority		235,000	160,000
Belcourt Public School District		1,045,000	0
Enderlin		105,000	0
		<u>1,385,000</u>	<u>160,000</u>
Subpart 17	2009		
West Fargo		530,000	440,000
Tri-County Water District		1,415,000	915,000
Emerado		180,000	120,000
		<u>2,125,000</u>	<u>1,475,000</u>
Subpart 18	2011		
Drayton		405,000	296,000
Drayton		350,000	255,000
McVile		2,357,000	1,975,000
McVile		618,000	249,000
		<u>3,730,000</u>	<u>2,775,000</u>
Subpart 19	2012		
McVile		150,000	95,000
Kulm		85,000	30,000
All Seasons Water Users District		820,000	615,000
Forman Housing Authority		935,000	750,000
Forman		505,000	435,000
Forman		1,090,000	760,000
Hankinson		1,930,000	1,610,000
Mayville		1,430,000	1,105,000
Tri-County Water District		1,405,000	1,205,000
Gackle		1,285,000	1,020,000
		<u>9,635,000</u>	<u>7,625,000</u>
Subpart 20	2013		
Fargo		<u>51,375,000</u>	<u>41,940,000</u>

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<u>Borrower</u>		<u>Original Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 22	2015		
Minot		1,945,000	1,565,000
Forman		1,965,000	1,670,000
Watford City		23,655,000	21,360,000
Watford City		35,550,000	33,745,000
Rugby		465,000	345,000
Zap		<u>2,265,000</u>	<u>2,035,000</u>
		65,845,000	60,720,000
Subpart 23	2018		
Munich		<u>1,360,000</u>	<u>1,360,000</u>
Total Capital Financing Program Loans		<u>\$ 260,448,016</u>	<u>\$ 151,395,000</u>

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Clean Water State Revolving Fund Program

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Part G

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<u>Borrower</u>	<u>Approved and Funded Loan Amount</u>	<u>Borrower</u>	<u>Approved and Funded Loan Amount</u>
Subpart 1	1990	Subpart 4 Cont.	1995
Enderlin	\$ 490,000	Buffalo	38,248
Fargo	3,561,559	Hettinger	156,001
Minot	<u>879,386</u>	Davenport	176,339
	4,930,945	Ellendale	220,990
		Cando	113,006
Subpart 2	1993	Cooperstown	<u>300,000</u>
Fargo	7,770,000		8,009,687
Jamestown	1,581,406	Subpart 5	1996
Minot	665,000	Jamestown	16,300,000
Northwood	1,150,000	Cooperstown	1,174,952
Wahpeton	1,062,366	Park River	72,312
West Fargo	175,000	Portland	82,368
Lake Metigoshe	296,263	Medina	67,255
New Town	132,050	Mayville	105,433
Jamestown	1,289,702	Manvel	478,416
Williston	<u>252,835</u>	Oriska	21,531
	14,374,622	Bottineau	100,000
Subpart 3	1994	Arthur	132,963
Minot	443,522	Cando	254,052
Burlington	165,037	Kindred	124,498
Devils Lake	1,076,423	Page	47,738
Grafton	410,000	Argusville	213,061
Casselton	<u>112,000</u>	Bottineau	104,500
	2,206,982	Grand Forks	13,700,000
Subpart 4	1995	Bank of North Dakota	<u>1,101,444</u>
Fargo	2,850,429		34,080,523
Max	74,912		
Cooperstown	55,000		
Northwood	225,837		
Colfax	36,297		
Edmore	62,256		
Ellendale	196,826		
Minot	400,000		
Williston	291,881		
Lisbon	100,000		
Napoleon	133,851		
Park River	498,279		
Carrington	835,000		
Mott	211,157		
Harvey	478,556		
Beach	226,241		
Williston	328,581		

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 6	1997		
Grand Forks	3,940,000	3,940,000	0
Casselton	1,589,652	1,589,652	0
Christine	385,273	385,273	0
Mapleton	152,864	152,864	0
Horace	225,330	225,330	0
Carrington	805,000	805,000	0
Mandan	5,191,929	5,191,929	325,000
Berthold	82,875	82,875	0
Cooperstown	123,067	123,067	0
Jamestown	2,277,487	2,277,487	0
Lakota	1,933,969	1,933,969	0
Minnewauken	218,000	218,000	0
	<u>16,925,446</u>	<u>16,925,446</u>	<u>325,000</u>

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	15,000
Southeast Cass	214,000	214,000	0
Casselton	108,261	108,261	0
Sanborn	76,195	76,195	0
Frontier	98,603	98,603	0
Abercrombie	300,875	300,875	0
Grandin	97,042	97,042	0
Taylor	59,872	59,872	0
Fargo	10,723,277	10,723,277	0
Grand Forks	2,650,804	2,650,804	0
	<u>16,595,054</u>	<u>16,595,054</u>	<u>15,000</u>

Subpart 8	1999		
Fargo	\$ 210,000	\$ 210,000	\$ 0
Gackle	118,020	118,020	0
Hillsboro	360,000	360,000	0
Kindred	1,113,522	1,113,522	70,000
Wimbledon	74,738	74,738	5,000
Jamestown	747,990	747,990	0
Lisbon	87,025	87,025	6,000
Stanley	102,413	102,413	0
Buffalo	213,667	213,667	13,000
Buxton	77,000	77,000	0
Hankinson	88,000	88,000	6,000
Jamestown	454,641	454,641	0
	<u>3,647,016</u>	<u>3,647,016</u>	<u>100,000</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 9	2000		
Abercrombie	20,064	20,064	0
Hankinson	84,999	84,999	10,000
Fargo	1,816,295	1,816,295	220,000
Lidgerwood	89,405	89,405	12,000
Enderlin	1,189,549	1,189,549	0
Hunter	158,395	158,395	10,000
Cogswell	81,960	81,960	5,000
Mayville	1,075,000	1,075,000	0
Ward County Water Resource District	797,375	797,375	100,000
Emerado	406,207	406,207	0
	<u>5,719,249</u>	<u>5,719,249</u>	<u>357,000</u>

Subpart 10	2001		
Jamestown	370,120	370,120	0
Mayville	1,169,393	1,169,393	135,000
Forman	135,172	135,172	18,000
Lisbon	716,436	716,436	90,000
Amenia	141,489	141,489	18,000
Grand Forks	13,781,500	13,781,500	2,525,000
Kulm	678,640	678,640	130,000
Tower City	503,123	503,123	90,000
Lake Metigoshe Recreation Service District	485,400	485,400	65,000
Williston	1,124,000	1,124,000	205,000
Rolette	102,000	102,000	18,500
Hebron	122,890	122,890	23,000
Hankinson	1,457,760	1,457,760	265,000
Harvey	69,281	69,281	12,800
Oakes	106,076	106,076	0
	<u>20,963,280</u>	<u>20,963,280</u>	<u>3,595,300</u>

Subpart 11	2002		
Sanborn	\$ 30,694	\$ 30,694	\$ 0
Williston	1,190,559	1,190,559	290,000
Grand Forks	1,580,755	1,580,755	306,000
Grand Forks	2,274,164	2,274,164	390,000
Grand Forks	6,546,560	6,546,560	1,275,000
Linton	95,770	95,770	24,000
Mayville	3,073,811	3,073,811	315,000
Morton County Water Resource District	258,000	258,000	62,000
Wildrose	86,405	86,405	0
Mapleton	80,790	80,790	0
Wahpeton	374,065	374,065	110,000
	<u>15,591,573</u>	<u>15,591,573</u>	<u>2,772,000</u>

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<u>Borrower</u>		<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 12	2003			
Hunter		41,930	41,930	12,600
Oakes		746,350	746,350	187,000
Harvey		244,615	244,615	75,000
Hankinson		133,790	133,790	40,000
Mantador		50,000	50,000	15,100
Litchville		236,381	236,381	72,000
Courtenay		49,444	49,444	0
Jamestown		1,309,568	1,309,568	480,000
		<u>2,812,078</u>	<u>2,812,078</u>	<u>881,700</u>
Subpart 13	2004			
Oakes		601,500	601,500	190,000
Portland		291,164	291,164	90,000
Lidgerwood		84,416	84,416	30,000
Lincoln		397,944	397,944	0
Hillsboro		186,336	186,336	0
Warwick		32,775	32,775	12,000
West River Water and Sewer		338,007	338,007	0
		<u>1,932,142</u>	<u>1,932,142</u>	<u>322,000</u>
Subpart 14	2005			
Mapleton		335,000	335,000	120,000
Hazen		276,120	276,120	105,000
Enderlin		184,307	184,307	63,000
Rutland		180,841	180,841	0
Grand Forks		4,500,000	4,500,000	1,835,000
		<u>5,476,268</u>	<u>5,476,268</u>	<u>2,123,000</u>
Subpart 15	2006			
Jamestown		\$ 1,475,346	\$ 1,475,346	683,000
Rice Lake Recreation Service District		2,813,537	2,813,537	1,194,000
Fargo		2,631,739	2,631,739	0
Gackle		77,824	77,824	0
Tower City		121,502	121,502	56,000
Bank of North Dakota		2,398,556	1,722,501	60,944
Portland		30,236	30,236	14,500
Wyndmere		188,146	188,146	0
Oakes		950,000	950,000	445,000
		<u>10,686,886</u>	<u>10,010,831</u>	<u>2,453,444</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 16	2007		
Bismarck	20,000,000	20,000,000	10,415,000
Southeast Cass Water Resource District	738,299	738,299	310,000
Lakota	414,948	414,948	102,000
Leonard	255,000	255,000	130,000
Argusville	634,606	634,606	334,000
Mayville	345,725	345,725	160,000
McVile	81,677	81,677	40,000
Jamestown	1,467,998	1,467,998	623,000
Hope	757,963	757,963	336,000
Portland	46,937	46,937	25,000
Cass Rural Water District	15,326,652	15,326,652	9,615,652
Willow City	148,174	148,174	76,000
Oakes	258,747	258,747	127,000
Nome	16,011	16,011	0
	<u>40,492,737</u>	<u>40,492,737</u>	<u>22,293,652</u>

Subpart 17	2008		
Lisbon	1,174,092	1,174,092	655,000
Harvey	210,952	210,952	78,000
Hunter	138,580	138,580	80,000
Fargo	63,657,409	63,657,409	42,260,000
Flasher	121,414	121,414	33,000
Hankinson	100,000	100,000	57,000
Ellendale	734,842	734,842	414,000
Fargo	1,640,000	1,640,000	1,010,000
Watford City	808,588	808,588	450,000
	<u>68,585,877</u>	<u>68,585,877</u>	<u>45,037,000</u>

Subpart 18	2009		
Tappen	\$ 179,761	\$ 179,761	\$ 102,000
Casselton	1,931,688	1,931,688	1,195,000
Mandan	1,679,763	1,679,763	960,000
Mandan	1,000,000	1,000,000	570,000
Stutsman Rural Water District	4,603,386	4,603,386	2,540,000
Lisbon	1,247,424	1,247,424	315,000
Cavalier	487,315	487,315	260,000
Lake Metigoshe Recreation Service District	517,400	517,400	0
Velva	346,601	346,601	0
Hazen	246,919	246,919	15,000
Enderlin	799,172	799,172	190,000
Glenburn	784,378	784,378	250,000
Davenport	389,832	389,832	110,000
Munich	1,200,120	1,200,120	0
Edgeley	1,644,845	1,644,845	235,000
Valley City	345,241	345,241	185,000
Strasburg	1,404,743	1,404,743	215,000
	<u>18,808,588</u>	<u>18,808,588</u>	<u>7,142,000</u>

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<u>Borrower</u>	<u>2010</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 19				
Hillsboro		127,849	127,849	80,000
Drayton		1,677,066	1,677,066	85,000
Michigan		1,606,506	1,606,506	315,000
Northwood		2,306,303	2,306,303	635,000
Fargo		822,348	822,348	455,000
Wishek		185,547	185,547	114,000
Mapleton		610,964	610,964	370,000
Hankinson		569,833	569,833	360,000
Fargo		4,061,075	4,061,075	2,760,000
Hunter		143,032	143,032	100,000
Dickinson		569,354	569,354	0
Langdon		157,454	157,454	0
Kulm		54,409	54,409	38,000
		<u>12,891,740</u>	<u>12,891,740</u>	<u>5,312,000</u>
Subpart 20				
2011				
Jamestown		1,140,023	1,140,023	760,000
Pembina		217,329	217,329	155,000
Wyndmere		1,664,897	1,664,897	1,185,000
Devils Lake		2,500,000	2,500,000	1,735,000
Minto		1,177,115	1,177,115	835,000
Fingal		519,245	519,245	270,000
Southeast Cass WRD		591,777	591,777	300,000
Forman		750,935	750,935	315,000
Hazen		178,494	178,494	126,000
		<u>8,739,815</u>	<u>8,739,815</u>	<u>5,681,000</u>
Subpart 21				
2012				
Velva		\$ 210,408	\$ 210,408	\$ 140,000
Kathryn		68,006	68,006	50,000
Maddock		1,284,300	1,284,300	320,000
Casselton		765,923	765,923	411,700
Dunn Center		200,000	200,000	145,000
Des Lacs		97,403	97,403	73,000
Clifford		46,228	46,228	34,000
Medina		238,028	238,028	128,000
		<u>2,910,296</u>	<u>2,910,296</u>	<u>1,301,700</u>
Subpart 22				
2013				
Burleigh County WRD		244,653	244,653	181,000
Rolla		1,755,604	1,755,604	1,350,000
Lisbon		469,752	469,752	365,000
Ray		2,533,536	2,533,536	1,385,000
Wyndmere		205,773	205,773	0
Jamestown		822,306	822,306	650,000
Dickinson		38,924,961	38,924,961	30,385,000
Casselton		3,246,585	3,246,585	2,555,000
Lehr		219,482	219,482	81,000
Mandan		2,066,118	2,066,118	1,630,000
		<u>50,488,770</u>	<u>50,488,770</u>	<u>38,582,000</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 23	2014		
Douglas	67,866	67,866	52,000
Jamestown	11,100,950	11,100,950	9,295,000
Berthold	1,248,288	1,248,288	640,000
Bowbells	685,005	685,005	415,000
Noonan	237,000	237,000	195,000
Enderlin	365,500	365,500	305,000
Page	182,867	182,867	155,000
Beulah	586,800	586,800	485,000
Washburn	2,922,696	2,922,696	2,435,000
Mandan	1,681,280	1,681,280	1,365,000
Dickinson	42,108,000	37,252,730	30,829,730
Grenora	416,147	416,147	294,000
Williston	125,600,000	111,763,405	98,383,405
Ryder	189,109	189,109	151,000
	<u>187,391,508</u>	<u>168,699,643</u>	<u>145,000,135</u>

Subpart 24	2015		
Watford City	\$ 18,718,523	\$ 18,718,523	\$ 17,395,000
Mandan	4,481,824	4,481,824	3,910,000
Tioga	2,500,000	2,500,000	1,755,000
Marion	97,732	97,732	80,000
Harvey	830,477	830,477	725,000
Ward County WRD	2,755,128	2,755,128	2,440,000
Granville	139,939	139,939	120,000
Grafton	497,760	497,760	494,760
Watford City	10,407,619	10,407,619	9,850,000
	<u>40,429,002</u>	<u>40,429,002</u>	<u>36,769,760</u>

Subpart 25	2016		
Oberon	191,552	191,552	177,000
Jamestown	522,119	522,119	480,000
Dwight	50,700	50,700	48,000
Makoti	57,450	57,450	53,000
LaMoure	1,425,000	1,213,659	784,562
Hebron	911,000	911,000	820,000
Arnegard	380,000	380,000	0
	<u>3,537,821</u>	<u>3,326,480</u>	<u>2,362,562</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 26	2017		
Horace	1,340,000	937,955	882,955
Colfax	519,633	519,633	499,633
Beulah	441,097	441,097	405,000
Gardner	26,710	26,710	22,000
Noonan	646,716	646,716	415,000
Oakes	1,005,000	1,005,000	975,000
Larimore	9,360,000	538,258	376,780
Oakes	365,000	210,429	201,429
Cavalier	998,000	839,754	587,827
Horace	3,192,000	1,606,497	1,474,497
Mayville	1,556,000	1,556,000	1,505,000
	<u>19,450,156</u>	<u>8,328,049</u>	<u>7,345,121</u>
Subpart 27	2018		
Carrington	339,000	304,032	296,032
Lidgerwood	100,000	42,467	38,467
Wahpeton	1,046,000	581,273	550,273
Pick City	329,000	275,522	184,865
Petersburg	905,000	770,811	770,811
Jamestown	4,800,000	1,174,794	974,794
Garrison Diversion Conservancy District	5,000,000	914,312	914,312
Argusville	775,000	471,232	471,232
Beulah	345,000	38,216	38,216
Jamestown	597,583	597,583	597,583
Lisbon	2,000,000	689,494	689,494
Arnegard	2,298,000	202,717	202,717
Minot	6,678,000	4,285,700	4,285,700
Minot	12,282,000	1,917,895	1,917,895
Horace	422,000	129,407	129,407
Grand Forks	9,000,000	4,284,772	4,284,772
Fargo	20,229,000	2,992,305	2,992,305
Arthur	215,000	19,993	19,993
Fargo	126,500,000	1,545,675	1,545,675
	<u>193,860,583</u>	<u>21,238,200</u>	<u>20,904,543</u>
Total	\$ <u>811,538,644</u>	\$ <u>608,214,893</u>	\$ <u>350,675,917</u>

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Drinking Water State Revolving Fund Program

Part H

HB 10124

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#2

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 1	1999		
Wahpeton	\$ 345,715	\$ 345,715	\$ 0
Park River	261,000	261,000	0
New Rockford	281,102	281,102	0
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	720,000
St. John	399,388	399,388	46,000
	8,368,540	8,368,540	766,000
Subpart 2	2000		
Grand Forks	11,542,236	11,542,236	1,420,000
Lisbon	912,115	912,115	110,000
Stutsman Rural Water Users	666,168	666,168	0
State Water Commission	1,500,000	1,500,000	0
Cooperstown	300,000	300,000	38,000
Harwood	866,514	866,514	160,000
Mayville	1,025,000	1,025,000	160,000
	16,812,033	16,812,033	1,888,000
Subpart 3	2001		
Hankinson	405,000	405,000	70,000
Finley	2,479,994	2,479,994	446,400
Enderlin	195,000	195,000	0
Valley City	1,444,139	1,444,139	265,000
Grand Forks	10,050,000	10,050,000	0
Oxbow	475,657	475,657	90,000
Lisbon	460,381	460,381	90,000
Nome	22,465	22,465	0
Southeast Water Users	60,000	60,000	10,500
	15,592,636	15,592,636	971,900

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 4	2002		
Lisbon	\$ 413,522	\$ 413,522	\$ 100,000
Harvey	427,076	427,076	100,000
Grafton	285,616	285,616	70,000
Mandan	4,197,565	4,197,565	810,000
Ramsey County WRD	3,482,000	3,482,000	0
Enderlin	87,500	87,500	22,000
Linton	563,063	563,063	140,000
Cleveland	206,406	206,406	45,000
Langdon	522,796	522,796	0
Drayton	132,362	132,362	0
Larimore	1,991,805	1,991,805	470,000
Wahpeton	1,890,000	1,890,000	602,000
Grafton	1,130,229	1,130,229	352,000
	<u>15,329,940</u>	<u>15,329,940</u>	<u>2,711,000</u>
Subpart 5	2003		
Southeast Water District	1,446,906	1,446,906	0
Grand Forks - Traill Water District	3,991,780	3,991,780	0
North Valley Water District	4,138,000	4,138,000	0
Williston	3,693,344	3,693,344	1,100,000
Barnes Rural Water District	816,000	816,000	245,000
Argusville	360,718	360,718	110,000
Casselton	1,272,000	1,272,000	190,000
Aneta	171,340	171,340	52,700
Stutsman Rural Water District	201,651	201,651	0
	<u>16,091,739</u>	<u>16,091,739</u>	<u>1,697,700</u>
Subpart 6	2004		
Oakes	147,652	147,652	47,000
Cass Rural Water District	1,890,923	1,890,923	740,000
Leeds	179,000	179,000	50,000
Hazen	1,000,000	1,000,000	350,000
Tioga	418,727	418,727	70,000
Lincoln	307,681	307,681	119,000
Lincoln	447,000	447,000	0
Abercrombie	244,002	244,002	88,000
Lisbon	410,000	410,000	136,000
Williston	5,000,000	5,000,000	0
Harvey	676,556	676,556	220,000
Noonan	39,602	39,602	16,000
Williams County Rural Water	1,500,000	1,500,000	560,000
Williston	17,593,143	17,593,143	8,120,000
Jamestown	2,534,604	2,534,604	1,020,000
	<u>32,388,890</u>	<u>32,388,890</u>	<u>11,536,000</u>

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<u>Borrower</u>		<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 7	2005			
Argusville	\$	217,304	\$ 217,304	\$ 79,000
Park River		746,100	746,100	314,000
Mapleton		83,754	83,754	0
Bottineau		750,000	750,000	301,000
Southeast Water Users District		808,411	808,411	335,000
		<u>2,605,569</u>	<u>2,605,569</u>	<u>1,029,000</u>

Subpart 8	2006			
Walcott		159,112	159,112	69,000
Stutsman Rural Water District		1,164,020	1,164,020	445,000
Wildrose		52,291	52,291	21,000
Velva		1,616,123	1,616,123	245,000
Cooperstown		309,634	309,634	120,000
Riverdale		762,138	762,138	278,000
Pick City		223,328	223,328	101,000
Braddock		16,610	16,610	0
Center		358,800	358,800	150,000
Page		95,975	95,975	45,000
Harvey		91,581	91,581	42,000
Hillsboro		1,151,563	1,151,563	279,000
Washburn		1,870,633	1,870,633	795,000
Southeast Water Users District		4,655,000	4,655,000	2,142,000
Portal		50,000	50,000	0
Park River		517,600	517,600	255,000
Central Plains Water District		1,661,967	1,661,967	763,000
Columbus		57,000	57,000	0
Southeast Water Users District		186,902	186,902	85,000
		<u>15,000,277</u>	<u>15,000,277</u>	<u>5,835,000</u>

Subpart 9	2007			
McLean-Sheridan Rural Water		519,104	519,104	265,000
Walsh Rural Water District		1,796,902	1,796,902	0
North Prairie Water District		5,700,000	5,700,000	2,890,000
Mayville		324,341	324,341	150,000
Southeast Water Users District		5,418,000	5,418,000	1,460,000
South Central Regional Water		8,000,000	8,000,000	4,087,000
Jamestown		2,076,816	2,076,816	990,000
Devils Lake		3,800,000	3,800,000	0
North Valley Water District		2,617,000	2,617,000	0
Christine		219,015	219,015	116,000
Grand Forks Trail Water District		1,200,000	1,200,000	575,000
All Seasons Water Users District		211,950	211,950	107,000
		<u>31,883,128</u>	<u>31,883,128</u>	<u>10,640,000</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 10 2008			
Southeast Water Users District	\$ 595,000	\$ 595,000	\$ 305,000
Hazelton	245,120	245,120	84,000
Lisbon	757,220	757,220	385,000
Mapleton	1,149,088	1,149,088	0
Mandan	4,511,900	4,511,900	2,560,000
Fargo	2,500,000	2,500,000	1,345,000
Cass Rural Water District	1,376,605	1,376,605	785,000
Fargo	14,110,422	14,110,422	6,435,000
Tri-County Water District	363,289	363,289	199,000
Lakota	199,802	199,802	0
Crosby	551,488	551,488	0
Hankinson	95,000	95,000	54,000
Hannaford	53,748	53,748	29,000
South Central Regional Water	4,000,000	4,000,000	2,280,000
Ray	1,452,760	1,452,760	320,000
Parshall	3,610,500	3,610,500	2,465,000
Mandan	7,972,283	7,972,283	4,620,000
Leeds	37,076	37,076	20,000
	<u>43,581,301</u>	<u>43,581,301</u>	<u>21,886,000</u>

Subpart 11 2009			
Traill Rural Water District	3,396,880	3,396,880	0
Carrington	240,117	240,117	136,000
Lisbon	305,787	305,787	170,000
Watford City	347,464	347,464	199,000
Bismarck	16,320,000	16,320,000	9,930,000
Lisbon	1,613,726	1,613,726	975,000
Ray	864,000	864,000	0
Southeast Water Users District	1,128,358	1,128,358	705,000
Southeast Water Users District	841,774	841,774	560,000
Barnes Rural Water District	2,050,000	2,050,000	1,090,000
Velva	373,579	373,579	225,000
All Seasons Water Users District	154,433	154,433	90,000
Wimbledon	258,353	258,353	150,000
Hope	175,000	175,000	95,000
Enderlin	2,196,790	2,196,790	1,290,000
Garrison	158,222	158,222	0
Wildrose	1,503,094	1,503,094	0
Karlsruhe	791,415	791,415	85,000
Strasburg	2,060,678	2,060,678	225,000
	<u>34,779,670</u>	<u>34,779,670</u>	<u>15,925,000</u>

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<u>Borrower</u>		<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 12	2010			
Hillsboro	\$	289,376	\$ 289,376	\$ 175,000
Washburn		4,023,646	4,023,646	1,135,000
South Central Regional WD		4,600,000	4,600,000	3,065,000
BDW Water Systems		2,309,158	2,309,158	0
State Line Water Coop		147,781	147,781	14,000
Valley City		4,646,000	4,646,000	1,165,000
Hillsboro		1,310,679	1,310,679	645,000
Mandan		6,923,867	6,923,867	4,655,000
Kenmare		403,579	403,579	235,000
Buffalo		98,922	98,922	65,000
Jamestown		5,525,008	5,525,008	3,335,000
Kulm		25,300	25,300	17,000
		<u>30,303,316</u>	<u>30,303,316</u>	<u>14,506,000</u>
Subpart 13	2011			
Pembina		1,743,743	1,743,743	1,300,000
Linton		224,800	224,800	160,000
Page		90,597	90,597	64,000
Cooperstown		700,235	700,235	475,000
Sawyer		308,708	308,708	220,000
Bowbells		2,145,000	2,145,000	835,000
McKenzie County WRD		8,200,000	8,200,000	4,360,000
Kenmare		892,039	892,039	605,000
		<u>14,305,122</u>	<u>14,305,122</u>	<u>8,019,000</u>
Subpart 14	2012			
Ray		2,500,000	2,500,000	745,000
Minnewaukan		1,535,189	1,535,189	0
R & T Water Supply Commerce		9,349,789	9,349,789	6,025,000
Garrison Rural Water District		720,000	720,000	520,000
Southeast Water Users District		1,603,656	1,603,656	605,000
Sherwood		82,475	82,475	62,000
Granville		209,990	209,990	145,000
		<u>16,001,099</u>	<u>16,001,099</u>	<u>8,102,000</u>
Subpart 15	2013			
Hillsboro		2,623,344	2,623,344	1,395,000
Ross		1,740,267	1,740,267	595,000
Max		292,062	292,062	240,000
Fargo		98,000,000	92,849,840	92,849,840
Cooperstown		314,393	314,393	240,000
		<u>102,970,066</u>	<u>97,819,906</u>	<u>95,319,840</u>

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<u>Borrower</u>		<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 16	2014			
Westhope	\$	926,447	\$ 926,447	\$ 350,000
Grafton		2,200,757	2,200,757	1,750,000
Cooperstown		200,733	200,733	113,000
Stutsman Rural Water District		7,630,004	7,630,004	4,928,288
McLean-Sheridan Rural Water		1,350,000	1,280,158	1,190,158
Mandan		641,683	641,683	510,000
Fairmount		121,759	121,759	101,000
Noonan		282,130	282,130	235,000
Leeds		317,106	317,106	265,000
Columbus		387,828	387,828	129,000
Washburn		1,391,331	1,391,331	1,175,000
Jamestown		3,572,603	3,572,603	2,945,000
Grenora		383,853	383,853	259,000
Carrington		1,459,704	1,459,704	1,225,000
Ray		1,670,000	1,670,000	565,000
Barnes Rural Water District		2,063,033	2,063,033	1,810,000
		<u>24,598,971</u>	<u>24,529,129</u>	<u>17,550,446</u>
Subpart 17	2015			
Cass Rural Water District		3,000,000	3,000,000	2,740,000
Jamestown		794,159	794,159	655,000
Garrison		1,821,023	1,821,023	1,590,000
Gwinner		3,050,000	2,882,111	1,544,000
Sheyenne		77,362	77,362	68,000
Lehr		79,065	79,065	27,500
		<u>8,821,609</u>	<u>8,653,720</u>	<u>6,624,500</u>
Subpart 18	2016			
Tri-County Water District		727,655	727,655	440,000
New Rockford		270,000	270,000	238,000
Enderlin		340,000	340,000	295,000
Cooperstown		369,283	369,283	330,000
Robinson		129,723	129,723	30,000
South Central Regional WD		3,125,000	3,109,375	2,964,375
New Town		5,000,000	5,000,000	3,665,000
Hebron		2,834,223	2,834,223	1,775,000
Stutsman Rural Water District		1,706,000	1,198,883	1,117,883
Flaxton		95,000	95,000	0
North Prairie Water District		1,126,000	676,114	625,114
		<u>15,722,884</u>	<u>14,750,256</u>	<u>11,480,372</u>

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 19	2017		
Pick City	1,032,980	1,032,980	385,692
Southeast Water Users District	4,709,000	4,134,568	4,134,568
Makoti	362,450	106,272	41,509
Grand Forks	66,000,000	33,007,722	33,002,722
Gardner	244,374	244,374	228,000
Jamestown	1,123,587	1,123,587	1,030,000
Jamestown	539,511	539,511	470,000
Maxbass	437,973	437,973	137,000
Williams Rural Water District	5,000,000	5,000,000	4,390,000
Northeast Regional Water District	3,175,000	2,940,929	2,461,929
Sherwood	126,587	126,587	114,587
R & T Water Supply Commerce Auth	5,000,000	5,000,000	4,390,000
Horace	479,216	479,216	460,000
Trails Rural Water District	3,206,464	3,206,464	3,081,464
Oakes	4,043,000	4,043,000	3,885,000
Ross	947,758	947,758	231,939
Aneta	80,000	80,000	77,000
Kindred	600,000	352,064	337,064
Mandan	1,363,000	992,715	934,715
Mayville	720,000	720,000	700,000
	<u>99,190,900</u>	<u>64,515,720</u>	<u>60,493,189</u>

Subpart 20	2018		
Beulah	530,000	207,774	187,774
Mandan	820,281	820,281	785,000
Wahpeton	452,000	263,643	262,643
North Prairie RWD	175,000	9,815	5,815
Argusville	275,000	205,641	205,641
Casselton	1,210,000	82,073	82,073
Mohall	610,000	321,829	296,829
Lisbon	130,866	130,866	130,866
Towner	80,822	80,822	80,822
Fessenden	1,100,000	578,002	578,002
North Prairie RWD	450,000	205,251	205,251
Walsh RWD	565,000	220,222	220,222
Cass RWD	1,700,000	1,615,000	824,919
Central Plains WD	4,925,000	4,925,000	4,925,000
Arnegard	1,753,000	826,466	826,466
Barnes	2,052,000	2,052,000	2,052,000
Minot	1,734,000	191,024	191,024
Northeast RWD	3,000,000	167,014	167,014
Northeast RWD	2,460,000	2,460,000	2,460,000
McLean-Sheridan WD	1,074,000	489,030	489,030
Mercer	1,693,000	445,610	111,403
Tri-County Water District	1,050,000	182,832	182,832
Rugby	285,000	246,956	246,956
Larimore	119,500	43,767	43,767
Cando	2,044,000	2,044,000	2,044,000
WAWSA	16,500,000	5,641,468	5,641,468

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<u>Borrower</u>	<u>Approved Loan Amount</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 20 Continued 2018			
Mandan	1,889,000	271,827	271,827
Jamestown	1,538,000	1,316,465	1,316,465
East Central RWD	1,750,000	768,404	768,404
	<u>51,965,469</u>	<u>26,813,082</u>	<u>25,603,513</u>
Total	\$ <u>596,313,159</u>	\$ <u>530,125,073</u>	\$ <u>322,584,460</u>

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Industrial Development Bond Program Loans

Part I

<u>Borrower</u>	<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 1 2006		
Prairie Gold Real Estate, LLC	\$ <u>1,360,000</u>	\$ <u>875,833</u>
Subpart 2 2008		
ND Natural Beef, LLC	<u>2,000,000</u>	<u>0</u>
Subpart 3 2009		
Giant Snacks Inc.	1,500,000	1,120,833
ND Natural Beef, LLC	<u>65,269</u>	<u>0</u>
	<u>1,565,269</u>	<u>1,120,833</u>
Total	\$ <u>4,925,269</u>	\$ <u>1,996,666</u>

Direct Loans

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Part J

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<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Borrower</u>	<u>Original Loan Amount</u>
Subpart 1 1992		Subpart 9 2001	
Ft. Clark Irrigation	\$ 20,750	Fort Pembina Airport Authority	\$ 117,000
		Sims PSD	<u>100,000</u>
Subpart 2 1993			217,000
Solen	<u>9,000</u>	Subpart 10 2002	
Subpart 3 1995		Kulm	21,360
Plaza PSD	16,000	Southeast Water Users	640,000
Mooreton	30,000	Solen PSD	<u>200,000</u>
Garrison PSD	110,000		861,360
Beulah Airport Authority	<u>35,000</u>	Subpart 11 2003	
	191,000	Solen PSD	200,000
Subpart 4 1996		Traill County Rural Water Users	50,000
Christine	27,000	St. John	<u>85,000</u>
McHenry	24,000		335,000
Sims PSD	<u>17,000</u>	Subpart 12 2004	
	68,000	Solen PSD	200,000
Subpart 5 1997		New Town PSD	<u>60,000</u>
Ward County	80,000		260,000
Traill County Rural Water Users	40,000	Subpart 13 2005	
Christine	17,500	Enderlin	92,000
Manvel	<u>28,000</u>	Columbus	57,000
	165,500	Solen PSD	200,000
Subpart 6 1998		Gackle	75,000
Berthold	45,000	Portal	185,000
Page	60,000	Surrey Township	<u>42,500</u>
Ransom Sargent Water Users	87,000		651,500
Upper Souris Water Users Association	75,000	Subpart 14 2006	
Hannaford	<u>20,000</u>	Solen PSD	<u>200,000</u>
	287,000	Subpart 15 2007	
Subpart 7 1999		Emerado	<u>186,288</u>
Forest River	<u>50,000</u>	Subpart 16 2008	
Subpart 8 2000		Sterling PSD	100,000
New Town PSD	500,000	Cass Rural Water District	330,000
Sanborn	13,500	Watford City	405,000
Havana	<u>120,000</u>	Casselton	<u>685,000</u>
	633,500		1,520,000

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<u>Borrower</u>	<u>Original Loan Amount</u>
Subpart 17 2009	
Northwood PSD	\$ 1,500,000
Hazen	215,000
Solen PSD	<u>390,000</u>
	2,105,000
Subpart 18 2010	
Drayton	405,000
Drayton	<u>278,000</u>
	683,000
Subpart 19 2012	
Fessenden	44,000
Rolla	265,000
Sheldon	<u>63,413</u>
	372,413

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<u>Borrower</u>		<u>Funded Loan Amount</u>	<u>Outstanding Loan Amount</u>
Subpart 20	2013		
Noonan		\$ 115,290	\$ 0
Noonan		400,000	0
Rolla		190,000	0
Benedict		126,500	94,000
McHenry County		<u>1,777,500</u>	<u>0</u>
		2,609,290	94,000
Subpart 21	2014		
Trail Rural Water District		200,500	42,000
Berthold		450,000	140,000
Leeds		70,000	0
Colfax		<u>40,000</u>	<u>8,000</u>
		760,500	190,000
Subpart 22	2015		
Grafton		<u>150,000</u>	<u>60,000</u>
Subpart 23	2017		
Rolla		750,000	433,530
Wing		<u>120,000</u>	<u>43,084</u>
		870,000	476,614
Subpart 24	2018		
Jamestown Regional Airport Authority		700,000	604,596
Jamestown Regional Airport Authority		<u>126,500</u>	<u>125,877</u>
		826,500	730,473
Total Direct Loans		<u>\$ 14,032,601</u>	<u>\$ 1,551,087</u>

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ATTACHMENT 2

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BONDS ISSUED 1977 THROUGH 2018

Part A 1997 General Bond Resolution

Part F Cont.

	<u>Initial Bond Amount</u>
1977 Series A	\$ 15,000,000
1979 Series A	16,590,000
1983 Series A	<u>11,600,000</u>
Subtotal	43,190,000

Initial
Bond
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Part B Local Government Assistance Program

1985 Series A	<u>35,290,000</u>
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Part C Insured Water Revenue Bonds

1989 Series A	11,650,000
1989 Series B	<u>1,410,000</u>
Subtotal	13,060,000

Part D Government Assistance Program

1990 Series A	765,000
1990 Series B	<u>1,241,704</u>
Subtotal	2,006,704

Part E Taxable Insured Water System Refunding Bonds

1999 Series A	8,875,000
1999 Series B	<u>1,410,000</u>
Subtotal	10,285,000

Part F Capital Financing Program

1990 Series A	400,000
1990 Series B	185,000
1990 Series C	95,000
1990 Series D	155,000
1990 Series E	680,000
1990 Series F	100,000
1990 Series G	250,000
1990 Series H	220,000
1990 Series I	230,000
1990 Series J	140,000
1990 Series K	85,000
1990 Series L	770,000
1990 Series M	70,000
1990 Series N	35,000
1990 Series O	335,000

1991 Series A	225,000
1991 Series B	1,300,000
1991 Series C	410,000
1991 Series D	560,000
1991 Series E	265,000
1991 Series F	345,000
1991 Series G	380,000
1991 Series H	280,000
1991 Series I	2,460,000
1992 Series A	565,000
1992 Series B	820,000
1992 Series C	2,650,000
1992 Series D	115,000
1992 Series E	1,870,000
1992 Series F	3,260,000
1992 Series G	290,000
1992 Series H	395,000
1992 Series I	535,000
1992 Series J	2,500,000
1992 Series K	535,000
1993 Series A	150,000
1993 Series B	880,000
1993 Series C	1,975,000
1993 Series D	1,465,000
1993 Series E	505,000
1993 Series F	2,930,000
1994 Series A	5,335,000
1994 Series B	525,000
1994 Series C	445,000
1995 Series A	1,700,000
1995 Series B	425,000
1995 Series C	380,000
1996 Series A	500,000
1996 Series B	930,000
1996 Series C	1,585,000
1996 Series D	350,000
1997 Series A	540,000
1997 Series B	3,350,000
1997 Series C	300,000
1997 Series D	1,750,000
1997 Series E	4,705,000
1997 Series F	375,000
1997 Series G	1,050,000
1997 Series H	3,275,000
1998 Series A	945,000
1998 Series B	6,685,000

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Part F Cont.	<u>Initial Bond Amount</u>	<u>Outstanding Bond Amount</u>
1998 Series C	\$ 565,000	\$ 0
1998 Series D	1,050,000	0
1998 Series E	450,000	35,000
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	100,000
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	0
2006 Series A	1,385,000	160,000
2009 Series A	2,125,000	1,475,000
2011 Series A	3,730,000	2,775,000
2012 Series A	9,635,000	7,625,000
2013 Series A	51,375,000	41,940,000
2014 Series A	32,840,000	27,560,000
2014 Series B	9,000,000	7,645,000
2015 Series A	1,945,000	1,565,000
2015 Series B	25,620,000	23,030,000
2015 Series C	38,280,000	36,125,000
2018 Series A	1,360,000	1,360,000
Subtotal	259,480,000	151,395,000

Part G Capital Financing Disaster Loan Program

2011 Series A	9,141,832	0
2012 Series A	2,892,780	0
2013 Series A	1,696,000	0
2014 Series A	675,000	0
Subtotal	14,405,612	0

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	<u>Initial Bond Amount</u>	<u>Outstanding Bond Amount</u>
Part H State Revolving Fund Program		
1990 Series A	5,520,000	0
1993 Series A	20,220,000	0
1995 Series A	6,975,000	0
1996 Series A	29,845,000	0
1998 Series A	35,965,000	2,620,000
2000 Series A	16,725,000	0
2001 Series A	23,725,000	0
2003 Series A	26,795,000	0
2003 Series B	20,455,000	0
2004 Series A	11,790,000	0
2005 Series A	36,210,000	700,000
2008 Series A	46,100,000	0
2011 Series A	101,210,000	70,325,000
2012 Series A	19,705,000	14,235,000
2012 Series B	17,900,000	3,650,000
2015 Series A	119,195,000	107,695,000
2016 Series A	16,405,000	16,405,000
2018 Series A	128,625,000	128,625,000
Subtotal	<u>683,365,000</u>	<u>344,255,000</u>

- 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 the 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 2001 Series 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 2003 Series 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.
- ¹⁰ The proceeds of the 2016 Series A SRF Bonds was used to defease and refund the 2008 Series A SRF Bonds.

	<u>Initial Bond Amount</u>	<u>Outstanding Bond Amount</u>
Part I Industrial Development Bond Program		
2006 Series A	1,360,000	905,000
2008 Series A	2,000,000	0
2009 Series A	1,500,000	1,150,000
Subtotal	<u>4,860,000</u>	<u>2,055,000</u>
Total All Bonds	<u>\$ 1,066,022,316</u>	<u>\$ 497,705,000</u>

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Doug Burgum
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Keith Lund
Grand Forks

Linda Svihovec
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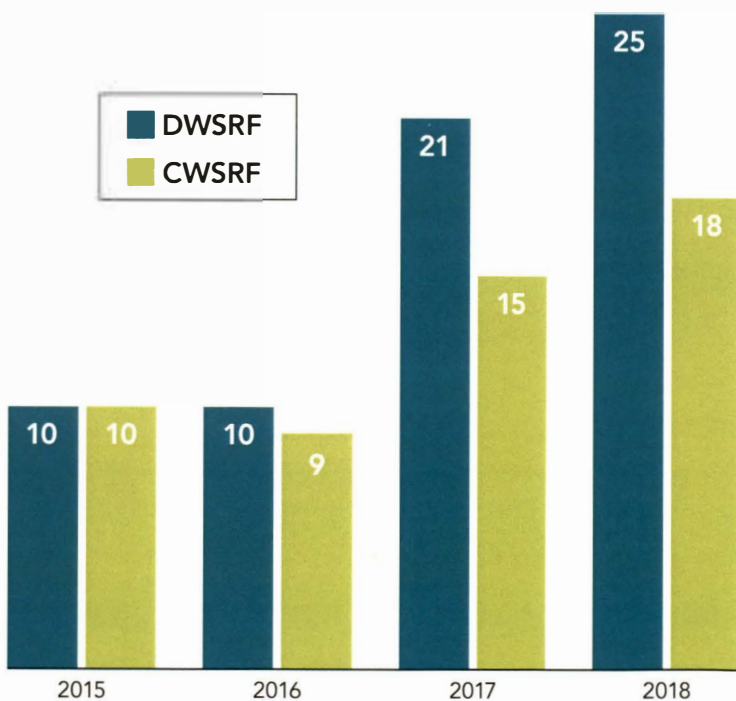
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Communities throughout North Dakota work diligently to provide safe drinking water and reliable wastewater treatment for their residents. Aging infrastructure and limited financial resources have placed a strain on these systems. The North Dakota Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs continue to provide support to communities by offering low interest rate loans.

NUMBER OF NEW PROJECTS FUNDED BY THE SRF PROGRAMS



An increasing number of communities are financing their improvement projects through the SRF programs. In 2018, 18 CWSRF loans were issued for new wastewater projects totaling \$188.3 million. A total of \$96.4 million was issued for 25 new drinking water DWSRF loans, and an additional \$11.5 million was issued for four DWSRF loans to refinance existing drinking water projects.

The SRF programs were able to maintain a 2 percent effective interest rate during 2018. This low interest rate has benefited loan recipients throughout North Dakota as overall market interest rates have increased. Additionally, the SRF programs will continue to allow communities to extend their loan terms to a maximum of 30 years based on the useful life of the projects.

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FEATURED PROJECTS

CWSRF FEATURED PROJECT

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Aerial view of the city of Fargo's Wastewater Treatment Facility (Courtesy of AE2S)

FARGO WASTEWATER TREATMENT FACILITY IMPROVEMENTS

Fargo's Wastewater Treatment Facility is approaching its design capacity, and the city has recently agreed to accept wastewater from the cities of West Fargo and Horace. Furthermore, portions of the existing facility have been found to be deficient due to the physical condition or age of the components. Failure to perform the recommended rehabilitation and expansion may result in a discharge of wastewater that exceeds the city's discharge permit requirements. These improvements will ensure that the city of Fargo is able to reliably treat wastewater for communities in the region and satisfy regulatory requirements.

Fargo's Waste Water Treatment Facility improvements began in 2018, and construction is expected to be completed in 2022. The CWSRF Program is the sole funding source for the project with a total of \$146,729,000 loaned at a 2 percent interest rate with 30-year terms.

DID YOU KNOW?

STORMWATER SYSTEM PROJECTS ARE ELIGIBLE FOR FUNDING

Stormwater system projects are eligible for CWSRF funding. These include projects that prevent flooding in streets and protect the sanitary sewer system, as well as lift stations and drainage channels to prevent urban flooding. Green infrastructure projects to reduce stormwater flows or provide treatment are also eligible. Stormwater projects must have a water quality benefit. Please contact the CWSRF Program Manager if you would like more information about funding stormwater system projects.



Stormwater Inlet (Courtesy of <http://www.grandforksgov.com/government/engineering/land-development/stormwater-information>)

DWSRF FEATURED PROJECT

RUGBY RAW WATER MAIN REPAIR



Connection of Rugby's new and old water main (Courtesy of Interstate Engineering)

The city of Rugby owns two raw water mains that connect several municipal wells to its water treatment plant. One of the mains was constructed of asbestos cement and was in poor condition. This pipe had broken several times beneath a slough and required significant maintenance over the years. The city of Rugby came to the DWSRF Program for a \$285,000 loan at a 2 percent interest rate with 30-year terms to replace 2,100 feet of this pipe.

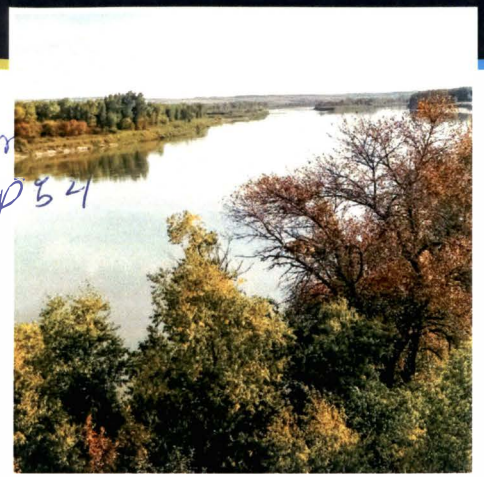
Following North Dakota Department of Health requirements, the city decided to abandon the asbestos cement pipe beneath the slough and connect the new 2,100 feet of fusible PVC with the existing pipe. Construction was completed in October, and the city now has a more reliable drinking water system.

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FUNDING OPTIONS

COOPERATIVE FUNDING

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Confluence of the Missouri and Yellowstone rivers (Courtesy of ND State Water Commission)

ADVANTAGES OF USING THE NORTH DAKOTA SRF

An advantage of using the North Dakota SRF programs is the option to use SRF money as a portion of overall project funding. This flexibility allows loan recipients to assemble a comprehensive funding package to satisfy the needs of the community. The table below highlights three projects that utilized the SRF programs to fund a portion of overall improvement costs.

CITY OF ARTHUR

STORM SEWER IMPROVEMENT DISTRICT NO. 2018-1

CWSRF	CDBG	Governor's Fund	Local	TOTAL
\$215,000	\$24,567	\$100,000	\$215,000	\$554,567

CITY OF MINOT

MOUSE RIVER ENHANCED FLOOD PROTECTION PROJECT PHASE MI-1, 4TH AVENUE NE

CWSRF	DWSRF	Water Commission	Local	TOTAL
\$12,282,000	\$1,734,000	\$38,095,000	\$64,980,000	\$117,091,000

CITY OF WAHPETON

EASTSIDE SANITARY SEWER, STREET AND UTILITIES

CWSRF	DWSRF	Bank Of ND	Local	TOTAL
\$1,046,000	\$452,000	\$286,000	\$456,000	\$2,240,000

REFINANCING THROUGH THE SRF PROGRAMS

Recently, a borrower came to the DWSRF Program with a USDA-Rural Development (RD) loan with an interest rate of 3.25 percent and a term of 40 years. The DWSRF Program was able to refinance the loan, reducing the term to 30 years and with a slightly lower annual payment. If your organization has a USDA-RD loan that met the SRF requirements at the time the original project was constructed, it may be eligible for refinancing. Projects originally financed by RD after July 1, 1993 and up to October 30, 2009 typically met the SRF requirements.

To apply, the refinancing must be included in the Intended Use Plan. If you are interested in learning whether your existing loan is eligible for refinancing, please contact the applicable SRF Program. If you are interested in an estimate of the savings that may be realized from a refinancing, please contact DeAnn Ament at dament@nd.gov or (701) 426-5723.

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MORE INFORMATION

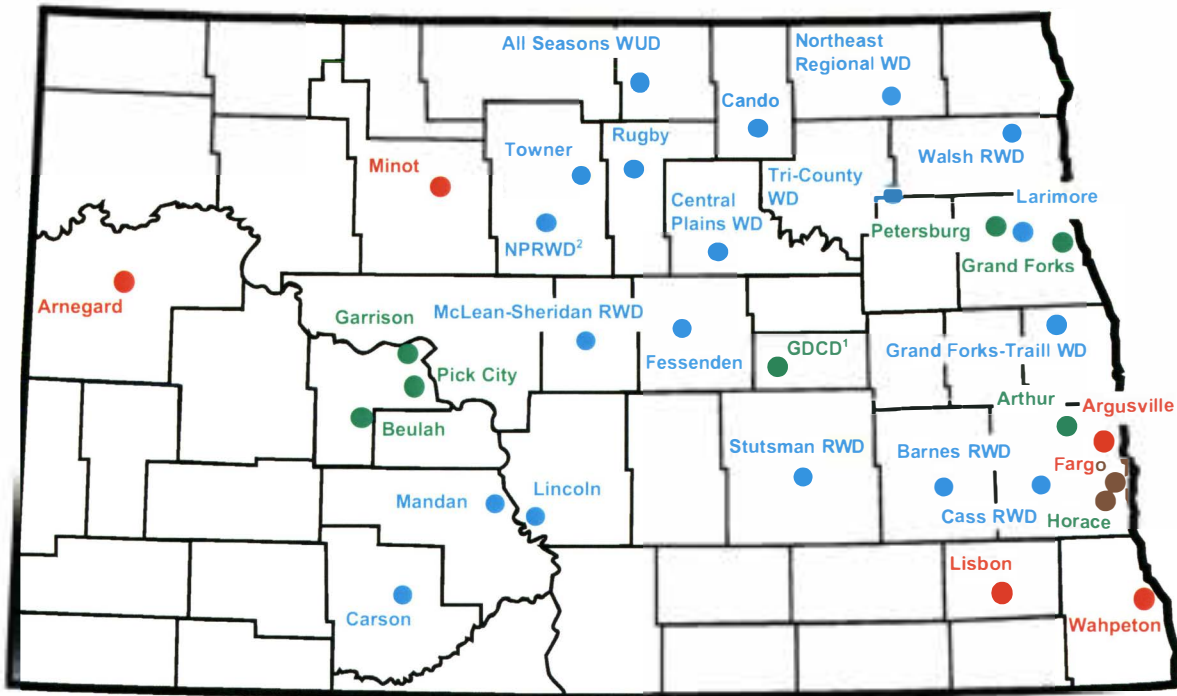
BOND ISSUANCE

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In May of 2018, the SRF programs issued \$128,625,000 of leveraged and state match bonds to provide funds for CWSRF and DWSRF loans. The Moody's AAA and Standard & Poor's AAA rated bonds were sold for an all-in true interest cost of 3.3 percent. These market rate bond proceeds are blended with the capitalization grants the SRF programs receive from the U.S. Environmental Protection Agency, along with SRF loan repayments, so below-market rate loans of 2 percent can be offered.

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NEW PROJECTS FUNDED BY THE SRF PROGRAM IN 2018



SRF PROGRAM TRAINING

Do you have new staff not familiar with the SRF programs? Are there seasoned people at your firm now more involved with SRF projects? If you have staff interested in learning more about the SRF programs, we can bring a tailored training program to you! These trainings can include sessions on completing the loan application, diving into technical issues, or even an SRF 101 class designed to explore a project from start to finish. Our staff would be happy to accommodate a request for a training session. For more information, contact:



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Testimony on Engrossed House Bill 1014
Jason Bohrer, Chairman of the Lignite Research Council
Mike Holmes, director of the Lignite Research, Development and Marketing Program
Presented before the Senate Appropriations Committee
March 4, 2019

Good afternoon. My name is Jason Bohrer, and I am the Chairman of the Lignite Research Council. I come before you today in support of continued funding of the Lignite Research, Development and Marketing Program under Engrossed House Bill 1014. I will provide a summary of the program scope and funding, and then highlight a number of the successful results from the North Dakota investments.

The Lignite Research, Development and Marketing Program includes R&D related to “new” technology options for clean and efficient use of lignite. The program is a State – industry partnership and maintains synergy with the Renewable Energy and Oil & Gas Research Programs as we work toward optimum use of regional resources for clean, efficient, low-cost reliable power while reducing the carbon footprint. The lignite industry benefits from the program as they continue to supply energy to regional residents and industry, while strengthening the economy through creation of jobs and affordable electricity.

The program is primarily funded through the ND Coal Severance Tax of 37.5 cents on every ton of coal mined in the state, as well as a two-cents per ton R&D tax. Assuming 30 million tons of annual production – which has been the average going back a couple decades now – 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. The lignite R&D program receives \$8.4 million a biennium, which is administered by the Industrial Commission, with oversight and guidance from the Lignite Research Council. Over this past biennium, an additional \$3 million was provided by the State from the Strategic Infrastructure and Improvements Fund for supporting the Advanced Energy Technology (AET) projects directed at late-stage evaluation of technologies under consideration for commercial application in North Dakota.

After the Lignite Research Council approves a grant proposal, it is then forwarded to the NDIC, which is comprised of the governor, the attorney general and the commissioner of agriculture, for their consideration of final approval. Again, the NDIC is a partner with the regional lignite industry in the Lignite Research, Development and Marketing Program. State dollars are leveraged with industry investments as well as funding from the United States Department of Energy (DOE) for research, development and demonstration projects. Since 1987 when the partnership began, the state has invested more than \$75 million in lignite research funds. Total investment in more than 190-plus projects is in excess of \$700 million, including industry and federal funding.

As priorities for the Lignite Research, Development and Marketing Program are developed we work closely with industry to ensure that the industry needs are addressed as well as the State’s priorities. As a result of this planning effort a lignite industry roadmap was developed and is periodically updated as priorities change. The high level summary of research priorities includes:

- Support continued options to enhance performance of the existing fleet
- Invest in transformational research (Next generation of Lignite conversion systems that integrate CO₂ capture)
- Focus on Carbon Capture Utilization & Storage (CCUS)
- Leverage international R&D breakthroughs
- Renewed Focus
 - Additional value propositions for lignite (new markets)
 - Polygeneration opportunities (coproducts in addition to electricity)

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The Lignite Research Development and Marketing Program is a well-recognized and respected program within North Dakota and beyond. There have been numerous successes throughout the history of the program. A small sampling is provided below.

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- Optimized operations and cleanability with high-sodium North Dakota lignite.
- Meeting regulatory requirements for sulfur and nitrogen oxides
- Addressing mercury and trace elements while reducing capture cost by more than a factor of 20
- Support of the only US coal-to-synfuels plant (Dakota Gasification Company)
- Supporting early work leading to the Spiritwood Industrial complex and the Great River Energy Dryfining coal upgrading technology.

More recently, the investments in carbon capture utilization and storage (CCUS) technology developments have led to commercial interest in capture of CO₂ from North Dakota power plants for use in enhanced oil recovery in the Williston Basin. Commercial application of the technology in North Dakota would provide two major benefits to the State, including the critical value of extending the life of our plants and providing a source of CO₂ for producing additional oil from conventional wells that are nearing the end of economic viability without enhanced oil recovery with CO₂. A project titled Project Tundra was recently awarded \$15 million in funding from the Lignite Research Program (over \$30 million total project size) to perform an engineering study and evaluate the commercial viability of CCUS at the Milton R Young Station (industry leads of Minnkota Power Cooperative and ALLETE). The Project Tundra team is preparing for proposal of the project to the US Department of Energy to leverage the North Dakota investment into this technology development effort.

Previously, North Dakota legislators provided funding to support development of the Allam Cycle technology for application in future lignite-fired power plants. Development of the Allam Cycle technology continues on two fronts. The \$150 million, 50 Megawatts (thermal) demonstration of the technology on natural gas continues down at La Port, Texas, separate from our efforts under the Lignite Research Development and Marketing Program. They are making progress as they move operations closer to full load and providing electricity to the grid. Initial North Dakota efforts to address potential challenges for application to lignite were completed and the summary report addressed recommendations for gasifier selection, materials of construction for sensitive components, syngas cleanup, and initial studies on the syngas combustion. Additional funding was obtained from the US Department of Energy to further evaluate the needs to address syngas combustion and plan for a future large pilot system.

These are just a few of the many past successes and current opportunities. We are always happy to provide you with additional information on these or any of the many ongoing projects and opportunities for North Dakota related to our tremendous lignite resource.

**ANALYSIS OF THE LIGNITE RESEARCH FUND
FOR THE 2017-19 AND 2019-21 BIENNIUMS
(REFLECTING LEGISLATIVE ACTION THROUGH CROSSOVER)**

	2017-19 Biennium		2019-21 Biennium	
Estimated beginning balance ¹		\$23,941,865		\$729,270
Add estimated revenues				
Separate two-cent coal severance tax	\$1,140,000		\$1,140,000	
50 percent of coal severance taxes deposited in the coal development trust fund (result of passage of Initiated Measure No. 3 in June 1990) (2017 SB 2014) ²	1,730,000		1,730,000	
20 percent of coal severance taxes deposited in the coal development trust fund for clean coal projects (result of constitutional amendment approved by voters in June 1994) (2017 SB 2014) ²	710,000		710,000	
15 percent of coal severance taxes (2017 SB 2014) ²	3,205,000		3,205,000	
Investment income on Dakota Gasification Company ammonia plant and Spiritwood Plant	180,000		180,000	
5 percent of the general fund share of coal conversion tax (2007 HB 1093)	2,310,000		2,310,000	
Oil and gas tax allocation (2017 HB 1152) (2019 HB 1066) ²	3,000,000		10,000,000	
Revenue bonds/short-term loan ³	0		0	
Transfer from the strategic investment and improvements fund (2017 SB 2014)	3,000,000		0	
Interest income and return of funds and litigation contributions	234,000		600,000	
Total estimated revenues		15,509,000		19,875,000
Total estimated available		\$39,450,865		\$20,604,270
Less estimated expenditures and transfers ^{4,5}				
Administration	\$850,000		\$900,000	
Lignite feasibility studies (nonmatching grants)	2,192,250		2,000,000	
Small research grants	6,974,844		2,500,000	
Lignite marketing	2,634,000		1,500,000	
Lignite litigation ⁶	1,500,000		1,500,000	
Demonstration projects	1,367,678			
Allam Cycle grants (2015 HB 1014) ⁷	2,358,678			
Advanced energy technology development	20,844,145		11,500,000	
Total estimated expenditures and transfers ⁸		38,721,595		19,900,000
Estimated ending balance		\$729,270		\$704,270

¹The beginning balance shown for the 2017-19 biennium is \$72,952 less than the \$24,014,817 reported in June 2018 due to an adjustment to 2015-17 biennium expenditures.

²Senate Bill No. 2014 (2017) reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund. House Bill No. 1152 (2017) changes the allocation of the state's share of oil and gas tax revenue to increase the allocation to the general fund and provide allocations to the budget stabilization fund and the lignite research fund, providing up to \$3 million of allocations to the lignite research fund.

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House Bill No. 1066 (2019) increases the allocation of oil and gas tax revenue to the lignite research fund by \$7 million, from \$3 million to \$10 million.

³Pursuant 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.

⁴The 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.

⁵The Industrial Commission has waived the fund allocation policy. The commission has committed \$22 million through the 2011-13 biennium to three projects. In January 2015 the commission learned one of the projects is not proceeding and released the project's 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, \$110,000 during the 2013-15 biennium, \$914,663 during the 2015-17 biennium, and anticipated expenditures of \$1,367,678 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 that were distributed but later returned when projects did not proceed.)

⁶Lignite litigation - 2007 House Bill No. 1093 provides that \$500,000 of the amount appropriated to the lignite research fund for the 2007-09 biennium 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, \$983,288 during the 2013-15 biennium with \$451,555 of that amount paid by industry, \$259,159 during the 2015-17 biennium with \$122,866 of that amount paid by industry, and \$1,500,000 is set aside to be spent during the 2017-19 biennium and the 2019-21 biennium. The State of North Dakota was successful in its litigation against the State of Minnesota and will be receiving a total of \$1,410,000. Of the \$1,410,000, \$670,000 will be paid to industry partners, and the remaining \$740,000 will be deposited in the lignite research fund during the 2017-19 and 2019-21 bienniums. The original \$500,000 was spent by the end of the 2011-13 biennium with additional funding being provided from nonmatching program funds in subsequent bienniums. In addition, the lignite industry has paid a portion of the litigation costs.

⁷The 2015 Legislative Assembly provided \$5 million from the general fund; however, the appropriation was reduced by \$327,500 as the result of the August 2016 budget reductions. All of the funding was committed during the 2015-17 biennium, the funding is distributed as projects are completed. As of February 20, 2019, the remaining \$2,358,678 has been distributed.

⁸The 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 Section 21 of Article X of the Constitution of North Dakota provide for up to 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.

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

OUTDOOR HERITAGE FUND

By Andrea Pfennig

Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Executive Director/Secretary
Karlene Fine

Background - The Outdoor Heritage Fund (OHF) was created by the Legislature in 2013 to provide grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations, with higher priority given to projects that enhance conservation practices in this state for four directives that are outlined below, along with a sampling of projects that have been funded under each directive.

Directive A - Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen.

- Schatz Point Fishing Pier – This project will assist with the installation of a handicap accessible fishing pier at Lake Tschida that will offer the public opportunities to access depths of 18' regardless of abilities or financial means. OHF is providing \$42,500 of the \$57,598 total project costs.

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.

- North Central Soil Health & Habitat – This project will work with 10-20 growers over 3 years to impact 3,250 grower designated salt impacted acres from annual crop production and establish deep rooted salt tolerant perennial vegetation. The use of cover crops on adjacent acres will be an additional practice to further promote soil health and salinity management. Workshops will also be held. OHF is providing \$52,500 of the \$288,625 total project costs.

Directive C - Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands.

- North Dakota Hen House Project II – This project includes the installation of 200 hen houses in the Woodworth and Carrington region. Delta Waterfowl biologists estimate that over 16,000 mallard ducklings will hatch in these hen houses over the next 10 years. The houses will be monitored and maintained for the next 10 years. OHF is providing \$26,300 of the \$60,900 total project costs.

Directive D - Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

- Sheyenne River Water Trail Development – This project will improve accessibility and informational materials for canoeing, kayaking, fishing, camping, and hunting access opportunities on Sheyenne River. The Sheyenne River has multiple scattered parcels of public lands that have limited or no access by road due to private land and therefore see minimal public use. This project will improve 4 main access points including a trailhead and provide the public with information including a map, camping opportunities, safety concerns, and rules. OHF is providing \$8,700 of the \$16,300 total project costs.

During the 2017-2019 biennium, the OHF is capped at \$10 million. As proposed in engrossed HB 1014 it would be capped at \$15 million per biennium. To date, \$41,020,082

Randy Bina	Joshua DeMorrett	Tyler Dokken	Jay Elkin	Carolyn Godfread	Tom Hutchens
Robert Kuylen	Daryl Lies	Jim Melchior, Chairman	Wade Moser	Kent Reiersen	Patricia Stockdill
Ex-officio:	Melissa Baker	Tom Claeys	Terry Steinwand	Rhonda Vetsch	

Outdoor Heritage Fund (OHF)
 State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
 E-Mail: apfennig@nd.gov PHONE: 701-328-3786 FAX: 701-328-2820
<http://www.nd.gov/ndic/outdoor-info/page.htm>



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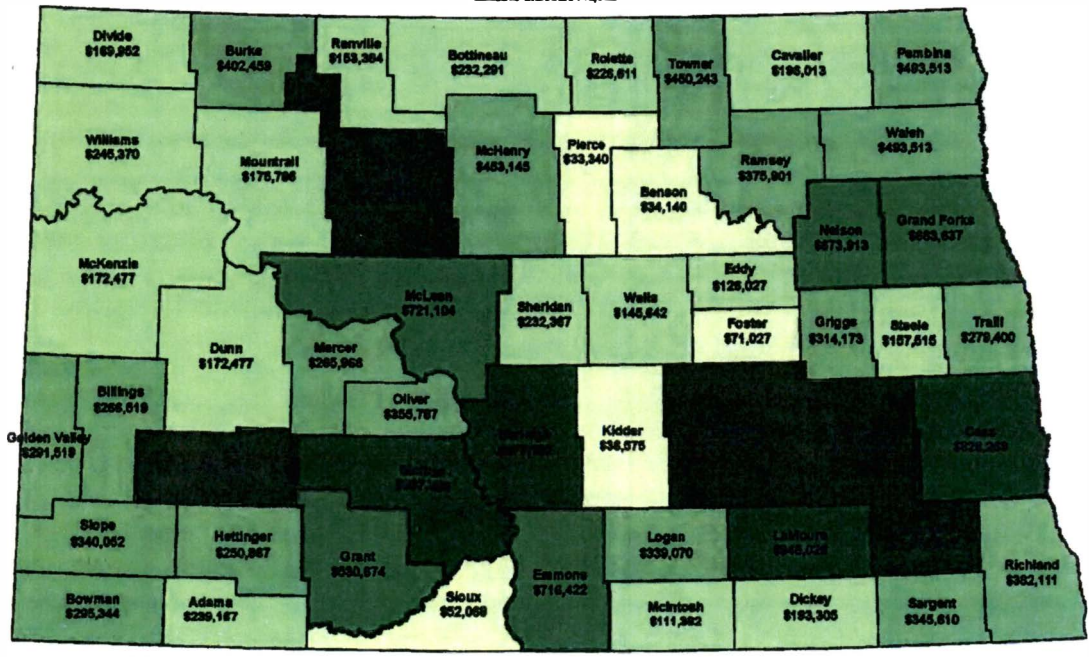
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has been approved for funding. It is governed by the Industrial Commission consisting of Governor Doug Burgum, Chairman, Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring. A 16-member advisory board (12 voting members) reviews applications from eligible organizations.

Funding Guidelines - A 25% match is required. Except for extenuating circumstances, the Commission cannot consider funding for projects already completed; feasibility or research studies; maintenance costs; paving projects for roads and parking lots; swimming pools or aquatic parks, and personal property that is not affixed to the land. Funding for playground equipment is limited to 25% of the cost of the equipment up to \$10,000 per project. Funding for staffing or outside consultants for the design and implementation of the project (based on documented need) may not exceed 5% of the grant if the grant exceeds \$250,000 and may not exceed 10% if the grant is \$250,000 or less. By policy, the Industrial Commission has stated that unless there is a finding of exceptional circumstances, the following projects are not eligible: construction or refurbishment of indoor/outdoor ice rinks, construction or refurbishment of indoor/outdoor athletic courts and sports fields, and infrastructure that is not part of a comprehensive conservation plan. The goal of the Industrial Commission is that at a minimum, 15% of the funding received for a biennium will be given priority for recreation projects that meet Directive D.

Projects can be specific to certain locations, or statewide. The density map below shows the amount of project specific funding per county.

North Dakota Outdoor Heritage Fund
 Awards by County, Grant Rounds 1-13
Excludes Statewide Projects



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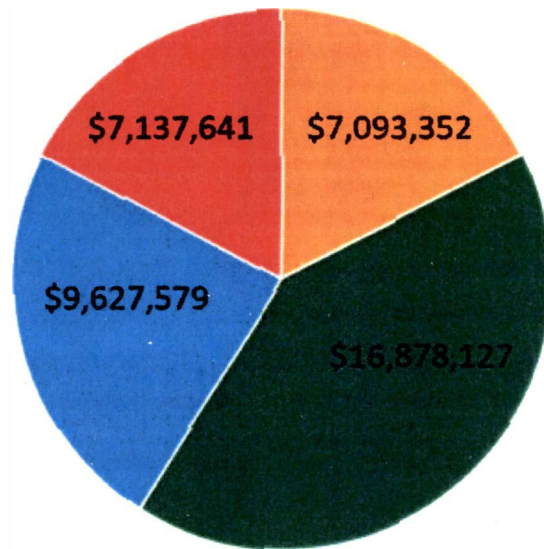
There have been many statewide projects funded as well. These projects include a variety of activities including tree planting, agricultural best management practices, habitat establishment, and access for sportsmen. Below is a breakout of statewide vs. site specific awards:

- Amount awarded for site specific projects: \$23,789,587 (58%)
- Amount awarded for statewide projects: \$17,230,495 (42%)
- Total amount awarded: \$41,020,082

The following charts demonstrate OHF awards by directive and activity type.

OHF Funds Awarded By Directive

- A: Access for Sportsmen
- B: Enhancing Farming & Ranching
- C: Habitat Enhancement
- D: Parks & Recreation



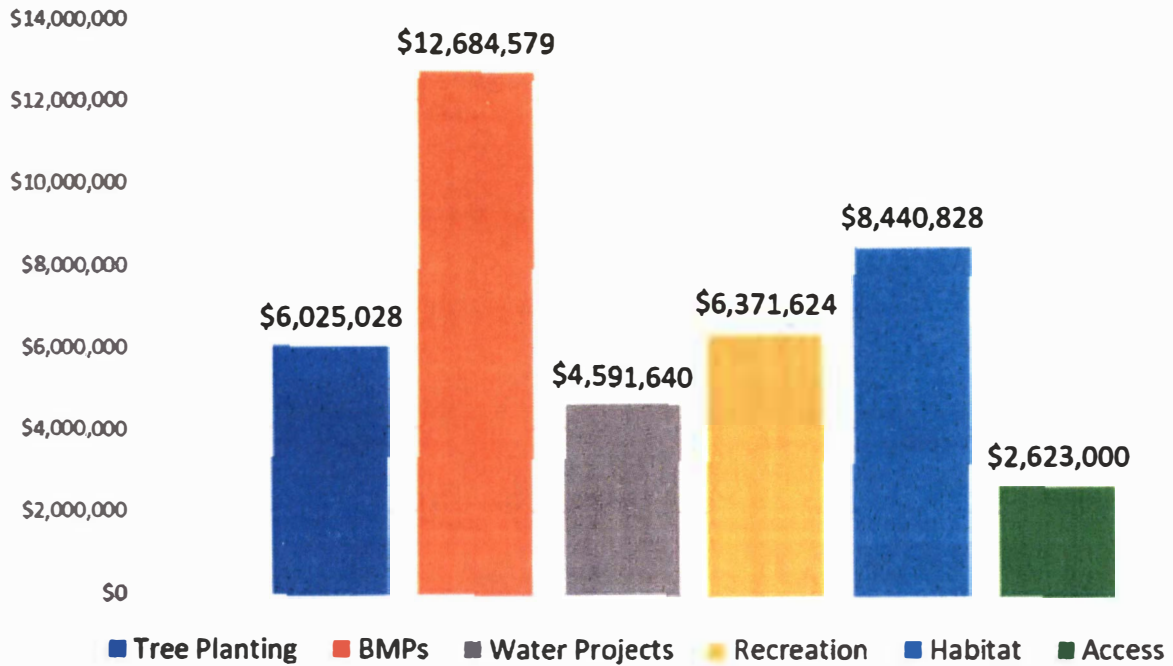
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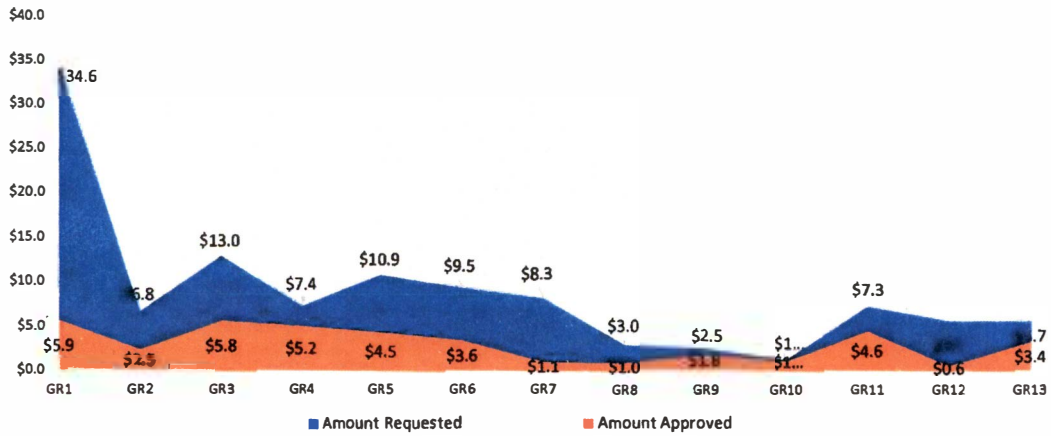
OHF Funds Awarded by Activity



**While the total approved award amount is \$41,020,082, projects that were approved and subsequently withdrawn by the recipient(s) are not included in the above charts. Tree planting occurs in small amounts in other activities. Examples of Best Management Practices (BMPs) include: perimeter fencing, cross fencing, wells, tanks, pipelines, cover crops, and grass planting.*

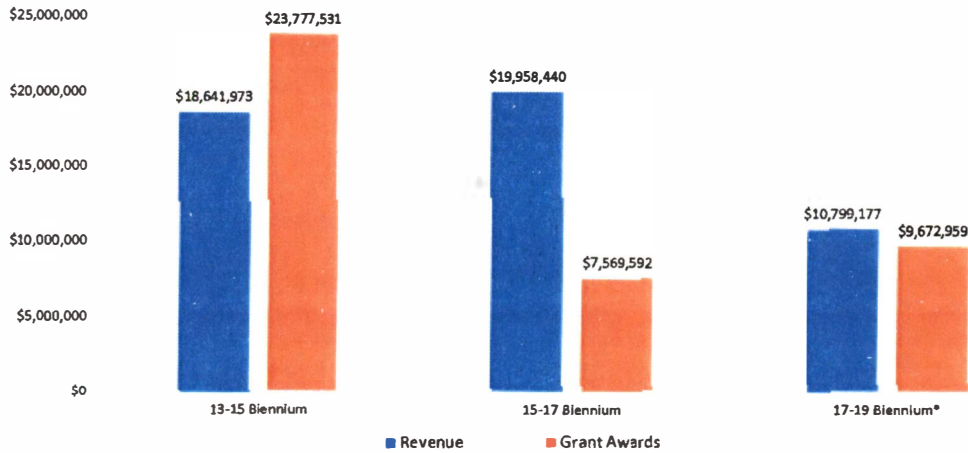
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Amount Requested and Awarded



*In millions.

OHF Funds Received and Awarded by Biennium



*Funds received through 10/2018

**ANALYSIS OF THE NORTH DAKOTA OUTDOOR HERITAGE FUND
FOR THE 2017-19 AND 2019-21 BIENNIUMS
(REFLECTING LEGISLATIVE ACTION THROUGH CROSSOVER)**

	2017-19 Biennium		2019-21 Biennium	
Beginning balance		\$7,996,508		\$0
Add estimated revenues				
Oil and gas gross production tax collections	\$10,800,000 ¹		\$15,000,000 ²	
Interest income	45,000		45,000	
Total estimated revenues		10,845,000		15,045,000
Total available		\$18,841,508		\$15,045,000
Less estimated expenditures and transfers				
Grant award commitments	\$19,342,517		\$14,845,000 ³	
Grant awards withdrawn	(651,009)			
Administrative expenses	150,000		200,000	
Total estimated expenditures and transfers		18,841,508		15,045,000
Estimated ending balance		\$0		\$0

¹Senate Bill No. 2013 (2017) includes provisions amending North Dakota Century Code Section 57-51-15 to adjust the maximum oil and gas gross production tax collection deposits from \$40 million to \$10 million for the period September 1, 2017, through August 31, 2019, only. The oil and gas gross production tax collections allocation of \$10.8 million is estimated to be deposited in the fund during the 2017-19 biennium. The estimated allocation for the 2017-19 biennium includes actual allocations through March 2018 and estimated allocations for the remainder of the 2017-19 biennium based on the January 2019 legislative revenue forecast.

²House Bill No. 1014 (2019) amends Section 57-51-15 to provide the maximum oil and gas gross production tax collection deposits in the fund may not exceed \$7.5 million per fiscal year for the period of September 1, 2019, through August 31, 2021.

³The amount shown reflects estimated funds that will be available for grants in the 2017-19 biennium based on the 2017 legislative revenue forecast for oil and gas gross production tax collections. Many of the grants are for multiyear projects; therefore, not all of the grant funds awarded will be expended during the 2017-19 biennium. The commission anticipates approximately \$8 million will be expended from the fund during the 2017-19 biennium for grants.

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, with higher priority given to enhancing conservation practices in this state by:

- Providing access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;
- Improving, maintaining, and restoring water quality, soil conditions, plant diversity, animal systems, and by supporting other practices of stewardship to enhance farming and ranching;
- Developing, enhancing, conserving, and restoring wildlife and fish habitat on private and public lands; and
- Conserving natural areas and creating other areas for recreation through the establishment and development of parks and other recreation areas.

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For the 2013-15 biennium, pursuant to Section 57-51-15, 4 percent of the first 1 percent of oil and gas gross production tax collections is deposited in the North Dakota outdoor heritage fund, up to \$15 million per year. House Bill No. 1176 (2015) amended Section 57-51-15 to increase the amount deposited in the North Dakota outdoor heritage fund from 4 percent of the first 1 percent of oil and gas gross production tax collections to 8 percent, and to increase the maximum oil and gas gross production tax collection deposits from \$15 million to \$20 million per year and from \$30 million to \$40 million per biennium. For the period September 1, 2017, through August 31, 2019, a maximum of \$10 million of oil and gas gross production tax collections may be deposited in the fund. 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.

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Ducks Unlimited

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TESTIMONY IN SUPPORT OF HB 1014
Carmen Miller, Director of Public Policy, Ducks Unlimited
North Dakota Senate Appropriations Committee
March 4, 2019

Good morning, Chairman Holmberg, and members of the committee. My name is Carmen Miller and I am the Director of Public Policy for Ducks Unlimited's Great Plains Region in Bismarck. I'm here today to express support for Section 16 of HB 1014, which increases the Outdoor Heritage Fund cap to \$7.5 million per fiscal year.

Since its inception in 2013, the Outdoor Heritage Fund has been popular – over 175 groups from across the state have applied for grants, over \$41 million in grant funds have been awarded, and every county in the state has benefitted from the fund. Projects have ranged from bike trails to city parks to wildlife habitat to water quality improvement, to public access for sportsmen. The fund has generated more than dollar-for-dollar matching, creating innovative private-public partnerships and generating considerable return on investment for a highly efficient use of oil and gas tax revenue. Demand for the fund continues to be high – in 13 grant rounds, over \$115 million in requests have been considered, far exceeding the \$41 million granted – in 5 years and three biennia, over half of the applicants are still going away empty handed.

The 2017 Legislature temporarily reduced the cap on the OHF to \$10 million per biennium, a reduction which was supposed to sunset at the end of this biennium. The proposal in HB 1014 would be an increase from the current appropriation just for the next biennium. It is important to remember that these numbers are just a cap, not a traditional appropriation. Because the OHF funding formula is based on a percentage of the oil production tax, the fund rises and falls with oil prices and production and is wisely designed to self-adjust with fluctuations in our state's economy.

The Outdoor Heritage Fund is the state's only source of funding dedicated to the type of critical quality of life infrastructure that is so necessary as our state continues to grow. Vibrant communities depend on parks, trails, and other outdoor recreation opportunities, all important factors in attracting and retaining a quality workforce. In five years, the Outdoor Heritage Fund has become a very successful and unprecedented working partnership between sportsmen, conservation, agriculture, recreation, landowners, and energy. Continued support for the OHF will help address these important needs, provide great benefits to our communities and landowners across the state, and generate a significant return on investment back to our state's economy.

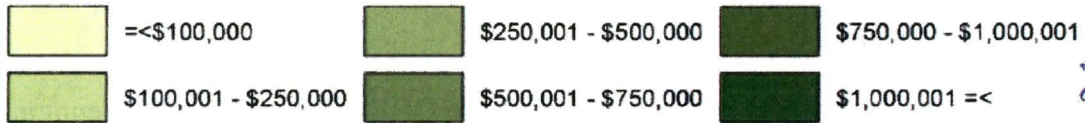
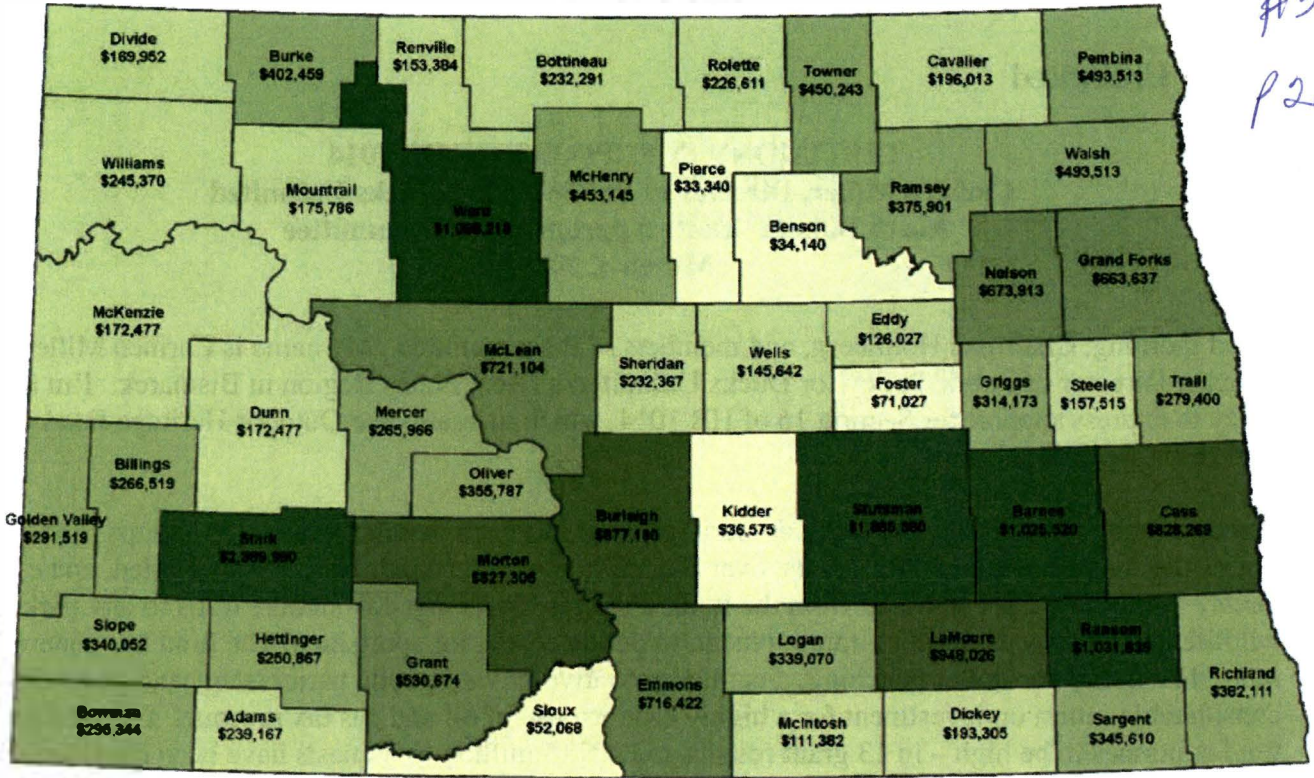
Thank you for your time and your service.

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North Dakota Outdoor Heritage Fund

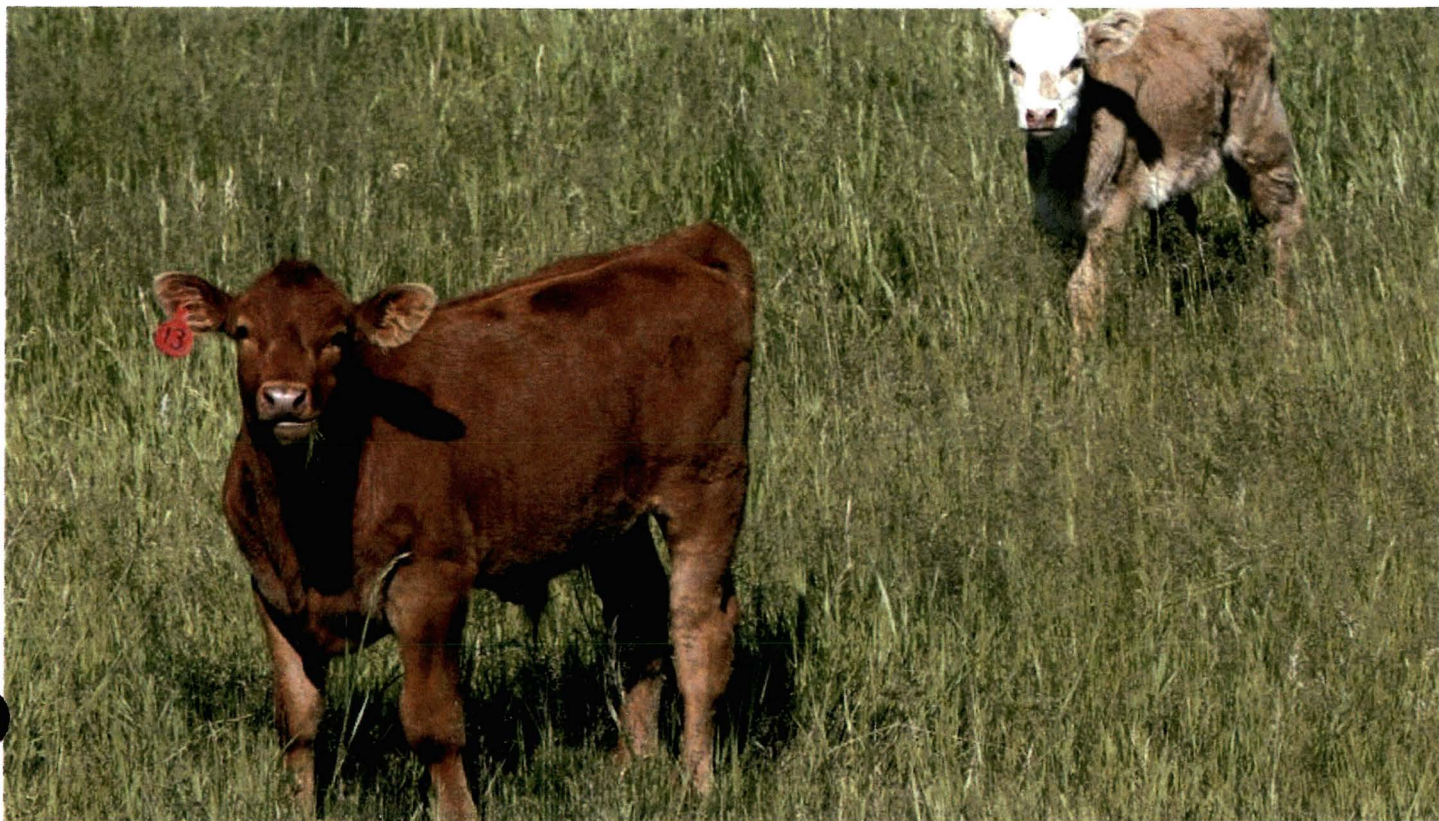
Awards by County, Grant Rounds 1-13

*Excludes Statewide Projects



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BUSINESS



Outdoor Heritage Fund provides for ag conservation solutions

By Jenny Schlecht / Agweek Staff Writer on Dec 11, 2017 at 8:00 a.m.

BISMARCK, N.D. — The [Cover Crop and Livestock Integration](http://www.agweek.com/business/agriculture/4371866-outdoor-heritage-fund-crop-grazing) (<http://www.agweek.com/business/agriculture/4371866-outdoor-heritage-fund-crop-grazing>) pilot project is not the only agriculture-related project Ducks Unlimited has gone to the North Dakota Outdoor Heritage Fund. The fund has funded other projects in which Ducks Unlimited plays a role, strengthening the connections between agriculture and conservation.

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Ag conference: Community collaboration needed to keep ag industry strong

OHF is overseen by the North Dakota Industrial Commission and was established in 2013 to provide grants to state agencies, tribal governments, political subdivisions and nonprofit organizations, with higher priority given to projects that enhance conservation

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practices in the state. Among the fund's main objectives are provisions to improve, maintain and restore water quality, soil conditions, plant diversity and animal systems, and to enhance farming and ranching by supporting other practices of stewardship.

The fund has put considerable money into agriculture conservation programs, including more than \$2.7 million on the four agriculture-related projects in which Ducks Unlimited is involved.

The objective of another recently approved project, the Grasslands Enhancement Pilot Project, is to better utilize grasslands on public lands that are open to grazing by supporting infrastructure for rotational grazing systems, says Dane Buysse, a Ducks Unlimited biologist.

The project, which received \$230,000 from the Outdoor Heritage Fund, will pay 60 percent of costs, including cross fencing and water infrastructure, while producers will pay 40 percent. The five-year agreements will run at the same time as leases on the public lands, but the infrastructure developed will be depreciated out over 10 years for producers, and any cross fencing and permanent water improvements will remain with the property.

North Dakota Department of Trust Lands will provide rent credits to lessees for funding permanent water developments, like well holes and casings, and Fish and Wildlife Service will do the same on Waterfowl Production Areas. Trust Lands also will provide technical assistance through their surface management team. Ducks Unlimited will provide outreach, funding for wetland restorations and technical assistance. Dakota Missouri Valley and Western Railroad will provide funding for fencing materials along railroad right-of-way when deemed necessary. Buysse explains that sportsmen have reported that some areas on school trust, public land and adjacent private land were overgrazed while others were under grazed. That has hurt waterfowl development in those areas, too, he says.

By moving cattle more effectively across acres, the project hopes to improve quality for ranchers and for sportsmen who hunt on the lands.

Buysse says the project also will include water infiltration tests to show grassland quality to allow lessees to see the impact rotation has on the property. Organizers hope to show that rotational grazing will make the land more drought tolerant.

The project covers much of northwest North Dakota, including all or part of Burke, Bottineau, Burleigh, Divide, McHenry, McLean, Mountrail, Pierce, Renville, Rolette, Sheridan and Ward counties. Buysse says several producers are working on agreements

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with the project, and substantial funding remains. For more information, contact him at 701-355-3584 or dbuysse@ducks.org (mailto:dbuysse@ducks.org) .

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Other agriculture-related Outdoor Heritage Fund projects in which Ducks Unlimited is involved include the Working Grasslands Partnership, with the North Dakota Natural Resources Trust at the helm, and the Enhanced Grazing Lands and Wildlife Habitat project. Both projects seek to help producers keep expiring Conservation Reserve Program acres in grass for grazing.

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BY AMERICAN UPBEAT



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BUSINESS



A Ducks Unlimited project funded by the North Dakota Outdoor Heritage Fund will help farmers and ranchers integrate cover crops into their rotations for the purpose of livestock grazing. (Ducks Unlimited photo)

Outdoor Heritage Fund finances Ducks Unlimited cover crop grazing program

By Jenny Schlecht / Agweek Staff Writer on Dec 11, 2017 at 8:00 a.m.

BISMARCK — Tanner Gue spends a lot of time with farmers in southeast North Dakota, helping them navigate conservation program options in his role as a biologist with Ducks Unlimited. In recent years, many producers with crops and cattle have expressed interest in grazing cattle on cover crops on their cropland.

However, they typically have one concern: the financial risk of implementing a new practice.

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So, Gue and Ducks Unlimited, in cooperation with Pulse USA, North Dakota Natural Resources Trust, local soil conservation districts and the Natural Resources Conservation Service, applied for a grant from the North Dakota Outdoor Heritage Fund (<http://www.agweek.com/business/agriculture/4371867-outdoor-heritage-fund-provides-ag-conservation-solutions>) to provide cost-share assistance to producers who want to try out cover crops on their cropland.

The pilot program, called the Cover Crop and Livestock Integration Project, received \$625,394.90 from the OHF. Ducks Unlimited, Pulse USA and the North Dakota Natural Resources Trust will put in additional in-kind and cash resources of \$31,329 and producers are expected to contribute \$416,929.90.

CCLIP is open to producers in 11 North Dakota counties: Barnes, Dickey, Eddy, Foster, LaMoure, Logan, McIntosh, Ransom, Sargent, Stutsman and Wells. The counties are in the flyway for duck migration as well as in the Prairie Pothole region, which contains a high density of wetlands.

Gue has had interest in each of the counties, and several producers have signed up. Among them is Donn Nelson of Dickey County, who has been looking for ways to improve soil health and to incorporate livestock on more of his acres because of a lack of pasture availability in his area.

Working with Ducks Unlimited has provided him with additional resources for fencing and water infrastructure, he says.

Gue explained producers can receive 60 percent of the funding for fencing infrastructure, including cross fence or perimeter fence; water infrastructure, like wells, pipes, pumps or tanks; and windbreak panels. Producers also can receive 60 percent of the funding for cover crop seed mixes and technical assistance from Pulse USA.

Emily Paul, a sales representative for Pulse USA, says representatives from her company will talk with farmers and ranchers about why they want to use cover crops on their fields. They'll look at herbicide records, talk about seeding timing and discuss species' options.

"What I'll be doing with individual farmers or ranchers is helping them think about what their long-term goals are with this and their short-term goals and how we can use different seeds to meet them," she explains.

Nelson says he likely will use cover crop mixes that include winter annuals like rye or triticale to provide early-season grazing options in the spring.

"I can leave my pastures idle and gain a month of grazing or more on green, viable forage," he says.

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What he plants will depend on the crop the cover mix will follow. Especially following soybeans or dry edible beans, he wants to make sure there is some cover on the ground.

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"We're pretty bare after soybeans," he says.

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Pulse USA will offer discounts on seeds for anyone tied to CCLIP, Paul says. But she says the biggest advantage to the project is its reliance on local knowledge and resources, including people who grew up on farms and ranches in the area.

Gue says Ducks Unlimited's interest in cover-crop grazing stems from the positive effects the practice can have on the environment. Cover crops can provide food and thermal cover for cattle and for wildlife that stick around for winter, like deer and pheasants. Cover crops also reduce surface runoff and flooding in nearby wetlands. Plus, getting cattle onto the cropland can improve the soil on that ground while giving pasture grasses a chance to rejuvenate.

"We'd get, hopefully, healthier wetlands in surrounding areas where we're doing these," Gue says.

In exchange for funding, Ducks Unlimited requires that producers plant cover crops on the selected land at least two years out of the five-year program and that they don't manipulate wetlands during those five years.

"We see it as a short-term way to conserve that habitat," Gue says.

Though the program lasts only five years, Ducks Unlimited is hopeful producers will continue to integrate cover crops into their rotations long past the end date.

Nelson says CCLIP is flexible and tailored to producers, and he encourages anyone who has an interest in grazing cover crops or improving soil health to at least check it out. Though he says mentioning Ducks Unlimited to farmers and ranchers in the Prairie Pothole region often draws cringes based on competing interests and past issues, he's been happy with the program and the help of Gue to come up with a program that fits his needs.

Gue says he will work with producers to determine the right number of acres and the right situation for them. Anyone interested can contact Gue at 701-355-3592 or tgue@ducks.org (<mailto:tgue@ducks.org>).

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

OIL AND GAS RESEARCH COUNCIL

Brent Brannan, Director
E-Mail: brentbrannan@gmail.com

Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

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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. Engrossed House Bill 1014 includes a provision to increase this amount by \$4 million in order to fund an underground storage of produced gas pilot project to be conducted by the Energy and Environmental Research Center.

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 Day
Vicky Sund

Daryl Dukart, Vice Chairman
Ron Ness

Darren Schmidt

Steve Holen
Lynn Helms

Ryan Kopseng, Chairman
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

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Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 92 projects and studies totaling approximately \$38 million. 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 2017-2019 biennium has been set up to direct 78.25% of its funds for research and 13.5% for education with the remaining funds used for the Pipeline Authority (3.25%) and for administration/legislative directed study (5%).

Projects of Interest

“intelligent Pipeline Integrity Program (iPIPE)” - Statoil Pipelines LLC, Hess Corporation and Oasis Midstream Partners with the Energy and Environmental Research Center managing the project. This R&D program is focused on the advancement of emerging technology to prevent and detect pipeline leaks. The proposed work will lead to development and application of new tools that will assist industry's ongoing efforts to continuously improve pipeline integrity, thus reducing leaks and spills.

Multiple field demonstrations of emerging technologies on working pipelines will simultaneously assist technology providers in refining designs, pave a path toward full commercialization in the North Dakota market, prepare pipeline operators for adoption of the new tools, and effectively decrease the number and volume of spills experienced in North Dakota. With demonstrated success, additional consortium members (pipeline operators) will join the effort, thus enabling field testing of more technologies and further proliferating new technology among all pipeline operators.

The goal of this intelligent Pipeline Integrity Program (iPIPE) is to develop and demonstrate cutting-edge technology that can prevent and/or detect gathering pipeline leaks. This goal will be supported by accomplishment of the following objectives:

- Select the most promising emerging (near-commercial) technologies for demonstration
- Demonstrate multiple technologies on working gathering pipelines
- Document results of technology demonstrations
- Facilitate adoption of technologies into North Dakota pipeline operations

Total project costs are \$3,714,000 with the Oil and Gas Research Fund providing \$1,600,000.

“Solar Powered Electrokinetic Soil Desalinization” - Terran Corporation & Oasis Petroleum

The objective of this project is to demonstrate the viability and cost effectiveness of using direct current (DC) power to reduce the sodium and chloride mass contamination in soil and groundwater from brine releases. Typical releases may be from leaking pipelines or storage pit. A secondary objective is to integrate an electrokinetic (EK) remediation system with solar power. Since the EK process relies on DC power to induce migration of chloride and sodium ions (as well as other soluble ions) to emplaced electrode wells, solar panel arrays that generally provide 24-48 volts, could prove to be the ideal power source at remote sites, or eventually any site. This project will include the design, installation and operation of solar powered EK soil desalinization system along with soil monitoring and reports showing the efficacy of the process and comparison to previous traditional remediation efforts. Soil near the Schmitz pad site near Williston, North Dakota became contaminated due to a leaky flange in a brine pipeline. Oasis Petroleum and Terran Corporation found the site to be suitable for the electrokinetic soil desalinization (EKSD) process to extract the

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salt contamination from the soil using a proprietary extraction system based on electromigration techniques.

The EKSD process is an effective and economical alternative to conventional excavation or pump and treat. The goal is to remove as much chloride and sodium mass as practical. This project will demonstrate the ability to operate the system using solar power at remote sites where line power is not available, and generators are not economically viable. Total project costs are \$346,120 with the Oil and Gas Research Fund providing \$149,960.

Unitized Legacy Oil Fields: Prototypes for Revitalizing Conventional Oil Field in North Dakota - Eagle Energy Partners, LLC and the Energy and Environmental Research Center.

The objective of this project is to investigate waterflood optimization as a precursor for CO₂ EOR and development pathways for the revitalization of conventional oil fields in North Dakota. Objectives to be accomplished to meet the stated goal are 1) evaluate waterflood optimization and CO₂ EOR potential and implementation approaches; 2) develop cost-effective operational strategies that address key technical challenges, optimize current facilities, and systematically consider necessary new facilities; and 3) frame the results and experiences from this project as a prototype for revitalizing Tyler and Madison conventional oil fields in North Dakota.

Information generated in this project will positively affect ultimate recovery from North Dakota's existing conventional oil pools and will lead to additional projects, processes, ideas, and activities to facilitate implementation of oil exploration and production technologies presently not used in the state. The potential to revitalize conventional oil fields and increase ultimate recovery will bring new oil companies and industry investment to North Dakota, resulting in the growth of oil and gas jobs, wealth, and tax revenues for North Dakota. Total project costs \$6,000,000 with the Oil and Gas Research Fund providing \$3,000,000.

Oil and Gas Research Council Members

The Oil and Gas Research Council is a volunteer, citizen, industry, and government group appointed by the Governor which provides advice to the Commission on policies and recommends research for funding under the Program.

Ron Day (North Dakota Petroleum Council)

Daryl Dukart (county commissioner from an oil-producing county)

Steve Holen (representing oil and gas producing counties)

Ryan Kopseng (North Dakota Petroleum Council)

Darren Schmidt (North Dakota Petroleum Council)

Vicky Sund (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

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. Information on each project funded and updates on the projects are available on the Oil and Gas Research Program website at <https://www.dmr.nd.gov/ogr/>

ANALYSIS OF THE OIL AND GAS RESEARCH FUND
N.D.C.C. 57-51.1
Continuing Appropriation

	<u>2017-2019 Biennium</u>	<u>2019-2021 Biennium</u>
Beginning Balance	\$6,516,235 ¹	\$5,306,635
Add transfers and estimated revenues ²		
Transfer by State Treasurer from oil and gas taxes	\$10,000,000	\$10,000,000
Transfer by State Treasurer from oil and gas taxes ³ (2019 HB 1014)	\$ 0	\$ 4,000,000
Estimated applicant contributions	\$ 3,000	\$ 3,000
Estimated Interest Income	\$ 20,000	\$ 20,000
Total Available	\$16,539,235	\$19,329,635
Less estimated expenditures and commitments ⁴		
Estimated Project Expenditures & Commitments	\$ 10,095,000	\$ 12,000,000
Estimated Expenditures on underground gas storage ⁵ (2019 HB 1014)	\$ 0	\$ 4,000,000
Estimated Project Expenditures on Legislative study	\$ 500,000	\$ 0
Administrative and Technical Services Costs	\$ 312,600	\$ 350,000
Transfer to the North Dakota Pipeline Authority	\$ 325,000	\$ 350,000 ⁷
Total estimated expenditures	\$11,232,600	\$16,700,000
Estimated ending balance	\$ 5,306,635 ⁶	\$ 2,629,635

⁽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 to \$1,300,000 by the 2005 Legislature, \$3,000,000 by the 2007 Legislature and \$4,000,000 by the 2009 Legislature. In 2013 it was increased to \$10,000,000 where it has remained for the 2013-2019 biennia. 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 up to \$10,000,000 a biennium.

⁽²⁾ Revenues under the 2017-2019 biennium reflect the transfer of \$10,000,000 from the State Treasurer. Estimated interest income includes actual interest income of \$12,880 through November, 2018 and an estimate of the interest income through June 30, 2019. Estimated applicant contributions reflect actual applicant contributions of \$2,500 through November, 2018 with an estimate for the remainder of the biennium.

⁽³⁾ 2019 HB 1014 includes an increase to the Oil and Gas Research Fund allocation from \$10,000,000 to \$14,000,000 for the 2019-2021 biennium.

⁽⁴⁾ Since 2003 through 2018 the Commission has committed funding for 92 projects or studies totaling \$38,620,435 of OGRP funding. This is exclusive of the three projects directed by the Legislature. Total project costs are approximately \$350,000,000. This includes 7 projects approved so far during the 2017-2019 biennium with funding to be provided during the 2017-2019 and subsequent biennia. Actual project payments during the 2017-2019 biennium through November, 2018 total \$3,442,492 with an estimate for the remainder of the biennium. Actual administrative and technical services costs through November, 2018 total \$186,220 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium.

⁽⁵⁾ 2019 HB 1014 includes funding for the 2019-2021 biennium for a pilot project to be conducted by the Energy and Environmental Research Center on underground storage of produced natural gas.

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⁽⁶⁾ This funding is needed for payments of approved projects that will be completed in subsequent biennia. Outstanding commitments as of January, 2019 are approximately \$11,600,000.

⁽⁷⁾ This amount is determined by the Industrial Commission based on a recommendation from the Oil and Gas Research Council. It is estimated that approximately \$350,000 will be needed during the next biennium for the Pipeline Authority.

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INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PIPELINE AUTHORITY

Governor
Doug Burgum
 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 will 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 \$325,000 during the 2017-2019 biennium from the Oil and Gas Research Fund to the Pipeline Authority Fund. The Industrial Commission has named Justin Kringstad, an engineering 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/Secretary 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. This work identified the need for additional investment in all segments of the oil and natural gas pipeline industries. Evolving technology and dynamic pricing make the Pipeline Authority's production forecasting efforts an ongoing process. Mr. Kringstad also served as an advisor for the EmPower Commission, Department of Transportation Freight Advisory Committee, Office of Management and Budget, and Department of Commerce.

The Pipeline Authority website is updated on a regular basis so you should add this website to your "favorites." We are hopeful this website will be a good tool for keeping policy makers, citizens, and the industry informed of what is happening with the development of pipelines in North Dakota.



ANALYSIS OF THE PIPELINE AUTHORITY FUND
N.D.C.C. 54-17.7-11
Continuing Appropriation

	<u>2017-2019 Biennium</u>	<u>2019-2021 Biennium</u>
Beginning Balance	\$ 51,705	\$ 46,905
Add transfers and estimated revenues ¹		
Transfer from Oil and Gas Research Fund	\$ 325,000	\$ 350,000 ³
Estimated Interest Income	\$ 200	\$ 100
Total Available	<u>\$376,905</u>	<u>\$397,005</u>
Less estimated expenditures and commitments ²		
Administrative & Study Costs	\$ 36,240	\$ 40,000
Consultant Costs	\$ 293,760	\$ 310,000
Total estimated expenditures	<u>\$330,000</u>	<u>\$350,000</u>
Estimated ending balance	<u>\$ 46,905</u>	<u>\$ 47,005</u>

⁽¹⁾ Revenues reflect a transfer of \$325,000 from the Oil and Gas Research Fund for the 2017-19 biennium. Estimated interest income includes actual interest income of \$120.13 through November, 2018 and an estimate of the interest income through June 30, 2019.

⁽²⁾ Actual administrative costs through November, 2018 total \$5,780.68 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2018 total \$174,018.07 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.

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North Dakota Pipeline Authority



Annual Report

July 1, 2017 – June 30, 2018

Industrial Commission of North Dakota

Governor Doug Burgum, Chairman

Attorney General Wayne Stenehjem

Agriculture Commissioner Doug Goehring

North Dakota Pipeline Authority
Annual Report
July 1, 2017 – June 30, 2018

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Overview

At the request of the North Dakota Industrial Commission, the Sixtieth Legislature passed House Bill 1128 authorizing the North Dakota Pipeline Authority. It was signed into law on April 11, 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.

By law, the Pipeline Authority membership is comprised of the members of the North Dakota Industrial Commission. Upon the recommendation of the Oil and Gas Research Council, the Industrial Commission authorized the expenditure of up to \$325,000 during the 2017-2019 biennium for the Pipeline Authority with funding being made available from the Oil and Gas Research Fund. On August 1, 2008 the Industrial Commission named Justin J. Kringstad, an engineering consultant, to serve as Director of the North Dakota Pipeline Authority. The North Dakota Pipeline Authority Director works closely with Lynn Helms, Department of Mineral Resources Director, Ron Ness, North Dakota Petroleum Council President and Karlene Fine, Industrial Commission Executive Director. 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.

Statutory Authority

Statutory authority for the Pipeline Authority is found in Chapter 54-17.7 of the North Dakota Century Code (N.D.C.C.). Section 54-17.7-04 N.D.C.C. delineates the powers of the Pipeline Authority including: 1) making grants or loans or to borrow money; 2) to issue up to \$800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, purchase, lease, rent and dispose of pipeline facilities or the right to capacity in any pipeline system or systems within or without the State of North Dakota; 5) enter into contracts to construct, maintain and operate pipeline facilities; 6) investigate, plan, prioritize and propose transportation corridors; and 7) participate in regional pipeline organizations.

Before the Pipeline Authority may exercise its power to construct pipeline facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Pipeline Authority must publish a notice describing the need for the pipeline project. Entities interested in

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constructing the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Pipeline Authority receives a notice of intent from an interested entity, it may not exercise its powers to construct unless the Pipeline Authority makes a finding that doing so would be in the public interest. In making such a finding, the Pipeline Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

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North Dakota Pipeline Regulatory Programs

The Pipeline Authority does not serve in any capacity as a regulatory agency for the pipeline industry. North Dakota's pipeline industry is regulated by several state and federal agencies. Roles of each regulatory entity are complex and the Pipeline Authority urges all interested parties to please contact the agencies below for more information on their jurisdiction of the pipeline industry.

- North Dakota Department of Emergency Services
- North Dakota Department of Health
- North Dakota Department of Environmental Quality
- North Dakota Public Service Commission
- North Dakota Industrial Commission-Department of Mineral Resources-Oil and Gas Division
- Environmental Protection Agency
- Federal Energy Regulatory Commission
- U.S. Department of Transportation-Pipeline and Hazardous Materials Safety Administration-Office of Pipeline Safety

Summary of Activities

After bottoming out in the second quarter of 2016, petroleum related activity in North Dakota has continued to increase. With prices above \$60/barrel and higher levels of producer activity, the midstream industry is working to position itself to meet current production levels, and continue to plan for further expansion in the long term. More efficient operations and further advances in drilling and completion techniques allowed North Dakota oil and natural gas production to reach record high levels in 2018. During the past year, the Pipeline Authority has been fully engaged in continuing efforts to convert production and development information into oil and natural gas transportation solutions. Working alongside industry to produce crude oil and natural gas production forecasts to quantify future pipeline needs and time frames continues to be one of the principle tasks of the Pipeline Authority. Pipeline companies are conservative by nature and these forecasting exercises proved to be very beneficial in providing the confidence needed to move forward with expansion project planning.

During the fiscal year the Pipeline Authority contacted, met with, and shared information with numerous interested parties, including the following:

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Enbridge Pipeline
TransCanada
MDU/WBI Energy
ONEOK
Alliance Pipeline
Northern Border Pipeline
Basin Electric
KLJ Engineering
Loenbro
Badlands NGLs
Whiting
Enable Midstream
Energy Transfer Partners
GA Group
Oasis Petroleum
Aurora Energy
Petro Nerds
Meridian Energy Group
Steel Reef Infrastructure
Global Innovative Solutions
Phillips 66

Hess Corporation
Tesoro/Andeavor
True Companies
Crestwood
BNSF Railway
Citi Bank
Gtuit
Plains All American
Sequent Energy
Barr Engineering
Pembina Pipeline
Moody's Analytics
Harris Corporation
Parsons Brinkerhoff
Marathon
Elevate Midstream
Tallgrass Pipeline
Robert W. Baird & Co.
Liberty Midstream
Thrive Energy

In addition, the Pipeline Authority worked with a number of state and federal agencies to gather information and provide expertise on pipeline issues. Those agencies and entities included:

North Dakota Public Service Commission
North Dakota Transmission Authority
North Dakota Oil and Gas Division
North Dakota Governor's Office
North Dakota Department of Trust Lands
North Dakota State University
Bank of North Dakota
US Energy Information Administration
North Dakota Oil & Gas Research Program
MHA Energy
North Dakota Office of Management and Budget

North Dakota Department of Commerce
Energy and Environmental Research Center
North Dakota Department of Transportation
Federal Railroad Administration
North Dakota Tax Department
Wyoming Pipeline Authority
EmPower North Dakota Commission
North Dakota State Water Commission
Upper Great Plains Transportation Institute
Federal Transportation Safety Administration

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The Director of the Pipeline Authority also worked with the following trade associations/groups:

- North Dakota Petroleum Council
- North Dakota Petroleum Marketers Association
- Western Dakota Energy Association
- North Dakota Building Trades Union
- American Petroleum Institute
- Landman's Association of North Dakota
- Minot Chamber of Commerce

As noted above, the Pipeline Authority has been facilitating discussions between governmental agencies and companies interested in expanding North Dakota's midstream infrastructure.

In addition, the Director of the Pipeline Authority provided information to citizens and news media on issues related to pipelines.

Crude Oil and Natural Gas Production Forecasting

The Pipeline Authority continued to develop and maintain crude oil and natural gas production forecasts for North Dakota and the United States portion of the Williston Basin. These forecasts are widely used throughout both public and private organizations. Two assumption scenarios are forecasted for the purpose of communicating the production impacts of different price and activity levels. Figure 1 is a long term oil production forecast for North Dakota. Figure 2 shows a longer term natural gas production forecast using the two different activity scenarios for North Dakota.

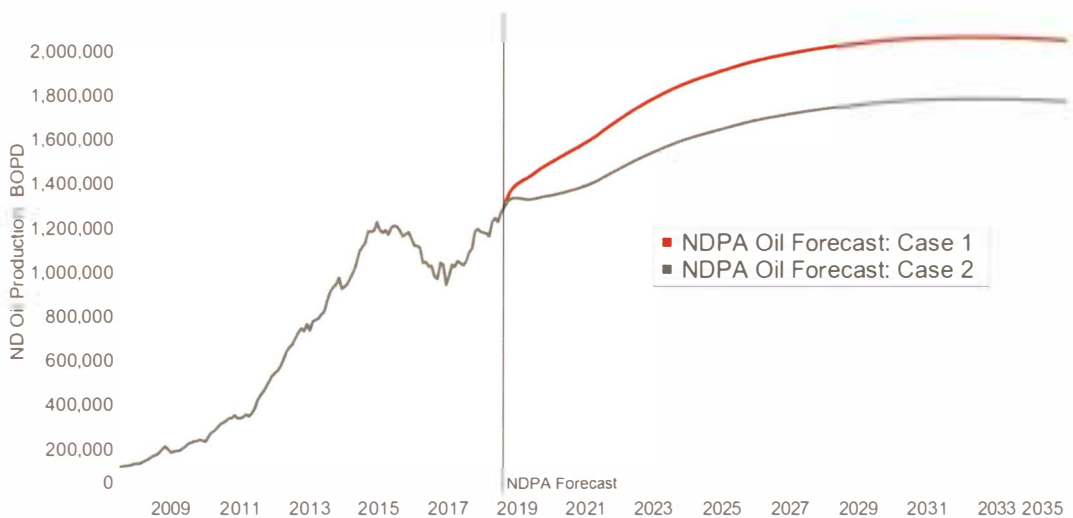


Figure 1. Long term crude oil production forecast for North Dakota starting in Aug. 2018

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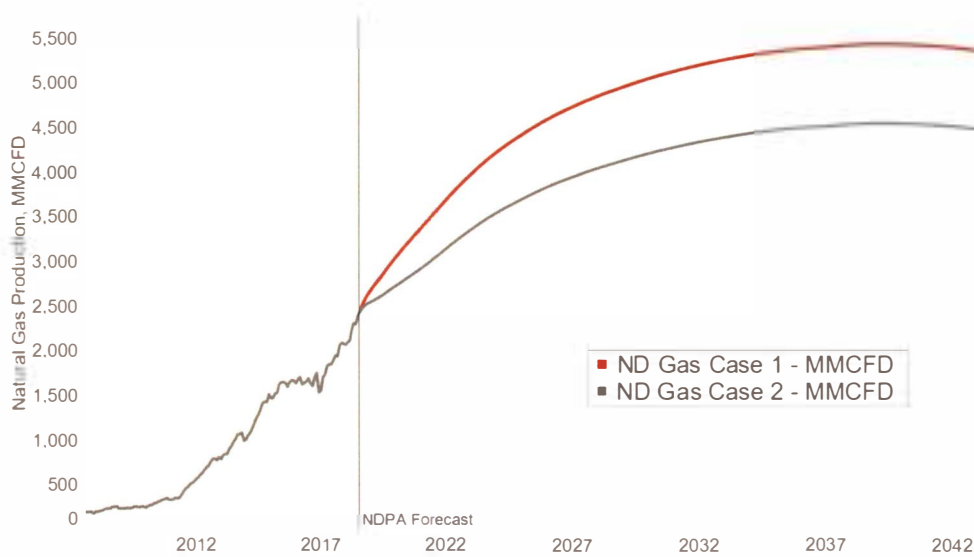


Figure 2. North Dakota natural gas production forecast starting in Aug. 2018

Natural Gas Liquids

The Pipeline Authority continued to focus considerable attention in 2017-2018 to the topic of natural gas liquids (NGLs). Natural gas produced from the Bakken and Three Forks Formations is very high in NGLs such as ethane, propane, and butane. Forecast models created by the Pipeline Authority were updated to better understand the production potential and required transportation infrastructure going forward.

The forecast in Figure 3 shows two potential production cases based on different activity level assumptions. In either case, a significant shortfall of gross pipeline capacity exists until the Elk Creek Pipeline goes into service in late 2019. It is expected that NGL production will exceed pipeline capacity again in 2020 until further system expansions take place or a new market option is developed. Further complicating the NGL transportation dynamics is the fact that not all NGL pipelines can handle the same types of NGL products. In addition, natural gas plants around the region produce either purity products or unfractionated product, known as Y-grade.

There are several options going forward to address the growing volume of NGLs in North Dakota. One option would be to build, expand, or repurpose existing pipeline systems. A second option would be the development of value-added industries that would use NGL products as feedstock. Another potential use for NGLs is enhanced oil recovery (EOR) in the Williston Basin as fields continue to mature. The use of NGLs as a working EOR fluid is still in the research phase with early lab results appearing promising.

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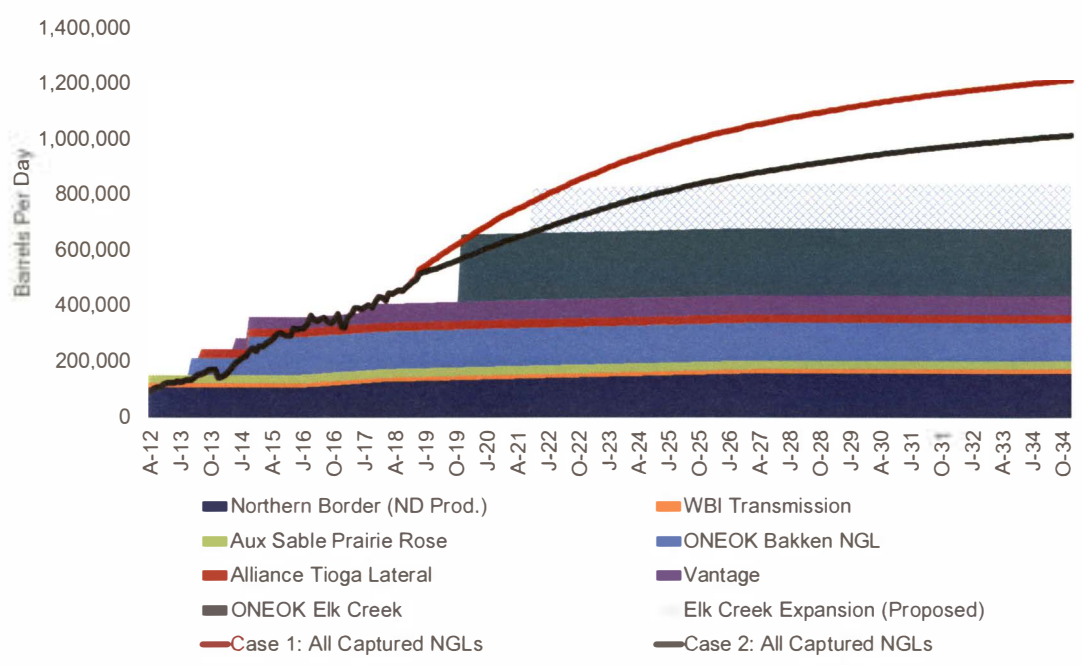


Figure 3. Forecasted North Dakota NGL production and transportation options starting in Aug. 2018

State Rail Plan

The Pipeline Authority and a number of other partners worked alongside the North Dakota Department of Transportation in its efforts to publish a 2017 update to the *North Dakota State Rail Plan*.

Along with the hired consultant agency, Parsons Brinckerhoff, the Department of Transportation partnered with the following agencies to conduct the study:

- North Dakota Public Service Commission
- North Dakota Department of Commerce
- North Dakota Department of Emergency Services
- North Dakota Pipeline Authority
- Upper Great Plains Transportation Institute

The updated North Dakota State Rail Plan is focused on the following key areas:

- Ensuring safe rail transportation
- Providing consistently reliable, diverse Class I, short line and passenger rail service
- Rail service expansion and economic development opportunities
- Funding future rail improvements
- Understanding and defining the role of the State of North Dakota in rail transportation

The final State Rail Plan report was released in late 2017 and is available on the Department of Transportation website.

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Natural Gas Flaring

While not a regulatory agency, the Pipeline Authority does play a very active support role in helping the state reduce the amount of flared natural gas. The Pipeline Authority continually monitors and reports flaring statistics and provides analysis on current and future developments to industry participants, regulators, policy makers, and the public.

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Several significant actions were taken by the ND Industrial Commission in recent years that have had a positive impact on reducing natural gas flaring. The first was the requirement for operating companies to submit a natural gas capture plan to the Oil & Gas Division to outline how produced natural gas would be sold or utilized on location. The second action was an Industrial Commission order on July 1, 2014 that provided flaring reduction targets to the year 2020 and provided a means of enforcement at the Oil & Gas Division through the use of production and permitting restrictions.

In April 2018, the Industrial Commission updated the 2015 natural gas capture regulations for Bakken and Three Forks production. More details on the April update can be found on the Oil & Gas Division website.

The current North Dakota gas capture target rates are as follows:

- 74% Capture – Q4 2014
- 77% Capture – Q1 2015
- 80% Capture – Q2 2016
- 85% Capture – Q4 2016
- 88% Capture – Q4 2018
- 91% Capture – Q4 2020

The natural gas gross capture rate for Bakken production was 84% in June 2018. In order for the industry to continue to meet or exceed future gas capture targets, additional investments in gas gathering, processing, and transmission will be required in the short and long term.

Industry and Public Communications Activities

Pipeline Publication

During the 2017-2018 fiscal year, three *Pipeline Publication* newsletters were created in order to keep interested parties updated on midstream activities in the region. All three newsletters can be found in Appendix A. In addition to the newsletters, the Pipeline Authority used monthly reports, website content, press conferences, and presentations to share updates on production and transportation dynamics in the Williston Basin (additional details below).

Pipeline Authority Websites

In an effort to provide industry and public users with the most timely and complete set of information, the Pipeline Authority continues to update the agency websites as new information becomes available.

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The websites allow the Pipeline Authority to provide users with current Williston Basin oil production data, maps, news, publications, basic pipeline information, pipeline safety information, and links to pipeline mapping systems.

Monthly Updates

During the 2017-2018 fiscal year, the Pipeline Authority produced monthly transportation and production reports to allow interested parties a quick view of how much crude oil and natural gas was produced each month and how each commodity was shipped and/or processed. Information contained in the reports is presented during monthly media events in conjunction with the ND Oil & Gas Division. Monthly reports are placed on the Pipeline Authority website and an email distribution list has been created to circulate the update to interested parties.

North Dakota Drilling Economics

In order to assist the midstream industry in understanding current and future petroleum activity levels, the Pipeline Authority routinely publishes information exploring the economics of drilling in North Dakota's Bakken/Three Forks Formations. The research takes a detailed look at where drilling in North Dakota has been most successful in the past and then predicts where drilling may be concentrated during periods of fluctuating oil prices.

Figure 4 was generated during the drilling economics research to represent the expected after-tax rate of return using three different drilling and completion costs. While assuming \$63/barrel at the wellhead, it was discovered that wells drilled in North Dakota could consistently receive a 10%-20% rate of return if they were producing at least an average of 400 barrels of oil per day during the well's peak production month. Maps were generated to show where the wells in Figure 4 are located. These maps are contained in various presentations on the Pipeline Authority website.

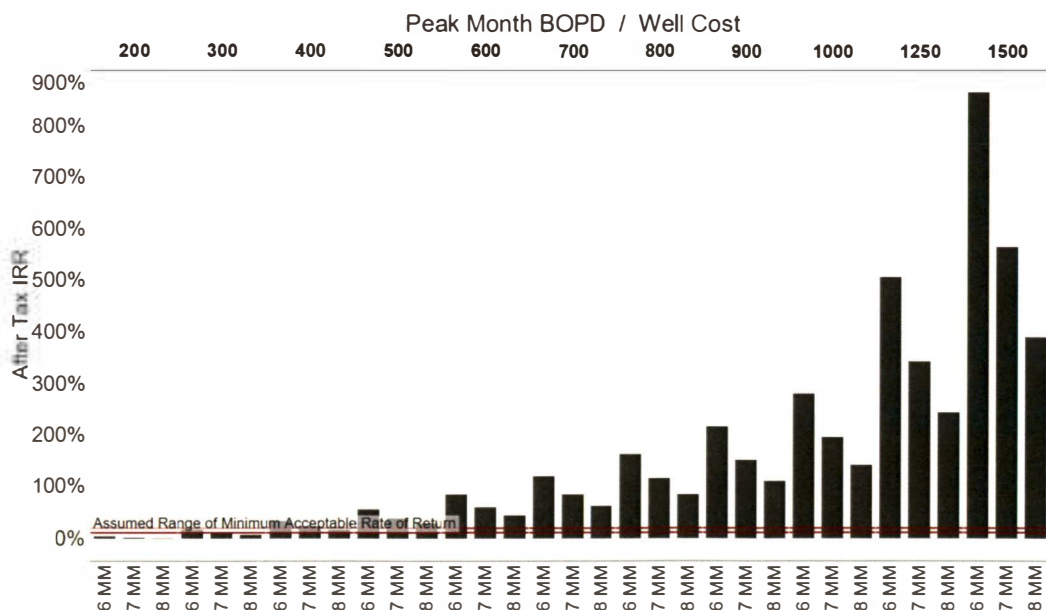


Figure 4. North Dakota drilling economics summary (Assumes \$63/bbl at the wellhead)

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Pipeline Presentations

The Pipeline Authority has had the opportunity to make presentations at a variety of legislative, industry, and public events during the past fiscal year. Presentation topics were typically focused on North Dakota's transportation dynamics and did contain additional material on drilling economics and production techniques. Slides from many of the major events are placed on the Pipeline Authority website as content is updated.

Drilling Inventory Analysis

During the first half of 2018, the Pipeline Authority conducted extensive research to better understand how long the first phase of drilling and completing Bakken/Three Forks wells may last in North Dakota.

The research revealed the following points of interest:

- Bakken/Three Forks development is price sensitive, with higher price levels equating to more economically viable drilling locations in the state.
- A high level of uncertainty exists surrounding full development of the lower Three Forks formation "benches".
- Three Forks development was broken into a three tier system using information from Tim Nesheim at the North Dakota Geological Survey.
- It is estimated that between 34,000 and 98,000 wells will be developed during the first phase of Bakken/Three Forks development.
- Assuming a pace of 100 new wells drilled and completed per month, North Dakota's first phase of Bakken/Three Forks development could continue for 28-81 years.

Full details of the drilling inventory work can be found on the "Presentations" page of the Pipeline Authority website.

Williston Basin Pipeline Infrastructure

For reference, a series of North Dakota pipeline maps can be found in Appendix B

Pipeline Mileage

North Dakota's pipeline industry added 996 miles of new oil, gas, and produced water pipelines in 2017. The significant decrease in pipeline construction in 2016 and 2017 (Fig. 5) was proportional to the slowdown in well completions during those same periods. A general trend in North Dakota has been approximately 1-1.5 miles of new pipeline added for every well completion. Data from the Federal Department of Transportation and North Dakota Oil & Gas Division indicates that North Dakota has over 27,000 miles of gathering and transmission pipelines. Further details about North Dakota's pipeline network can be found on the Pipeline Authority website.

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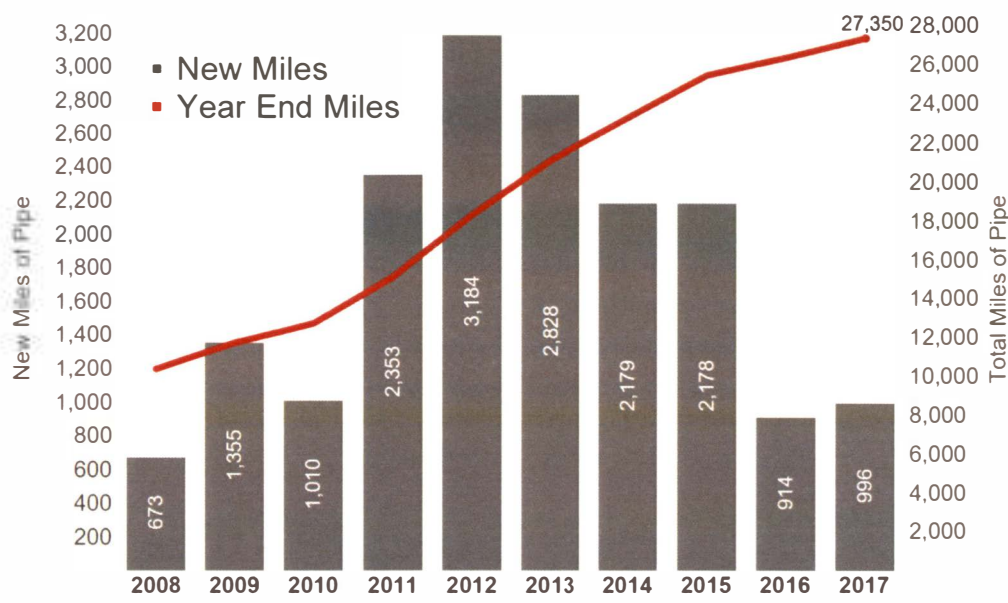


Figure 5. Estimated oil transportation by mode

Crude Oil Pipelines, Refining, and Rail Transportation

Enbridge Pipelines North Dakota: Having completed several expansion projects over the past number of years, Enbridge now has the capacity to move 355,000 BOPD on its pipeline system to Clearbrook, MN. Enbridge completed their work to expand north bound capacity of 145,000 BOPD in early 2013 for the larger scale “Bakken Expansion Project”. Oil using the northbound route navigates the Enbridge Saskatchewan system to an interconnect with the Enbridge Mainline at Cromer, MB. Once on the Mainline system, the Williston Basin oil quickly reenters the United States and meets east bound Enbridge oil at Clearbrook, MN.

Enbridge’s plans to construct the 225,000 BOPD “Sandpiper” system were deferred during the third quarter of 2016 due to unexpected market conditions in the near-term planning horizon. Enbridge plans to monitor market conditions and will reevaluate the Sandpiper project in the future.

Bridger, Belle Fourche, and Butte Pipelines: Bridger and Belle Fourche Pipelines operate as intra-basin pipeline systems moving oil to several pipeline interconnects or rail facilities in the Williston Basin. One such pipeline interconnect is with the Butte Pipeline near Baker, MT. The Butte Pipeline currently has the capacity to move 260,000 BOPD to Guernsey, WY. In Guernsey, WY, the oil is transported to Wood River, IL on the Platte Pipeline, Cushing, OK on the White Cliffs Pipeline, or loaded into rail cars for further transport.

BakkenLink: After announcing plans in 2010 to offer a pipeline system connecting the Williston Basin to the Keystone XL Pipeline in Eastern Montana, BakkenLink has altered their current project scope. Now in service, the BakkenLink system collects crude oil from various locations along its route south of Lake Sakakawea and delivers the oil to a unit train rail facility located near Fryburg, ND. In late 2015, Andeavor

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(formerly Tesoro Corporation) purchased the BakkenLink pipeline and rail facility from Great Northern Midstream.

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In February 2018, Andeavor sought, and was granted, approval from the North Dakota Public Service Commission to add NGL service to the existing BakkenLink crude oil system. Scheduled to be complete by the end of 2018, the additional NGL service to Fryburg, ND will be accomplished using three new line segments on the north and south ends of the BakkenLink system.

Energy Transfer Partners: In early 2014, Energy Transfer Partners (ETP) held an open season to solicit interest in a new 30" pipeline from North Dakota to Patoka, IL. In June 2014, ETP announced that they had secured sufficient shipper support to move forward with the project. The "Dakota Access" pipeline collects oil north and south of Lake Sakakawea and has the ability to transport up to 520,000 BOPD. The project began construction in May 2016 and was placed into commercial service on June 1, 2017.

In 2018, two formal open seasons were held for additional service on the Dakota Access pipeline. Results of the open season have not been made public, but if additional shipper interest exists, the pipeline could be expanded to carry a total of at least 570,000 BOPD.

Plains All American Pipeline: In November 2010, Plains All American Pipeline (Plains) announced plans to construct a new 103 mile, 12 inch, pipeline from Trenton, ND to an interconnect with the existing Wascana Pipeline at the United States-Canada border in northeast Montana. The "Bakken North" pipeline went into service in May 2014, with an initial capacity of 40,000 BOPD, expandable to 75,000 BOPD.

TransCanada Bakken Marketlink: On September 13, 2010, TransCanada launched a successful open season for Bakken producers interested in accessing TransCanada's proposed Keystone XL pipeline project in eastern Montana. The proposed 100,000 BOPD interconnect would be located near Baker, MT and would require new pumps and tanks to accommodate the Bakken oil. Third party shippers would be necessary to move the crude to the Baker, MT facility from North Dakota.

In November 2015, President Obama announced that the Keystone XL Pipeline was not in the national interest of the United States and that a required Presidential Permit would not be granted. In March 2017, President Trump reversed the White House decision and granted the Presidential Permit to TransCanada for the Keystone XL Pipeline. An updated timeline for the Keystone XL Pipeline and Bakken Marketlink has not been made public.

Marathon Petroleum Mandan Refinery (Formerly Andeavor/Tesoro): Expanded by 10,000 BOPD in 2012, Marathon Petroleum operates a 68,000 BOPD refinery in Mandan, ND. The refinery receives its light sweet feedstock through a network of pipelines in the Williston Basin. Products generated at the refinery are distributed directly from a truck rack at the facility or through the NuStar North Pipeline to Eastern North Dakota and Minnesota.

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In 2017, Tesoro Corporation changed its name to Andeavor. In the second half of 2018, Andeavor merged with Marathon Petroleum and will operate under the Marathon Petroleum name.

Marathon Petroleum Dakota Prairie Refinery: In late June 2016, Tesoro Corporation purchased the Dakota Prairie Refinery from MDU Resources Group and Calumet Specialty Products Partners. The Dakota Prairie Refinery, began processing 20,000 BOPD at its facility just west of Dickinson, ND in May 2015. The “diesel topping” refinery produces around 7,000 BPD of diesel fuel for consumption, while the remaining product is transported for further processing or use.

In 2018, a decision was made to convert the refinery to produce renewable diesel fuel by late 2019. After 2019, the facility will no longer use crude oil as a feedstock. Renewable diesel fuel is likely to be shipped by rail and marketed in California.

In 2017, Tesoro Corporation changed its name to Andeavor. In the second half of 2018, Andeavor merged with Marathon Petroleum and will operate under the Marathon Petroleum name.

Davis Refinery: Meridian Energy Group is planning to construct a crude oil refinery in Billings County, east of the Fryburg Rail Facility in Belfield. The refinery is designed with an inlet oil capacity of 49,500 BPD. All refined products are expected to be marketed regionally with transportation taking place by truck and/or rail. Site preparation began in July 2018 with plant completion expected in 2020.

A map of North Dakota crude oil gathering systems can be found in Appendix C

Rail Loading Facilities: The transportation of crude oil by rail car has played a key role in moving growing volumes of crude oil from the Williston Basin to markets around the United States and Canada. Figure 6 shows the estimated Williston Basin market share percentages for rail, pipeline, and local refining. Figure 7 shows the estimated volume of oil moved by rail out of North Dakota. Maps, capacities, and additional information on the various facilities can be found on the Pipeline Authority websites.

A significant decrease in crude by rail volumes can be identified during the 2015-2017 timeframe in Figures 6 & 7. The 2015-2017 volume decrease can be attributed to production declining in North Dakota and reduced market incentives to utilize crude by rail. In 2018, the downward trend reversed as production reached record levels and market pricing at coastal refining centers incentivized the use of crude by rail from North Dakota. The Pipeline Authority estimates eleven of the twenty-plus rail facilities are still active, with the most active facilities being those with unit train loading capabilities and inbound/outbound marketing options.

The future of crude by rail utilization in North Dakota will be driven by oil production volumes, market pricing, pipeline capacity, and regulatory oversight.

A map of North Dakota oil rail loading facilities can be found in Appendix D

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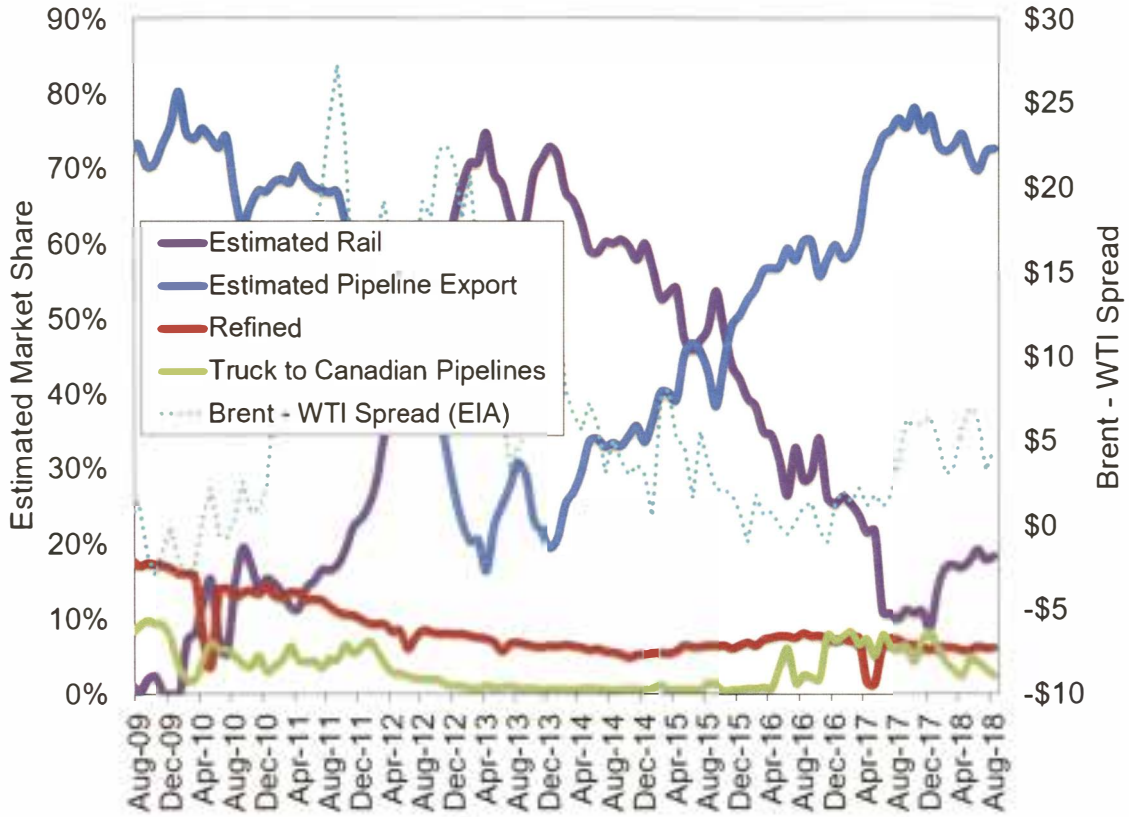


Figure 6. Estimated oil transportation by mode (Aug. 2018 data)



Figure 7. Estimated outbound crude oil rail shipments (Aug. 2018 data)

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Natural Gas Pipelines

Alliance Pipeline: The Alliance Pipeline is a high pressure, large diameter natural gas pipeline that originates in British Columbia, Canada and terminates at the Aux Sable gas processing plant near Chicago, IL. The Alliance Pipeline transports “dense gas” or gas that still contains high BTU natural gas liquids, such as propane and butane. In February 2010, the Alliance Pipeline began transporting rich natural gas from North Dakota via a new interconnect with the Prairie Rose Pipeline near Bantry, ND (See Aux Sable below). The 36 inch diameter United States portion of the pipeline has a certified capacity of 1.513 billion cubic feet per day (BCFD). The Alliance Pipeline has one existing North Dakota delivery point in Hankinson and one upcoming interconnect with Montana Dakota Utilities to serve industrial manufacturing in Gwinner.

In response to growing natural gas production, Alliance Pipeline announced plans on June 22, 2011, to construct a new, 80 mile, natural gas pipeline from the Hess Gas Plant in Tioga, ND to an interconnection point near Sherwood, ND. Commissioned in late 2013, the “Tioga Lateral Pipeline” has the ability to deliver liquids rich, high BTU, natural gas to Chicago, IL for further processing and transportation. The Tioga Lateral has the capacity to transport up to 126 MMCFD.

Northern Border: The Northern Border Pipeline, owned by TC Pipelines and ONEOK Partners, is a 1,249 mile pipeline originating at the Port of Morgan in Montana and terminating near North Hayden, Indiana. The pipeline has a system receipt capacity of 2.37 BCFD, with roughly half of the gas supply in 2018 originating in Canada through a receipt point with the Foothills Pipeline at the Port of Morgan. The 42 inch diameter Northern Border Pipeline receives gas deliveries at a total of seventeen receipt points in the Williston Basin with fourteen of those points for North Dakota gas supply.

WBI Energy Transmission: Formerly known as Williston Basin Interstate Pipeline Co., WBI Energy Transmission operates more than 3,700 miles of natural gas transmission pipelines throughout North Dakota, Montana, Wyoming, and South Dakota. This network of pipelines plays a vital role in North Dakota’s natural gas industry. It contains twelve interconnecting points with other regional pipelines and can also deliver natural gas to local distribution companies or natural gas storage fields. WBI continues to make system upgrades in western North Dakota in order to meet growing customer demand.

In June 2016, WBI announced an open season to connect the eastern North Dakota portion of the system with the Viking Pipeline in western Minnesota. This project, known as the Valley Expansion, does not directly support North Dakota gas production volumes, but rather would serve to provide additional gas volumes to consuming markets in eastern North Dakota. The Valley Expansion project is expected to be operational in the fourth quarter of 2018.

Aux Sable: In June 2011, Aux Sable announced the acquisition of the Prairie Rose Pipeline and condensate recovery facility near Stanley, ND. Originally constructed by Pecan Pipeline, the 75 mile, 12 inch system went into service February 2010 and has the capability to transport over 100 MMCFD of unprocessed natural gas from Mountrail County to an interconnect with the Alliance Pipeline near Bantry, ND.

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Bison Pipeline: TransCanada placed the 302 mile, 30 inch Bison Pipeline into service in early 2011. The pipeline was built to connect natural gas production in the Powder River Basin of Wyoming to the Northern Border Pipeline in Morton County North Dakota. The pipeline has an initial capacity of 407 MMCFD and could be expanded to 1 BCFD.

Natural Gas Liquids Pipelines

ONEOK Bakken NGL Pipeline: On July 26, 2010, ONEOK Partners announced plans to construct a new 12 inch natural gas liquids pipeline capable of moving 60,000 BPD from existing and planned facilities in the Williston Basin to an interconnect with the Overland Pass Pipeline near Cheyenne, WY. The “Bakken NGL Pipeline” was built to address the high volumes of natural gas liquids that are extracted from the rich Bakken gas during processing. The pipeline operates as a Y-grade system, with product fractionation taking place in Bushton, KS. ONEOK announced completion of the pipeline in April 2013 and an expanded capacity of 135,000 BPD in September 2014.

In February 2018, ONEOK announced a new NGL transmission system known as the Elk Creek Pipeline. The \$1.4 billion project could initially connect 240,000 barrels per day of NGLs from the Williston Basin to further NGL infrastructure in Kansas. This project could be expanded up to 400,000 barrels per day. Construction of the pipeline began in 2018 and is expected to be complete by the end of 2019.

Vantage Pipeline: On July 15, 2010, Mistral Energy announced a new 430 mile liquid ethane pipeline from Tioga, ND to Empress, AB. With an initial capacity of 40,000 BPD, the new “Vantage Pipeline” was built to address the high concentration of ethane found in North Dakota’s natural gas. Placed into service Q2 2014 in conjunction with the Hess Tioga Gas Plant Expansion, the pipeline was constructed of 10 inch pipe. In September 2014, Pembina Pipeline Corporation purchased the Vantage Pipeline from Mistral Midstream.

On February 10, 2015, Pembina Pipeline announced that the Vantage ethane pipeline would expand to connect to ONEOK’s Stateline plants with 50 miles of 8” pipeline. The \$85 million system expansion also included taking the existing mainline capacity from 40,000 bpd to 65,000 bpd. Ethane deliveries from the ONEOK Stateline plants to Vantage began in May 2017.

Carbon Dioxide Pipelines

North Dakota continues to have only one carbon dioxide pipeline in service. The Dakota Gasification Company’s, 12-14 inch, 205 mile pipeline went into service in 2000 and transports roughly 150 MMCFD of carbon dioxide to oilfields near Weyburn, SK.

Two carbon dioxide pipeline projects are under development. One system would be operated by Denbury Resources and would connect the Cedar Creek Anticline oilfields in eastern Montana and southwest North Dakota to the existing Greencore Pipeline at Bell Creek, MT. The 110 mile, \$150 million, extension is anticipated to be complete by 2020. The second project under development is part of Project Tundra’s

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plan to collect carbon dioxide from the Milton R. Young Station and transport it to the Williston Basin for either sequestration and/or enhanced oil recovery. If approved, a pipeline carrying carbon dioxide from the Young Station could be in service by the early 2020's.

The Pipeline Authority continues to work with interested parties on the development of new carbon dioxide pipelines for capture and sequestration, as well as enhanced oil recovery operations. The Pipeline Authority is an active member of the Plains CO₂ Reduction Partnership through the Energy and Environmental Research Center in Grand Forks, ND.

Natural Gas Processing

For reference, a North Dakota Gas Processing and Transportation map can be found in Appendix E

New or Expanding Natural Gas Plants

Due to the vast footprint of the Bakken resource, natural gas gathering and processing operators in North Dakota have faced difficult challenges in the past to keep pace with faster, more efficient drilling and completion techniques. Despite the daunting task, industry is rising up to reap the great economic reward contained in the rich Bakken gas.

North Dakota currently has twenty nine natural gas processing/conditioning plants operating, with the capability to process roughly 2.2 BCFD. Eight additional new or expanded plants are expected in 2018-2020 and will add 1.145 BCFD of processing capacity (Figure 8). A detailed breakdown of the existing and proposed facilities can be found on the Pipeline Authority website.

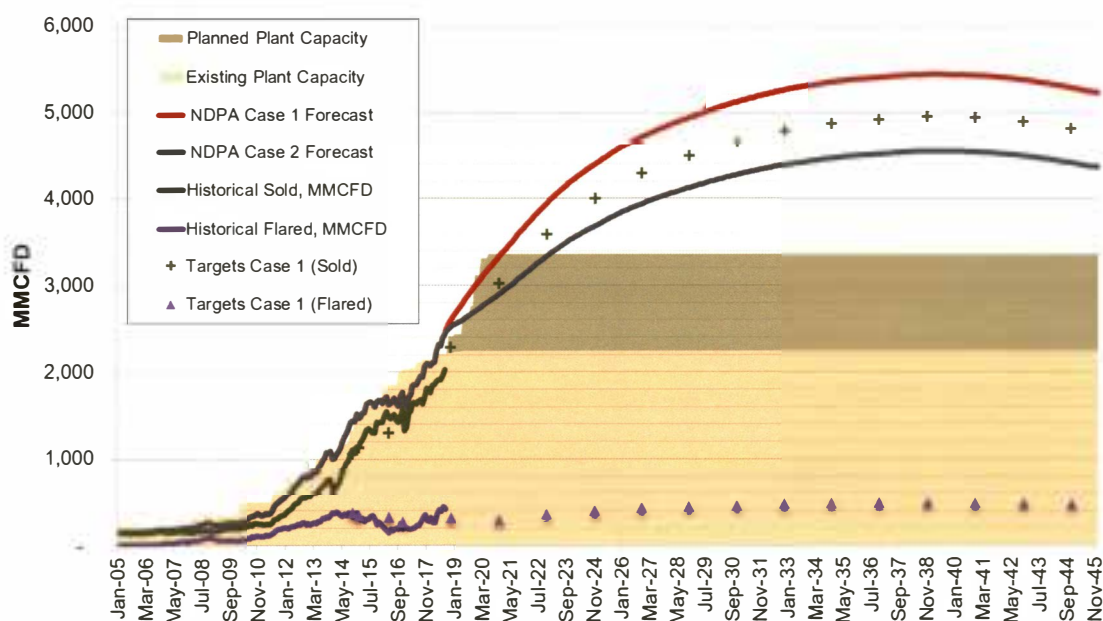


Figure 8. North Dakota natural gas processing plant intake capacity, gas production, gas forecast, and NDIC capture targets. (Forecast starts in Aug. 2018)

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Planned Activities

Over the past year, the Pipeline Authority has continued to experience great success by working with industry to quantify future crude oil and natural gas production in order to provide the assurance needed to move forward with various expansion projects. The forecasted petroleum production levels will continue to be updated to reflect oil price forecasts from the U.S. Energy Information Administration. The Pipeline Authority will continue to utilize new and existing development information to gain a deeper understanding of the crude oil, natural gas, natural gas liquids, and carbon dioxide pipeline needs in Williston Basin.

Industry and public information distribution will continue with the use of newsletters, presentations, monthly updates, and agency websites. The Pipeline Authority will continue to conduct information presentations to public audiences, legislative groups, and industry representatives at various events throughout the coming year.

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APPENDIX A

North Dakota Pipeline Authority's *Pipeline Publication* Newsletter

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the
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publication

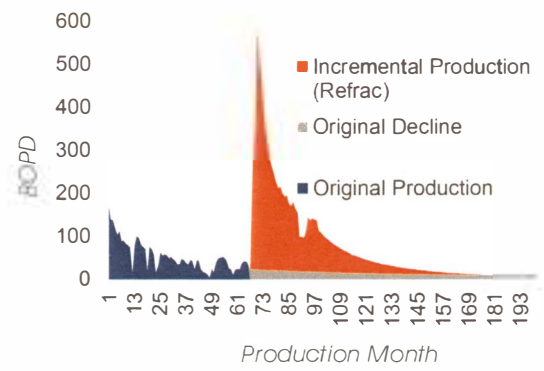
Volume 8 ❖ Issue 2
August 2017

**INDUSTRIAL
COMMISSION OF
NORTH DAKOTA
PIPELINE AUTHORITY**

- Governor**
Doug Burgum
- Attorney General**
Wayne Stenehjem
- Agriculture Commissioner**
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- Director**
Justin J. Kringstad

A LOOK AT REFRACS IN NORTH DAKOTA

The process of recompleting, or refracing, an existing Bakken – Three Forks well may be the next big step to increase oil and gas recovery rates in the state. A refrac is the practice of hydraulic fracturing an existing well that has already been hydraulically fractured at some earlier time period. Refracs are not new to the industry, as there is significant experience over the last decades around the world. However, due to the relatively young nature of Bakken development, the technique has had limited testing in the region.



During the first half of 2017, the Pipeline Authority conducted research to determine what data exists on refracs in the state. Just over 140 wells were identified as being refraced over the last several years.

The data revealed the following points of interest:

- Typical wells targeted for refrac were between four and five years old and utilized completion techniques now considered outdated.
- Almost half of the refraced wells were in Dunn County.
- On average, the production of the well after the refrac was higher than the original well performance.
- There were examples found where the refraced wells did not perform significantly better after refracing.
- The Pipeline Authority has identified almost 2,000 wells drilled between 2007-2011 that are positioned to be potential refrac candidates in the near future.
- Of the wells examined, none were refraced more than once, a practice that is not uncommon outside of North Dakota.

NORTH DAKOTA — Production Numbers

⌘ www.pipeline.nd.gov

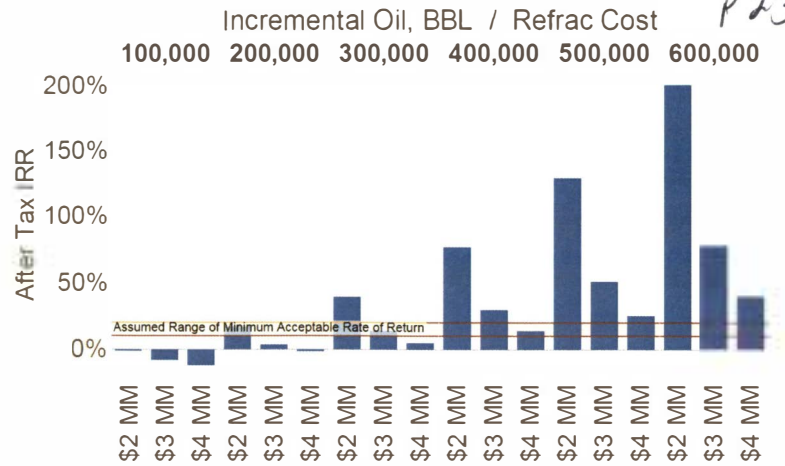
Average Daily Oil Production, BOPD			Average Daily Gas Production, MCFD			Average Rig Count		
Apr. 17	May. 17	Jun. 17	Apr. 17	May. 17	Jun. 17	Apr. 17	May. 17	Jun. 17
1,050,476	1,040,995	1,032,495	1,836	1,854	1,850	50	50	55

As of August 14, 2017, there are 57 active rigs in North Dakota.

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ECONOMICS OF REFRACS

The Pipeline Authority performed a high level exercise to try and determine the economics of refracing using incremental oil and gas production as the guide. As seen in the sample refrac production chart (front page), the orange colored production can be considered incremental production due to the refrac operation around month 68. In this example, the well is estimated to have 250,000+ barrels of incremental oil production from the refrac. The bar chart is a guide created to understand the economics of refracing in a \$40/bbl (wellhead) price environment. The economics were run using 100,000-600,000 barrels of incremental production and refrac costs of \$2-\$4 million.



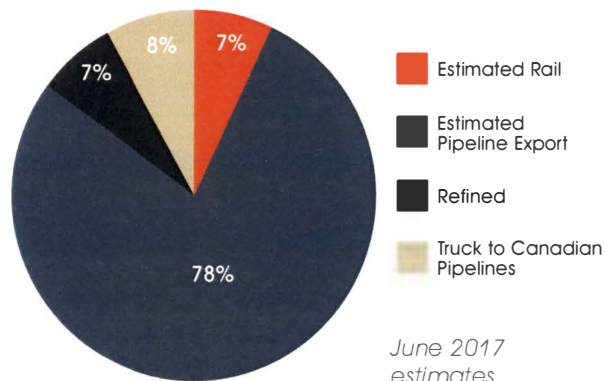
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NEXT STEPS

Refracs have the potential to significantly alter the production profile for wells in the state. The Pipeline Authority is going to continue working to better understand how local and statewide transportation needs shift in the case that hydraulic fracturing crews are added or reallocated to refrac operations. More detailed information on the topic of refracs is available on the "Presentations" page of the NDPA website.

Estimated Williston Basin Oil Transportation



June 2017 estimates



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March 2018



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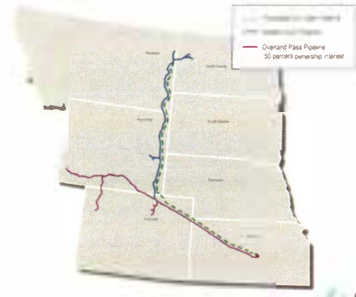
FULLY ADDRESSING NORTH DAKOTA'S GAS CAPTURE NEEDS

In order to fully address natural gas capture requirements in North Dakota, there are three major categories of infrastructure that need to be in place. The first, and arguably the most pressing, is the construction of gas gathering pipelines that provide transportation from the wellhead to a gas processing plant. During the early years of Bakken development, the pace at which new wells were being drilled was faster than the gas gathering community could plan and construct the required pipeline infrastructure. Largely through better producer-gatherer communication and planning, the number of wells being connected to gas gathering pipelines each month keeps pace with new producing wells.

and two of the Pipeline Authority's forecast scenarios that clearly show the need for expanded processing capacity in the region. Not shown in the chart is the expectation for gas production to reach 3,500 – 4,500 MMCFD in the coming decades, requiring even further processing capacity in 2020 and beyond.

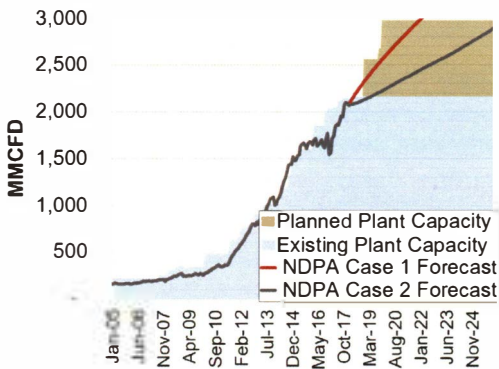
Transmission pipeline capacity is the third category of infrastructure that needs to be in place to adequately address gas capture. The transmission category can be separated further into "dry" or "residue" gas transmission and natural gas liquids (NGL) transmission.

The most immediate gas capture transmission need for the state is NGL capacity. One industry solution proposed to address NGL capacity constraints is the ONEOK Elk Creek



pipeline. The \$1.4 billion project (map included) could initially connect 240,000 barrels per day of NGLs from the Williston Basin to further NGL infrastructure in Kansas (expandable to 400,000 barrels per day).

The dry gas transmission pipeline network is currently the least pressing issue facing the gas capture supply chain. However, in the next 7-10 years, the NDPA expects dry gas production from the region's processing facilities to exceed the existing transmission pipeline capacity, requiring additional capacity to be added with new or expanded transmission systems.



The second category of infrastructure that needs to be in place is gas processing. Currently, North Dakota has the ability to process

2,150 million cubic feet per day (MMCFD). The processing industry has responded to expected gas production growth with plans to construct or expand five processing facilities in the state. These five projects would increase North Dakota's processing capabilities to 2,965 MMCFD by the end of 2019. The included chart provides a visual reference for existing (blue) and planned (brown) gas processing capacity. The chart also includes historical gas production

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Director
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NORTH DAKOTA — Production Numbers

Average Daily Oil Production, BOPD		
Nov. 17	Dec. 17	Jan. 18
1,196,976	1,182,836	1,175,638

Average Daily Gas Production, MMCFD		
Nov. 17	Dec. 17	Jan. 18
2,096	2,085	2,068

Average Rig Count		
Nov. 17	Dec. 17	Jan. 18
54	52	56

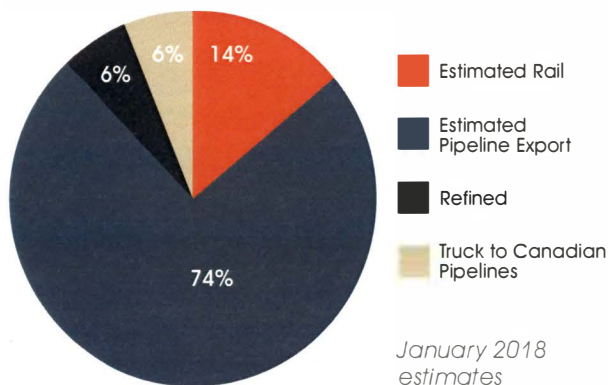
As of March 22, 2018, there are 60 active rigs in North Dakota.

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FACTOID

Recent work by the NDPA revealed that higher oil prices in 2018 means that roughly 44% more geographic area in ND could be targeted for development than a year ago. One interesting development to watch will be the application of new technology in portions of the Williston Basin that have not seen development activity since the slowdown. For more details and new maps showing the updated NDPA breakeven analysis, please visit the "Presentations" page on our website.

Estimated Williston Basin Oil Transportation



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MARKET PRICES INCENTIVIZING CRUDE BY RAIL

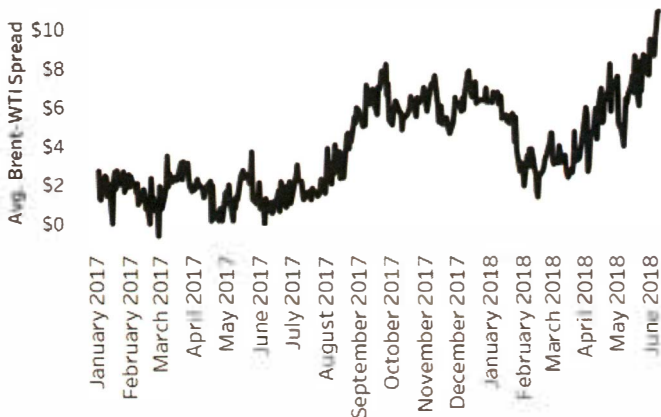
Since late 2017, the oil industry has experienced a series of events causing the two most watched oil price markets diverge from one another once again. West Texas Intermediate or "WTI" pricing indicates the market value at Cushing, OK. Brent crude oil is the leading market indicator for global light, sweet crude oils. The price difference between these two markets is known as the Brent-WTI spread and sits just over \$10 per barrel in mid-June 2018. This spread in market values has been shown to drive marketing and transportation decisions for crude oil leaving North Dakota. When Brent markets are at least \$5-7 per barrel higher than WTI, North Dakota has historically experienced an increase in the utilization of crude by rail.

Since late 2017, North Dakota has experienced an uptick in crude by rail movements from the region. In April 2018, the Pipeline Authority estimates crude by rail from North Dakota was roughly 280,000 barrels per day.

With Dakota Access Pipeline going into service last year, North Dakota currently has enough capacity to theoretically move 100% of the oil to Midwest and Gulf markets via pipeline. The current increase has been primarily the result of market forces incentivizing deliveries of Bakken crude oil to the east and west coast refining centers that do not have pipeline access to domestic crude oil sources.

By the first half of 2019, North Dakota oil production is expected to outpace pipeline capacity once again. Once production exceeds the 1.37 million barrels per day of pipeline capacity, the use of crude by rail will transition from elective, and market driven, to required. Industry participants are actively pursuing additional pipeline capacity for future production growth. Two such projects include Energy Transfer Partners seeking shipper commitments to expand the Dakota Access Pipeline and TransCanada's proposal to move North Dakota crude oil on the Keystone XL pipeline from an injection point near Baker, MT.

In the coming decades, North Dakota is forecasted to produce 2-2.4 million barrels per day. Oil production at the forecasted levels would require pipeline expansions beyond the proposed Dakota Access Pipeline expansion and Keystone XL's Baker, MT onramp. For the remainder of 2018, it is expected that crude by rail volumes will continue to increase as result of market forces and in 2019 and beyond until additional pipeline capacity is added.



The utilization of crude by rail has decreased from an estimated peak in 2014 of over 800,000 barrels per day to a late-2017 estimated low of just over 100,000 BOPD. The 2014-2017 decrease in crude by rail movements from North Dakota was driven by decreasing regional production, increased pipeline capacity, and a relatively low market incentive due to a narrow Brent-WTI spread.

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	<p>Attorney General Wayne Stenehjem</p>	<p>Director Justin J. Kringstad</p>

NORTH DAKOTA — Production Numbers

Average Daily Oil Production, BOPD

Feb. 18	Mar. 18	Apr. 18
1,175,338	1,162,134	1,224,948

Average Daily Gas Production, MMCFD

Feb. 18	Mar. 18	Apr. 18
2,107	2,120	2,242

Average Rig Count

Feb. 18	Mar. 18	Apr. 18
57	59	60

As of June 19, 2018, there are 61 active rigs in North Dakota.

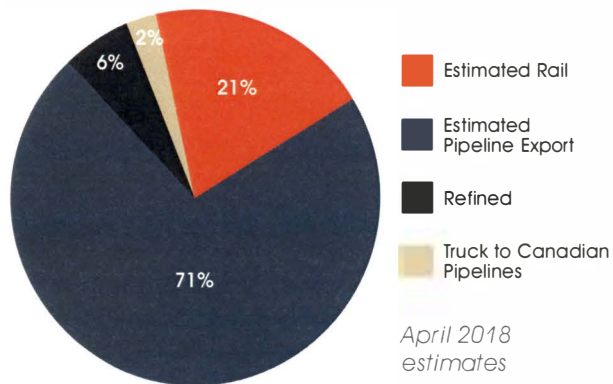
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FACTOID

At the peak of crude by rail movements from North Dakota, there were at least 22 facilities loading rail cars for shipment. Facilities ranged from sophisticated unit train facilities with pipeline and truck receipt options to small facilities that would use simple transfer pumps to unload truck deliveries into rail cars. It is estimated that at time of writing, only eight facilities are still actively loading crude oil for shipment.

Estimated Williston Basin Oil Transportation



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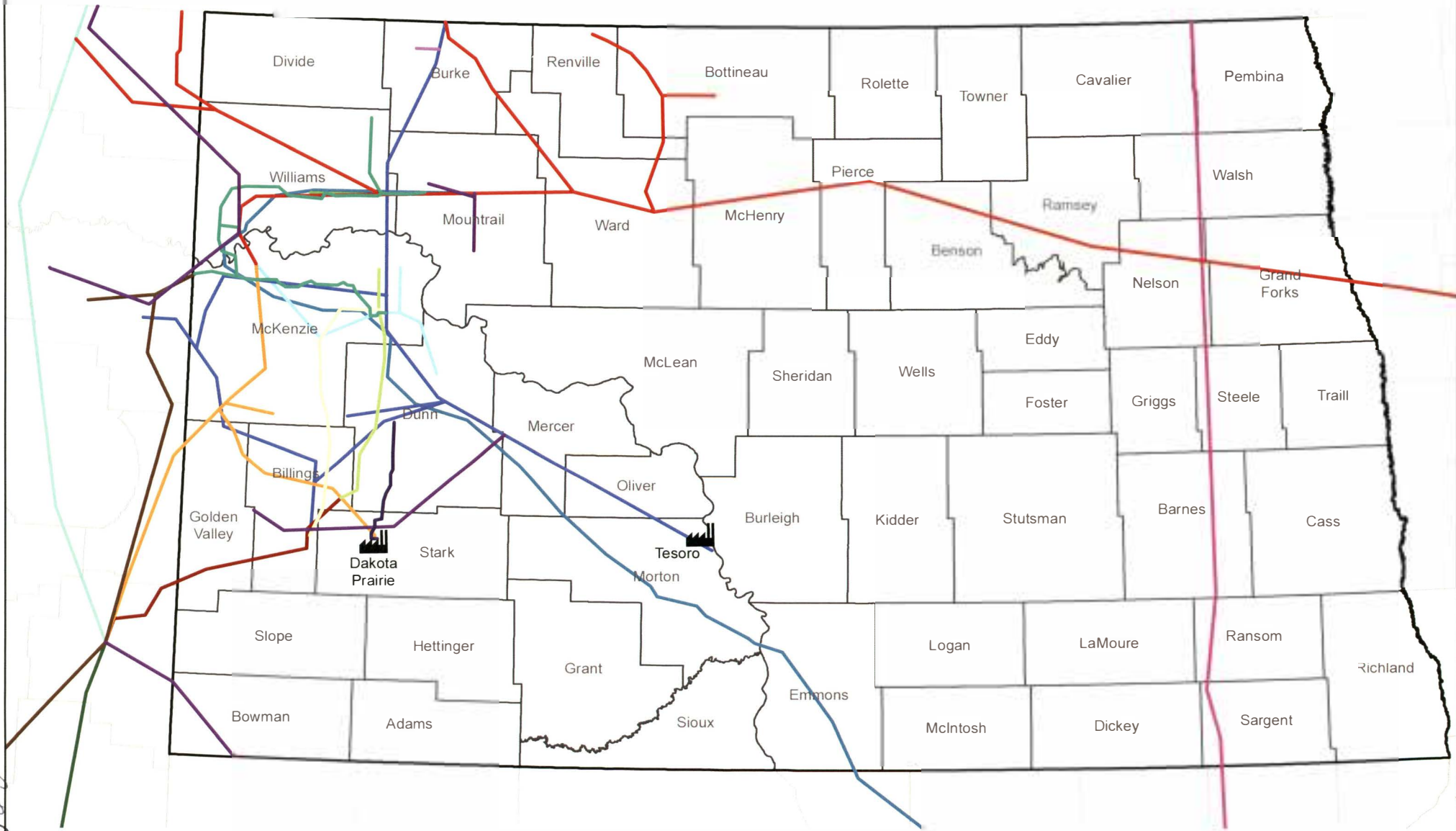
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APPENDIX B

North Dakota Pipeline Maps

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North Dakota Crude Oil Pipelines

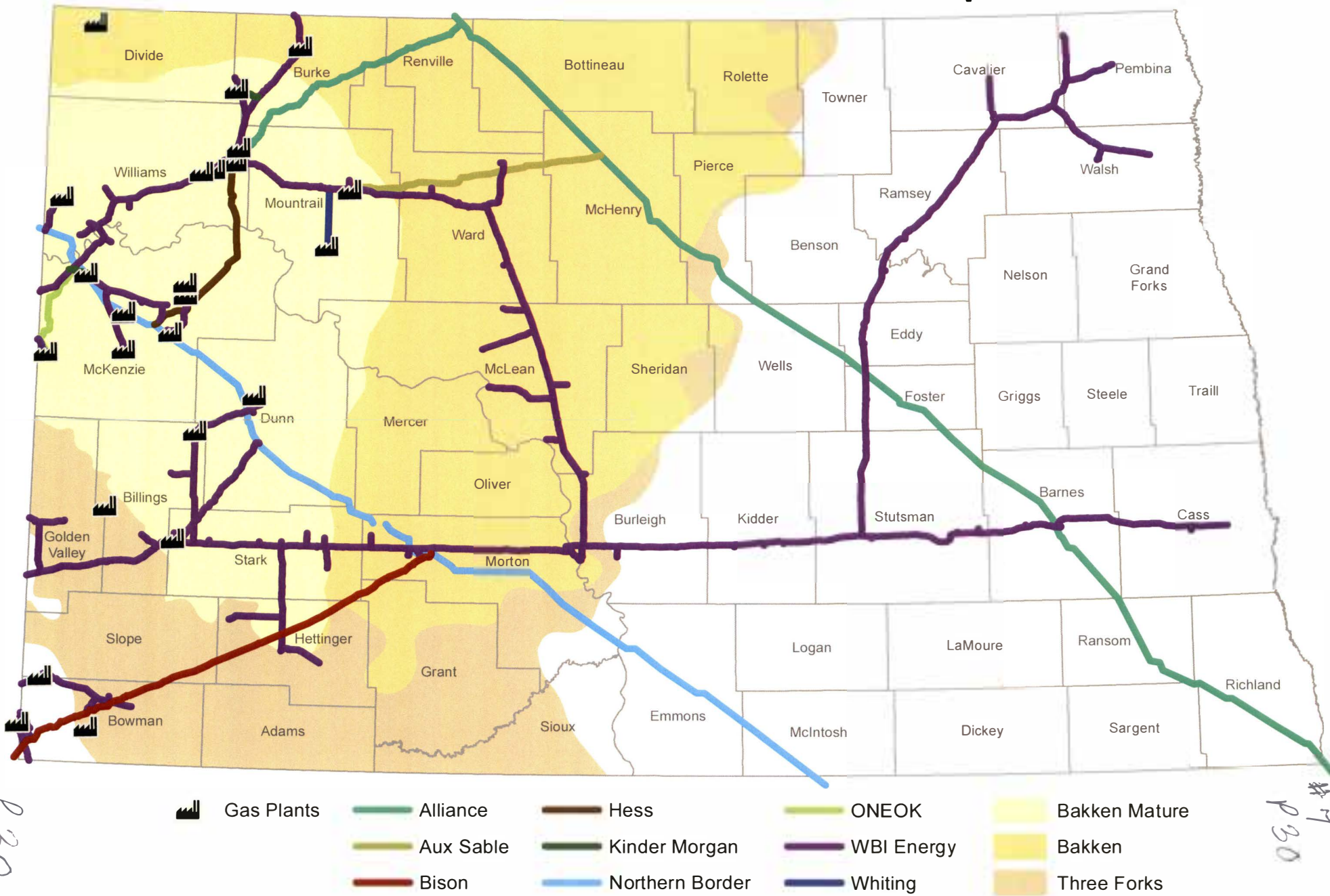


- | | | | | | |
|--------------------|-----------------|---------------|------------|-------------------|--------|
| Refinery | Basin Transload | Butte | Double H | Hiland | Plains |
| Bakken Oil Express | Belle Fourche | Crestwood | Enbridge | Keystone Pipeline | Targa |
| BakkenLink | Bridger | Dakota Access | Four Bears | Little Missouri | Tesoro |

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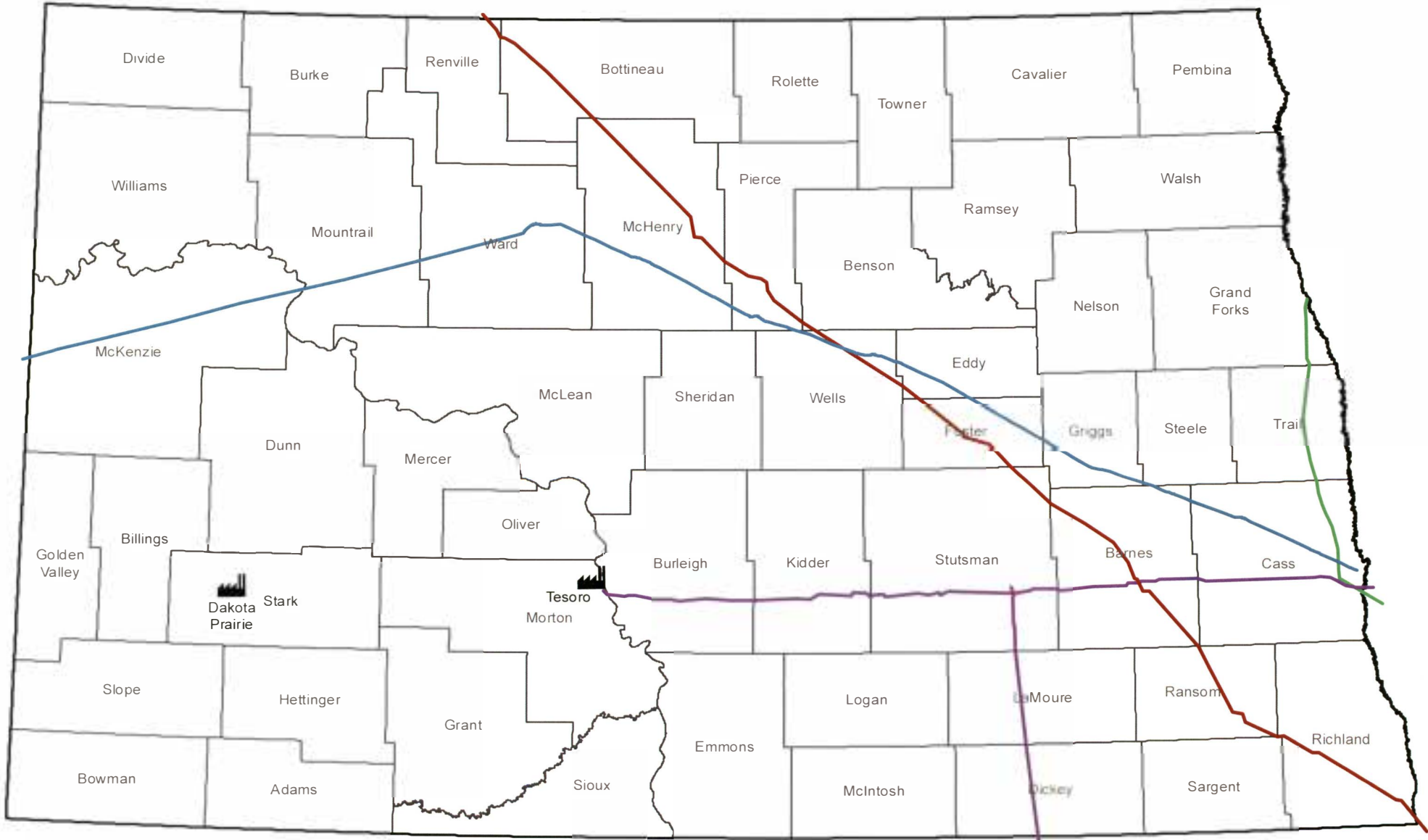
North Dakota Natural Gas Pipelines




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North Dakota Products Pipelines



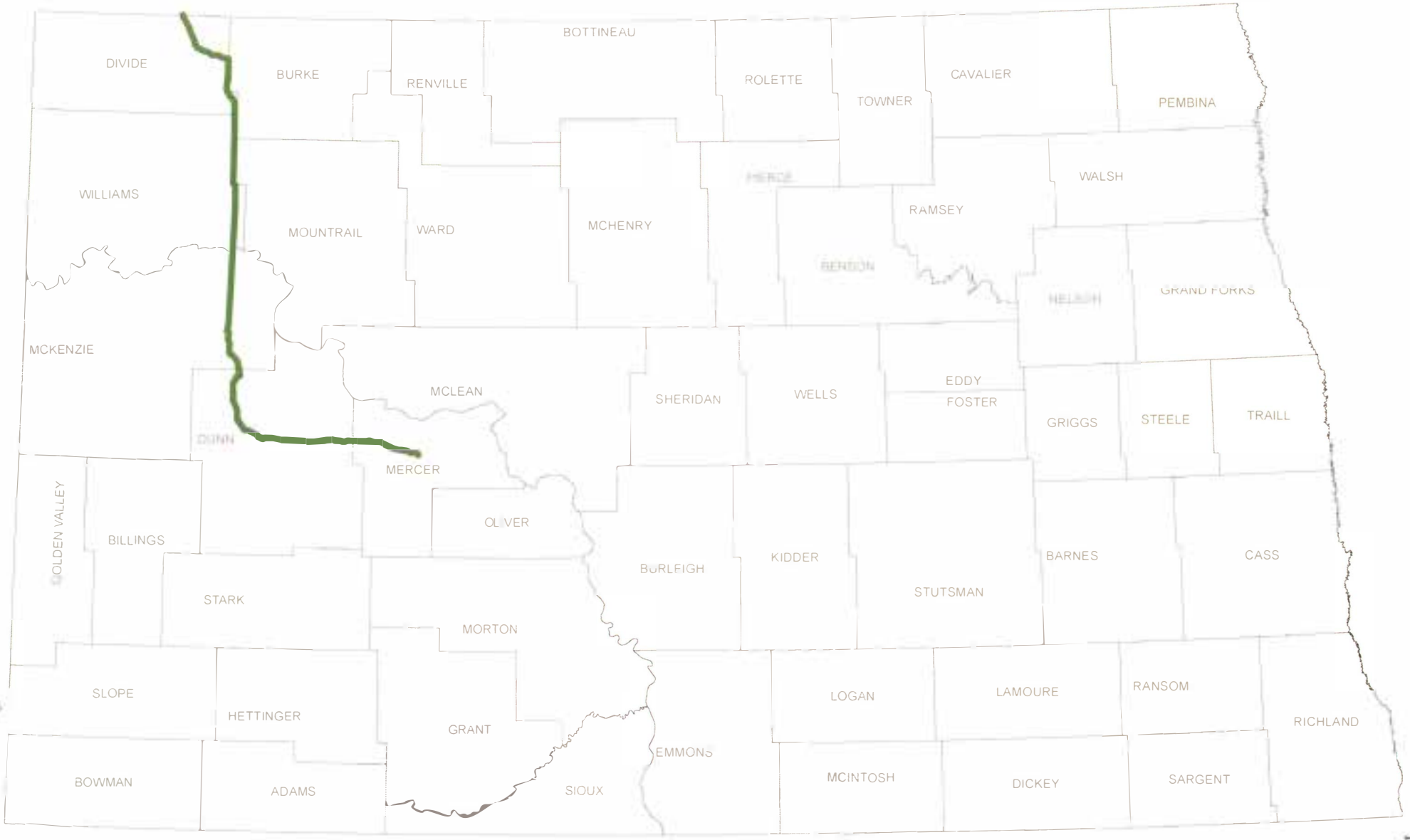
— Cenex Pipeline LLC - Refined Products
 — Magellan Midstream Partners LP - Refined Products
  Refinery
— Kinder Morgan Cochin - Condensate
 — NuStar Energy - Refined Products

Date: 7/13/2015

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North Dakota CO₂ Pipeline



— Dakota Gas

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APPENDIX C

North Dakota Crude Oil Gathering Map

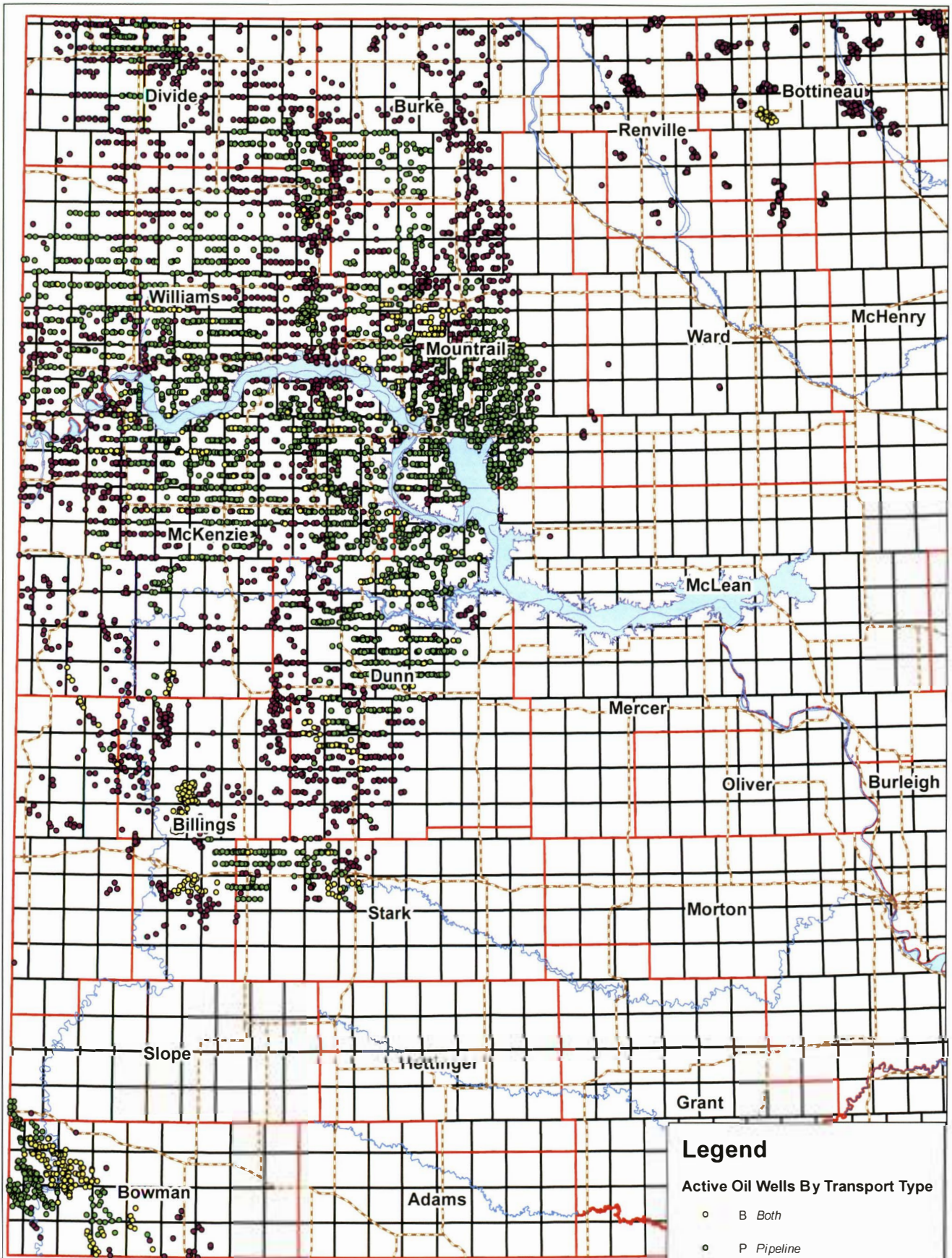
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Active Oil Wells By Transport Type

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Map Data Date : 3/1/2017
Map Update Date : 9/13/2017

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APPENDIX D

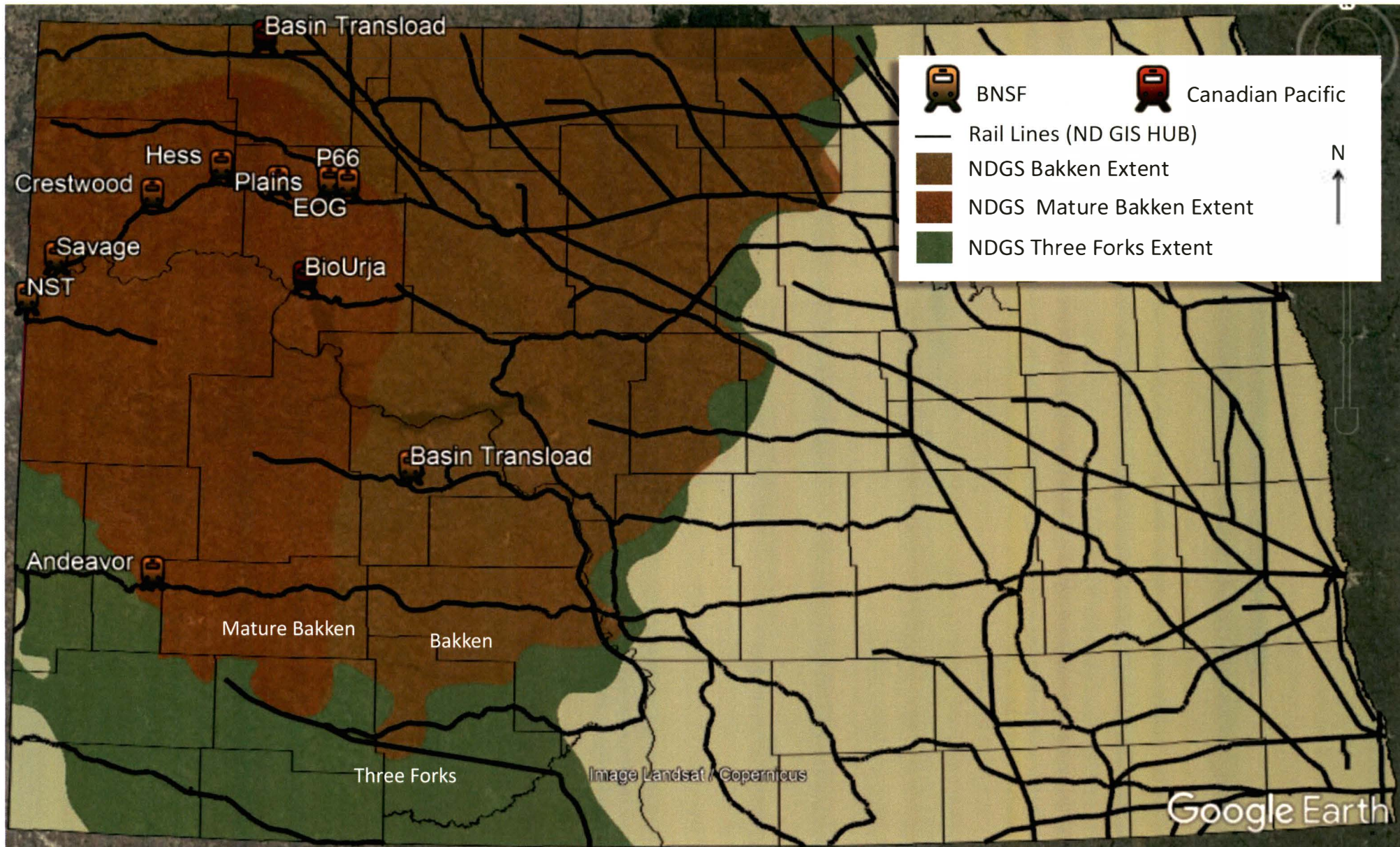
North Dakota Crude Oil Rail Loading Map



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North Dakota Crude Oil Rail Loading Facilities In Service

North Dakota Pipeline Authority – July 2018



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APPENDIX E

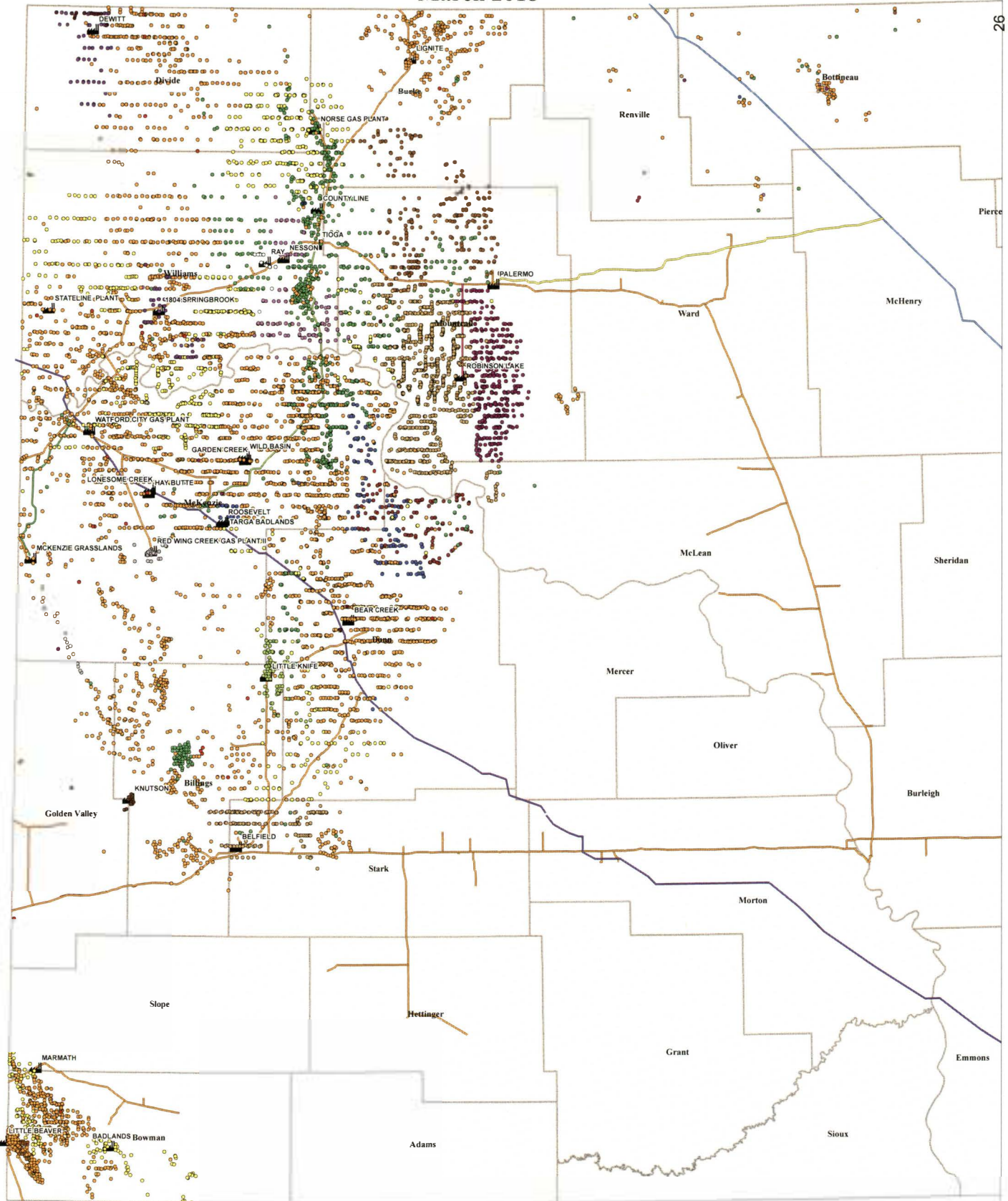
North Dakota Gas Processing and Transportation Map

DRAFT - North Dakota Gas - DRAFT

Gas Gathering Reference Map

March 2018

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Gatherer		Gas Plant
● 1804 LTD	● NEXTERA	■ Gas Plant
● ANDEAVOR FIELD SERVICES LLC	● ONEOK ROCKIES MIDSTREAM	■ Alliance
● BISON MIDSTREAM, LLC	● OTHER	■ Aux Sable
● CRESTWOOD (ARROW) MIDSTREAM	● PECAN PIPELINE (NORTH DAKOTA) INC	■ BearPaw
● HESS CORPORATION	● PETRO-HUNT, L.L.C.	■ Hess
● HILAND PARTNERS HOLDINGS, LLC	● TARGA BADLANDS LLC	■ Northern Border
● LEGACY RESERVES OPERATING LP	● TRUE OIL LLC	■ Whiting
● LIBERTY MIDSTREAM SOLUTIONS, LLC	● USG MIDSTREAM BAKKEN I LLC	■ VGBIP
● NESSON GATHERING SYSTEMS, LLC	● WESTERN GAS PROCESSORS	
	● WHITING OIL AND GAS CORPORATION	

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

RENEWABLE ENERGY PROGRAM

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Governor
Doug Burgum
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 are currently established to be February 1, and August 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

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having private industry investment. The Commission has established that the maximum amount of any one grant is \$500,000. The Commission may award multi-grants for different phases of a project, provided appropriate benchmarks are in place and earlier phases have been deemed successful by the Council and the Commission.

Projects designated by the Council to meet a “commercialization ready and technology deployment” status may receive a cooperative grant in which the recipient would pay back the award once certain measures of success have been met as defined further in the policies. If the company moves out of state or sells the technology developed with Renewable Energy Program funding to an out-of-state entity, the entire amount of the funding must be repaid at the time of the awardee’s relocation or the sale of the technology along with an additional 4% of the funds received.

Funded Projects

The Commission has approved the funding of 49 projects including 1 project that was funded from the Biomass Incentive Research Fund. The total amount of Renewable Energy Program funding committed to the 48 approved projects as of December 31, 2018 is \$14,130,363. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over \$48 million. Some of the projects approved in the 17-19 biennium include:

- **Integrated Carbon Capture and Storage for ND Ethanol Production - Phase III**

The third phase of a five-phase project, this project will build on prior phases investigating the feasibility and process for integrating carbon capture and storage (CCS) of CO2 emissions from Red Trail Energy to reduce net CO2 emissions associated with ethanol production. This project could help ND ethanol plants capitalize on national low-carbon fuel markets. It will assist in defining the regulatory pathway for Class VI well permitting and provide greater understanding of LCF programs and how they integrate with ND primacy.

- **Barley Protein Concentrate**

The objective of this project is to conduct preliminary studies regarding using North Dakota barley to produce a high value protein concentrate designed for aquaculture and a low carbon advanced biofuel at Dakota Spirit AgEnergy. The project would scale up technology developed and owned by Montana Microbial Products and integrate it into Dakota Spirit AgEnergy. This first phase of the project will provide a market analysis of protein feed ingredients in aquaculture, conduct and analysis of barley availability as a feedstock in North Dakota, complete Front End Engineering and Design (FEED) and integration opportunities, and develop an understanding of the regulatory requirements necessary to move forward with construction.

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Commerce Commissioner - by law the Commissioner serves as Chairman

David Douglas, ADM – biodiesel industry representative

Al Christianson, Great River Energy – biomass industry representative

Terry Goerger – the agriculture industry representative

Rod Holth, Green Vision – advanced biofuels and sugar-based biofuel representative

Mark Nisbet, Excel Energy – wind industry representative

Vacant – ethanol industry representative

ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND
N.D.C.C. 54-63-04
Continuing Appropriation

	<u>2017-2019 Biennium</u>	<u>2019-2021 Biennium</u>
Beginning Balance	\$4,287,158 ¹	\$3,798,358
Add estimated revenues ²		
Resources Trust Fund	\$3,000,000	\$3,000,000
Interest Income (estimated)	\$ 10,000	\$ 5,000
Applicant contribution (estimated)	\$ 1,200	\$ 1,000
Total Available	<u>\$7,298,358</u>	<u>\$6,804,358</u>
Less estimated project expenditures and commitments		
Project Expenditures & Commitments ³	\$3,400,000	\$4,865,000
Administrative Costs	\$ 100,000	\$ 135,000
Total estimated expenditures	<u>\$3,500,000</u>	<u>\$5,000,000</u>
Estimated ending balance	<u>\$3,798,358</u>	<u>\$1,804,358</u>

⁽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 and \$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 five percent of the Resources Trust Fund not to exceed \$3,000,000 per biennium so \$3,000,000 was received during the 2013-2015 and 2015-2017 biennia.

⁽²⁾ Revenues under the 2017-2019 biennium reflect the continuing appropriation of \$3,000,000. Other estimated revenues include actual interest income of \$6,522 and application contribution income of \$900 through November, 2018 with estimated revenues for the remainder of the biennium.

⁽³⁾ Actual project expenditures for the 2017-2019 biennium through November, 2018 totaled \$1,580,454. There are outstanding commitments of \$2,304,012 for 12 projects and one additional grant round scheduled for February 1, 2019 (estimate \$500,000 in applications). Actual administrative and technical costs through November, 2018 total \$55,686.79 with an estimate for the remainder of the biennium.

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INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA TRANSMISSION AUTHORITY

Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

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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/Secretary 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 observation and achieving a high level of understanding of regional transmission planning. To accomplish this task, the Authority closely monitors and interacts with regional transmission organizations (RTOs) that represent North Dakota transmission developers. These include the Midcontinent Independent System Operator (MISO), and the Southwest Power Pool (SPP). The Authority also works with the Organization of MISO States, the Public Service Commission, 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 bring multiple values to transmission across the MISO footprint. This includes transmission under development through the CapX 2020 effort. Such lines with regional benefit will be eligible for cost allocation across the MISO footprint. Of particular importance to North Dakota are the Big Stone South to Ellendale, Big Stone South to Brookings, and Brookings to Twin Cities lines identified by MISO as having regional benefits. The Brookings to Twin Cities line was placed into service in 2015. The Big Stone South to Ellendale remains on-schedule for 2019.



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In October 2015, Basin Electric and Western Area Power Administration (Western) officially joined the 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. The two RTOs are currently conducting a joint study to look at the newly created Integrated System "seam" between their markets in the Upper Midwest (primarily North Dakota, South Dakota, and Iowa). Seam issues are generally trading barriers that can arise when there are differences between market rules and designs that can affect the efficiency and reliability of transmission where two RTOs border each other.

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.

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NORTH DAKOTA TRANSMISSION AUTHORITY

ANNUAL REPORT

July 1, 2017 to June 30, 2018

OVERVIEW

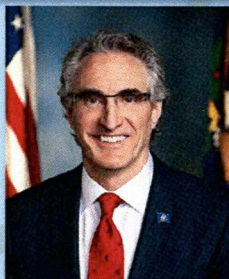
The North Dakota Transmission Authority (Authority) was created by the North Dakota Legislative Assembly in 2005 at the request of the North Dakota Industrial Commission. The Authority's mission is to facilitate the development of transmission infrastructure in North Dakota. The Authority was established 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 has the first opportunity to invest in and/or build needed transmission.

By statute the Authority membership is comprised of the members of the North Dakota Industrial Commission. Tyler Hamman was appointed Director of the Authority in July 2015. Tyler resigned in August, 2017 and John Weeda was appointment in February 2018. The Director works closely with the Executive Director of the NDIC, Ms. Karlene Fine. The Authority has no other staff, and receives no direct general fund appropriation.

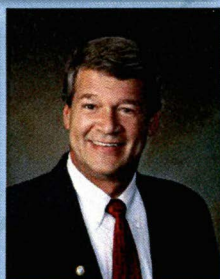
SUMMARY OF ACTIVITIES

Whether the issue is project development or legislative initiatives, the Authority is actively engaged in seeking ways to improve North Dakota's energy export capabilities along with transmission capabilities within the state. To be successful Authority staff must have an understanding of the technical and political challenges associated with moving energy from generator to satisfied customer. Outreach to existing transmission system owners and operators and potential developers in order to understand the nuances of successful transmission infrastructure development is necessary. Another key element for success is working with officials at the state and federal levels to ensure that legislation and public policy are designed to support the movement of electricity generated from North Dakota's abundant energy resources to local, regional and national markets.

NORTH DAKOTA INDUSTRIAL COMMISSION



Doug Burgum
Governor

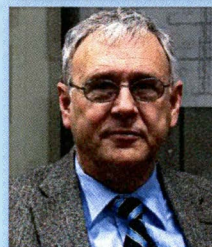


Wayne Stenehjem
Attorney General



Doug Goehring
Agriculture Commissioner

NORTH DAKOTA TRANSMISSION AUTHORITY



John Weeda
Director

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STATUTORY AUTHORITY

Statutory authority for the Transmission Authority is found in chapter 17-05 of the North Dakota Century Code. Section 17-05-05 N.D.C.C. delineates the powers of the Authority, including:

- 1) make grants or loans to borrow money;
- 2) 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.

Before the Authority may exercise its power to construct transmission facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Authority must publish a notice describing the need for the transmission project. Entities interested in construction of the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Authority receives a notice of intent from an interested entity, it may not exercise its power to construct unless the Authority makes a finding that doing so would be in the public interest. In making such a finding, the Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

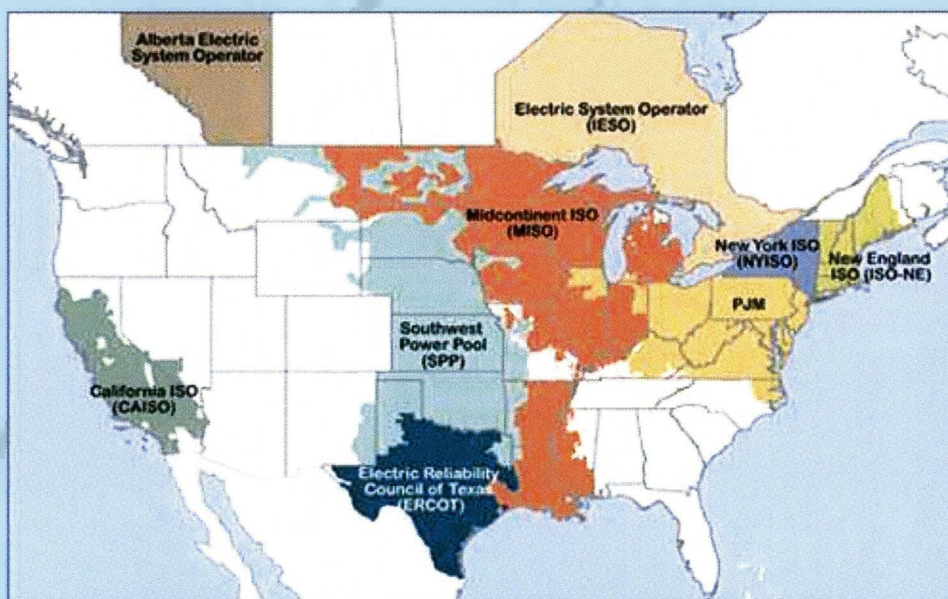
The Authority may finance approved projects through the issuance of bonds. Under current law up to 30 percent of the cost of a project may be financed by selling bonds that include the moral obligation of the State of North Dakota. In other words, up to \$240 million of the Authority's \$800 million total bonding authority may be sold with the moral obligation of the state. The moral obligation component enhances the marketability of the Authority's bonds.

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KEY ELEMENT: PLANNING

A major portion of the Authority's workload includes observation and achieving a high level of understanding of regional transmission planning. To accomplish this task, the Authority closely monitors and participates in the efforts of regional transmission organizations (RTOs) that represent North Dakota transmission developers. Authorized and recognized by the Federal Energy Regulatory Commission (FERC), RTOs oversee the efficient and reliable operation of the transmission grid. While RTOs do not own any transmission assets, they do provide non-discriminatory access to the electric grid, manage congestion, provide billing and settlement services, and oversee planning, expansion, and interregional coordination of electric transmission.

Many North Dakota service providers have long been participants in the Midcontinent Independent System Operator (MISO). The MISO footprint covers the service territories of Otter Tail Power (OTP), Montana-Dakota Utilities (MDU), Great River Energy (GRE), Xcel, and Missouri River Energy Services (MRES). In October 2015, the Western Area Power Administration (Western) and Basin Electric Power Cooperative (BEPC) officially joined the Southwest Power Pool (SPP), bringing the entire state of North Dakota under the transmission planning of RTOs. Combined, North Dakota utilities and transmission developers are part of an extremely complex system that oversees the transmission of over 200,000 megawatts of electricity across 100,000 miles of transmission lines so that utilities can deliver power to homes and businesses in all or part of 20 states.



FERC-Recognized Regional Transmission Organizations and Independent System Operators
(www.ferc.gov)

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MISO TRANSMISSION EXPANSION PLANNING (MTEP)

MTEP15: The 12th edition of the MTEP recommended the approval of 345 new transmission projects totaling \$2.75 billion to the MISO Board of Directors, including 90 Baseline Reliability Projects (BRPs). MTEP15 projects that 4,600 miles of transmission lines will be upgraded along existing corridors, and 3,100 miles of new transmission line will be constructed over the 10-year planning horizon.

In North Dakota, MTEP15 recommended that MISO approve three Generation Interconnection Projects (GIPs), and two BRPs. These projects include upgrades to transformers, new substations, and rebuilt or new transmission. Of particular note, it is recommended that a new 230kV and 115kV lines be constructed in Ward County, between Minot to the McHenry Substation. At approximately \$63.3 million, the joint project between BEPC and Xcel is among the top ten largest in the MTEP15. Work is underway and is expected to be in-service by September 2018.

MTEP16: 10 transmission projects in North Dakota approved by MISO Board of Directors in the MTEP16 for total investment of \$37 million. While the majority of projects consist of substation and breaker upgrades, MTEP16 does include a new 115kV transmission line from Ellendale to Leola, South Dakota.

MISO-SPP Joint Transmission Study

Following approval by the SPP Seams Steering Committee, and the MISO Interregional Planning Stakeholder Advisory Committee, it was agreed that the two RTOs would conduct a joint study to look at the newly created Integrated System "seam" between their markets in the Upper Midwest (primarily North Dakota, South Dakota, and Iowa). Seam issues are generally trading barriers that can arise when there are differences between market rules and designs that can affect the efficiency and reliability of transmission where two RTOs border each other.

TransGrid-X 2030

MISO, SPP and a number of others are participating in evaluation of a major grid expansion that would include transmission across ISO marketing areas from the eastern part of the US to the west coast. The National Renewable Energy Lab has recently completed an analysis of energy that would move back and forth through such a grid allowing for more consistent availability of renewable energy to a broad part of the country when renewable generation is available and demand dictating need for energy.

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North Dakota Utility Scale Generation report *(all data is in calendar year)*

Renewable generation- North Dakota has approximately 3000 MW of wind generation at more than 30 locations in service. The average capacity factor for 2017 (measure of actual generation to maximum possible at rated capacity) for the fleet of North Dakota wind generators is between 40 and 50%.

Solar generation- North Dakota does not currently have any utility scale generation facilities in service.

Thermal coal generation- North Dakota currently has thermal coal generation in service at seven locations. These sites include a total of 12 generating units. The combined capacity of the units is approximately 4000 MW. The average capacity factor for 2017 was 76.5%.

Hydro generation- North Dakota has one hydro generation site containing 5 units with a total capacity of 583 MW. The average capacity factor for 2017 for the hydro unit was 57.8%.

Natural gas generation- North Dakota has three sites for electric generation utilizing natural gas. These three sites contain 7 generating units for a total nameplate capacity of 7 natural gas generators owned by electric utilities. Nameplate capacity totals 451.0 MW. Summer Capacity is 328.0 MW. These units are reciprocating engines and gas turbines. The large variation in summer capacity is due to performance of gas generators in hot weather.

The combined total of all types of utility scale generation is over 8000 MW.

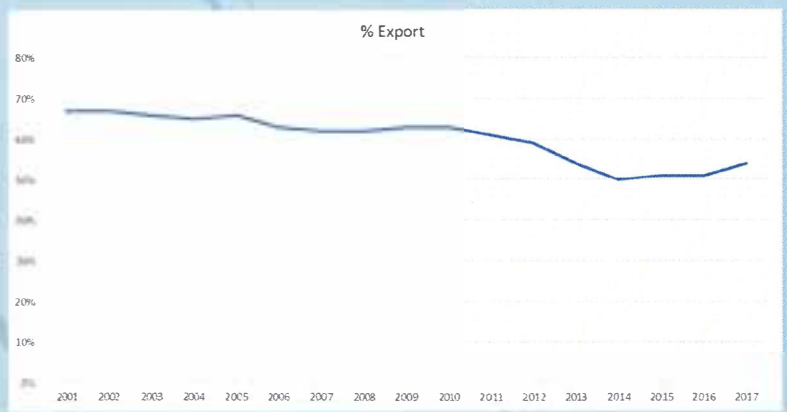
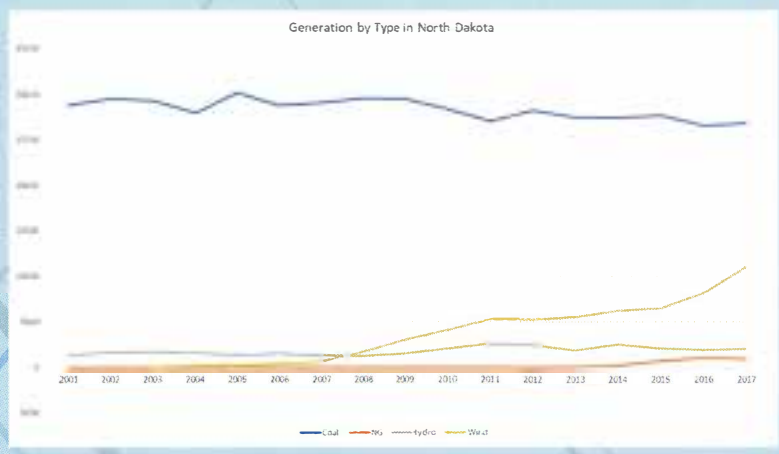
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Electric energy utilization

North Dakota has been a major exporter of electricity since the development of thermal lignite generation in western North Dakota beginning in the 1960s. Transmission was developed along with the generation to export the electric generation primarily to markets to the east. In more recent years North Dakota has become noted as an excellent source of wind generation and additional transmission development has taken place to accommodate getting the additional generation to market.

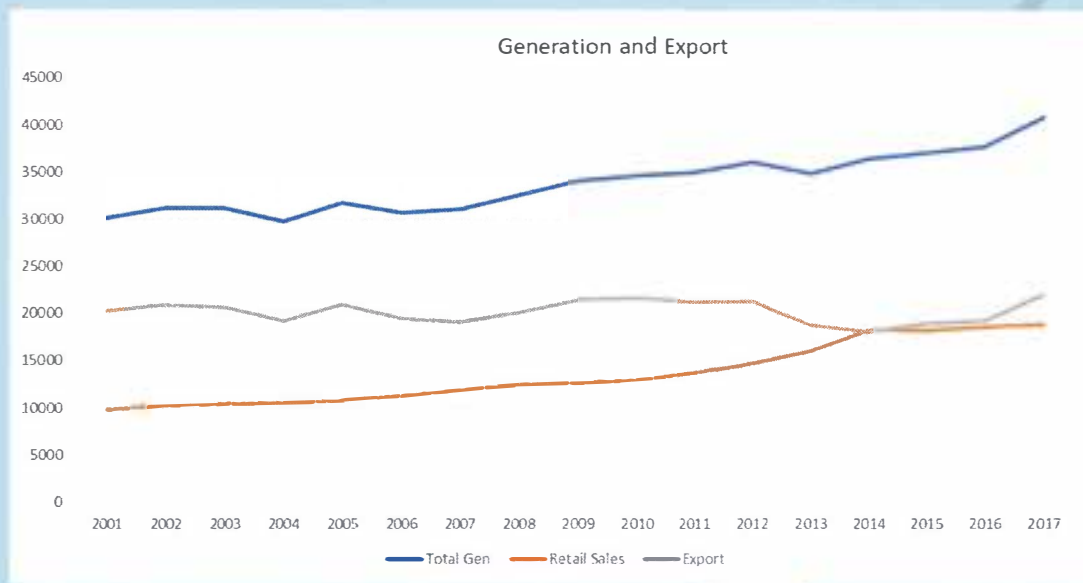
The Energy Information Administration provides data on electric generation for the United States. The information below is derived from their data. In 2017 a total of 40,776 MWhr was generated from all sources in North Dakota. Of that total 54% was exported outside of the state.



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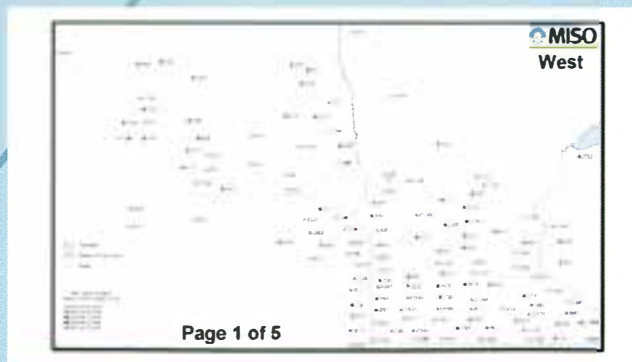
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While demand in markets outside of North Dakota and in all but the western part of North Dakota has remained quite flat in recent years, the growth of demand in the Bakken region has been notable. Growth of total generation in the last 15 years has grown from 30,136 MWhr to 40,776 MWhr. Retail sales has grown from 9810 MWhr to 18,843 MWhr due in large part to growth associated with Bakken oil development.



Generation in Queue for transmission access

A good measure of potential for growth in the industry and future demand for transmission expansion is reviewing the projects in Queue at both MISO and SPP. The projects in Queue include both wind generation and utility scale solar generation. The MISO Queue includes 33 projects in North Dakota for a total of 5,280 MW capacity. Four of those projects are designated as solar and 28 as wind.



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MISO Queue - Total MW 5,280.54

County	State	POI Name	SummerMW	WinterMW	Fuel	Generating Facility	Request Status
McIntosh County	ND	Wishak Junction 230kV Substation	250	250	Wind	WT Wind Turbine	Active
Cass County	ND	Bison 345kV Substation	207	207	Wind	WT Wind Turbine	Active
Cass County	ND	Bison 345kV Substation	200	200	Solar	PV Photovoltaic	Active
Mercer County	ND	Stanton 230kV Substation	151.8	151.8	Wind	WT Wind Turbine	Active
Emmons County, Logan County	ND	23kV Heskett-Wishak	100	100	Wind	WT Wind Turbine	Active
Dickey County	ND	Merricourt Substation	150	150	Wind	WT Wind Turbine	Active
Emmons County, Logan County	ND	230 kV Heskett-Wishak, 20 miles NW of Wishak	100	100	Wind	WT Wind Turbine	Active
Oliver County	ND	GRE Stanton Substation 230kV bus, Stanton ND	200	200	Wind	WT Wind Turbine	Active
Burleigh County	ND	Wishak to Heskett 230kV	305.9	305.9	Wind	WT Wind Turbine	Active
Williams County	ND	Tioga 4 230kV Substation (MDU)	224	224	Wind	WT Wind Turbine	Active
Logan County	ND	Wishak - Heskett 230kV Line	150	150	Wind	WT Wind Turbine	Active
Stutsman County	ND	Jamestown Substation 115kV	100	100	Wind	WT Wind Turbine	Active
Grand Forks County, Nelson County	ND	Prairie 230kV Substation	400	400	Wind	WT Wind Turbine	Active
Morton County	ND	Tri-county 230kV substation	100	100	Wind	WT Wind Turbine	Active
Morton County	ND	Tri-county 230kV sub	100	100	Wind	WT Wind Turbine	Active
Barnes County	ND	Buffalo 345kV	300	300	Wind	WT Wind Turbine	Active
Oliver County	ND	Square Butte 230kV Substation	300	300	Wind	WT Wind Turbine	Active
Emmons County, Logan County	ND	Wishak - Linton 115kV	51	51	Wind	WT Wind Turbine	Active
Cass County	ND	Bison 345kV Substation	211	211	Wind	WT Wind Turbine	Active
McHenry County, McLean County, Ward County	ND	Stanton-McHenry 230kV	200	200	Wind	WT Wind Turbine	Active
Oliver County	ND	Square Butte 230kV Substation	3.84	3.84	Wind	WT Wind Turbine	Active
Emmons County, Logan County	ND	Bismarck-Linton 115kV	51	51	Wind	WT Wind Turbine	Active
Sheridan County	ND	Harvey - Underwood 230kV Line	200	200	Wind	WT Wind Turbine	Active
Cass County	ND	Buffalo 115kV Substation	80	80	Solar	PV Photovoltaic	Active
Ward County	ND	Blagic City 230kV sub	150	150	Wind	WT Wind Turbine	Active
Nelson County	ND	Ramsey - Prairie 230kV Line Tap	150	150	Wind	WT Wind Turbine	Active
Grand Forks County	ND	Prairie - Ramsey 230kV line	190	190	Wind	WT Wind Turbine	Active
McIntosh County	ND	Wishak 115kV Substation	25	25	Solar	PV Photovoltaic	Active
Burleigh County	ND	Jamestown - Center 345kV Line	100	100	Wind	WT Wind Turbine	Active
Cass County	ND	Bison 345kV Substation	200	200	Solar	PV Photovoltaic	Active
Cass County	ND	Buffalo 115kV Substation	150	150	Wind	WT Wind Turbine	Active
Lamoure County	ND	Eliendale 230kV Substation	200	200	Solar	PV Photovoltaic	Active
		Total MW	5280.54	5280.54			

The SPP Queue includes 15 projects in North Dakota totaling 2,005 MW.

SPP Queue - Total MW 2,005

Generation/Interconnection Number	Nearest Town or County	State	Size	In-Service Date	Capacity	Service Type	Generation Type	Substation or Line
100-100-001	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-002	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-003	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-004	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-005	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-006	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-007	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-008	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-009	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-010	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-011	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-012	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-013	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-014	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-015	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-016	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-017	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-018	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-019	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-020	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-021	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-022	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-023	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-024	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-025	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-026	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-027	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-028	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-029	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-030	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-031	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-032	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-033	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-034	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-035	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-036	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-037	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-038	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-039	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-040	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-041	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-042	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-043	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-044	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-045	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-046	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-047	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-048	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-049	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-050	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-051	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-052	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-053	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-054	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-055	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-056	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-057	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-058	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-059	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-060	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-061	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-062	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-063	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-064	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-065	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-066	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-067	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-068	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-069	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-070	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-071	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-072	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-073	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-074	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-075	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-076	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-077	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-078	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-079	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-080	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-081	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-082	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-083	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-084	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-085	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-086	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-087	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-088	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-089	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-090	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-091	Ward	ND	100	10/2011	100	Wind	WT	Ward 100kV Substation
100-100-092	Ward	ND	100	10/2011				

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KEY ELEMENT: OUTREACH

Outreach is another significant element of the Authority's mission. To accomplish this task, the Authority works with interested parties, either through one-on-contacts, or through participation with other organizations, agencies, and programs focused on transmission. These interactions are essential to identify issues and develop solutions to further improve and expand electric transmission in North Dakota.

Transmission Updates

There have been a number of transmission projects completed in the past four years and a number are underway that expand the transmission available to North Dakota generators or may in some way affect transmission or generation in North Dakota. Transmission owners and generation owners generally agree that these improvements have removed most of the congestion that has been affecting generation reaching existing markets. There is occasional congestion related curtailment of generation when line outages occur, but most curtailment is due to market demand. The transmission improvements are summarized briefly below.

CapX2020 - CapX2020 is a Minnesota-based initiative of 11 utilities to upgrade and expand the transmission grid in the Upper Midwest. CapX2020 partners have worked together to plan and build nearly 800 miles of new high-voltage transmission lines across Minnesota, Wisconsin, North Dakota, and South Dakota, with a total investment of \$2.1 billion. New transmission lines designed to serve the expected growth and meet regional Renewable Energy Standard (RES) requirements as listed below have been constructed and placed in service by the end of 2017.

- Bemidji-Grand Rapids, 68 miles, 230-kV**
- Fargo-St. Cloud-Monticello, 240 miles, 345-kV**
- Hampton-Rochester-La Crosse, 150 miles, 345-kV**
- Brookings County-Hampton, 200 miles, 345-kV**
- Big Stone South-Brookings County, 70 miles, 345-kV**

Minnkota Power Cooperative Project – In 2014, Minnkota saw the completion of its largest-ever capital investment in transmission facilities. The \$353 million, 250-mile Center to Grand Forks (CGF) line transports energy from the Milton R. Young Station near Center, N.D., to Minnkota's service territory in eastern North Dakota and northwest Minnesota.

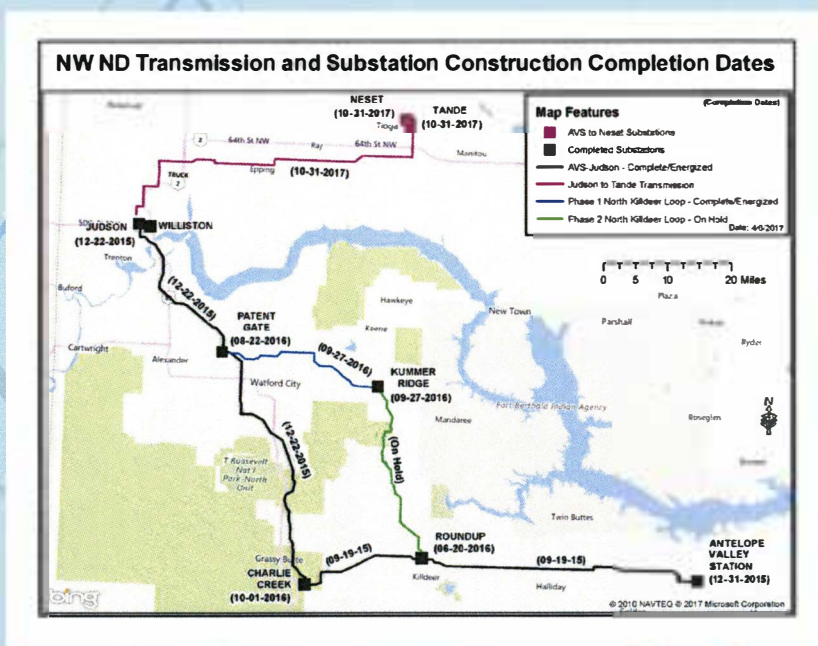
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Basin Electric Power Cooperative Western ND Project - In response to growth in western North Dakota related to oil and gas development, BEPC constructed a 200-mile 345kV line from the Antelope Valley Station (AVS) to the Neset Substation near Tioga, North Dakota. Construction of the AVS to Judson Substation, near Williston, line segment began in 2014 and was placed in service in 2015. The final segment to Neset was placed in-service in 2017.

BEPC completed Phase I of the North Killdeer Loop in 2016. This project consists of approximately 28-miles of 345kV line and two substations that tie into the AVS-Neset Line west of Watford City. It delivers power to the service territory of the McKenzie Electric Cooperative. Phase II of the North Killdeer Loop, which will be placed north of Killdeer is on hold pending approval from the Southwest Power Pool.

BEPC also has other plans to be implemented at such time as demand dictates. They will monitor the growth in the area and submit plans for approval as the need develops.



AVS to Neset Line, including North Killdeer Loop

Image Courtesy of Basin Electric Power Cooperative

Big Stone South to Ellendale (BSSE) - Construction began in 2016 on the Big Stone South to Ellendale MVP line. BSSE is a 150-175 mile transmission line from the Big Stone South substation to the proposed Ellendale substation near Ellendale, North Dakota. Montana-Dakota Utilities Co. and Otter Tail Power Company will jointly own the line. MISO has scheduled the line to be in service by 2019.

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Great River Energy High Voltage Direct Current (HVDC) Refurbishment -

In December 2015, GRE's Board of Directors approved the largest transmission refurbishment project in the organization's history. GRE's 436-mile HVDC line has provided 99 percent reliability since being put into service in 1978, transporting power from the Coal Creek Station in Underwood, N.D., to the Dickinson Converter Station in Buffalo, MN. There, electric power is converted to alternating current and distributed within GRE's service territory in Minnesota. GRE intends to invest approximately \$200 million to overhaul converter stations, replace valve electronics, and upgrade components to improve performance and extend the life of the HVDC line, project planning studies and design began in 2016 and the upgraded system will be placed in-service in 2019.

Montana-Dakota Utilities Subtransmission Improvements - MDU is continuing to focus on several projects to replace aging subtransmission infrastructure. Work completed through 2017 includes replacing large power transformers at Dickinson and Mandan, installing reactors and upgrading facilities at Wishek, and protection & control upgrades at several substations. In 2018, MDU continued work on transmission projects in Watford City, upgrades in Ellendale for the BSSE line, and equipment replacements in Bismarck.

Great Northern Transmission Line Project - The Great Northern Transmission Line Project includes approximately 225 miles of new 500 kV transmission line connecting Manitoba to northeastern Minnesota's Iron Range. While not directly impacting North Dakota, the Great Northern Transmission Line is an integral component to realizing the regional benefits of synergies between flexible Canadian hydropower resources and intermittent wind resources in North Dakota and the rest of the Upper Midwest, as demonstrated in MISO's Manitoba Hydro Wind Synergy Study. Minnesota Power is continuing to work on their portion of the project. The investment by Minnesota Power is expected to be \$300 to \$350M for completion.

Xcel Energy Transmission Development Company - Xcel Energy Transmission Development Company, LLC (XETD) received a conditional approval in November of 2014 for a transmission Formula Rate for inclusion in the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff. XETD is a transmission-only company established by Xcel Energy Inc. to, among other things, develop and own transmission projects in the MISO region. With development of the FERC Order 1000 competitive bid process now complete, XETD will be an active participant in transmission development in the MISO region.

KEY ELEMENT: GOVERNMENT ACTION

Another function of the Authority staff is to act as a resource for elected officials and policymakers, and provide the necessary information to help make informed decisions. Whether the issue involves working on state energy policy regarding transmission development, or commenting on federal transmission legislation and regulations, the Authority serves as a resource for decision-makers. In the last year the Authority was involved on several fronts working with the following entities: the EmPower ND Commission, Governor's Office, Attorney General's Office, Department of Commerce, the ND Public Service Commission, and the ND Congressional Delegation.

- **EmPower ND Commission** - The Authority was an active participant in the EmPower ND Commission work. Authority activities included briefing the Commission on transmission issues in North Dakota and participating in development of Commission goals. The 2016 EmPower ND report highlighted transmission as a key infrastructure need in North Dakota, and expressed support for continued support of R&D funding to facilitate development of transformational energy technologies, as well as enhance understanding of integration between traditional and renewable electric generation sources.

- **Interagency Coordination** - As important as everything else discussed in this report, is the coordination of efforts among the various government entities with oversight, or interest in transmission development. In particular, regular meetings are held with the representatives from the Public Service Commission to discuss transmission issues and receive updates from RTOs. On occasion other offices request technical support and policy guidance from Authority staff.

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CONCLUSION

The electric transmission system in North Dakota is in good condition for the needs at this point in time. The increased retail demand in North Dakota has contributed to the current good operation of the grid. The physical work that is being done will continue to enhance the grid and update older portions. No major expansions are in the current planning. The size of the queues at MISO and SPP is evidence of the continuing interest to add generation which reach the limits of the existing grid as expansion occurs. The evidence that the current markets have adequate supply also suggests that growth of the generation capability needs to reach additional markets both within North Dakota and in other states to be optimally utilized.

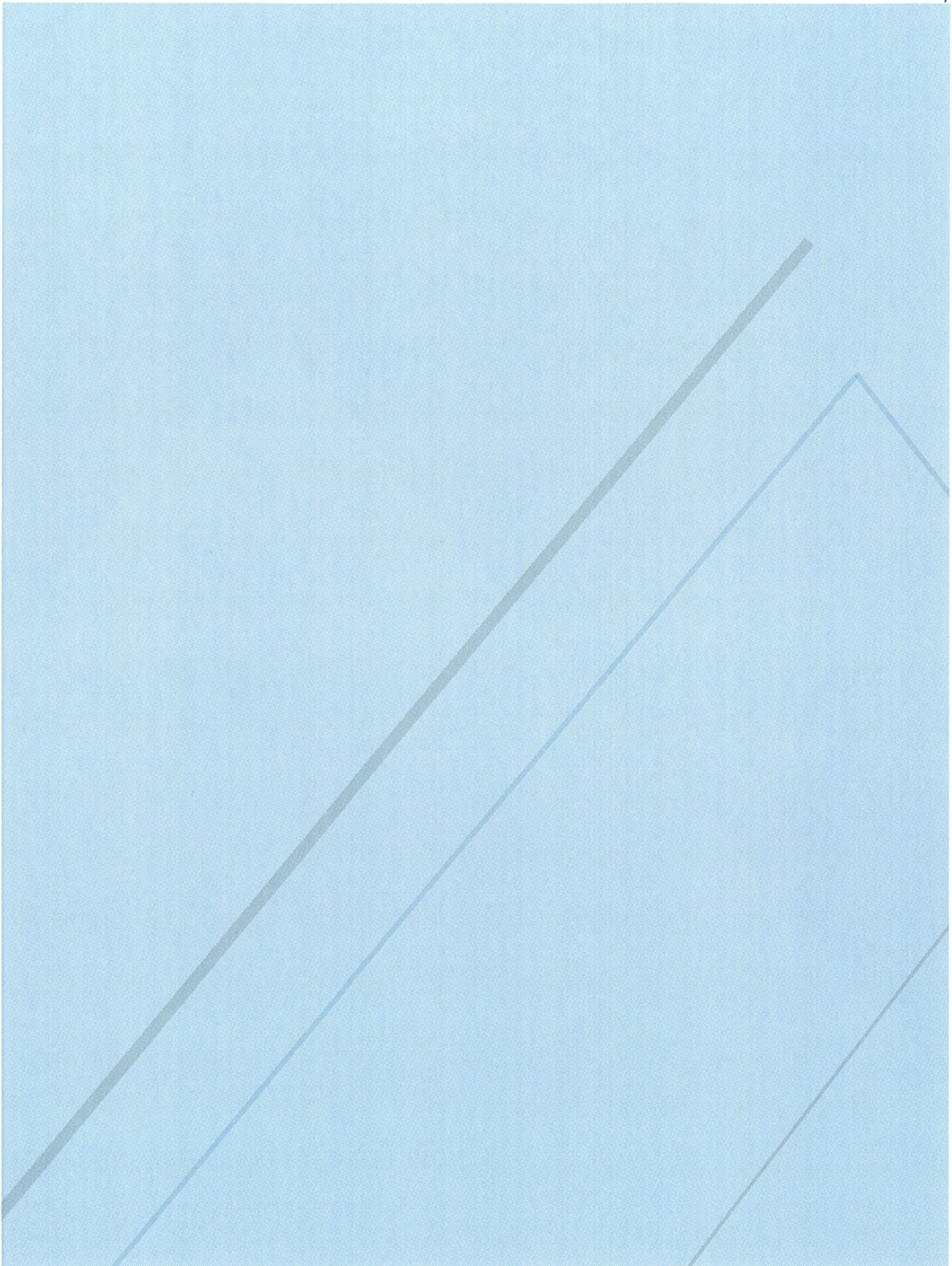
This picture of the future is evidence that North Dakota needs to be looking forward to the need for additional transmission. The national grid as envisioned by the NREL study presented at the TransGrid 2030 conference is an avenue that would achieve the access to markets and transmission to get the electricity there. Active participation in this or similar concepts as they develop is important. If North Dakota is not represented and the grid happens, but not in North Dakota, the additional generation in North Dakota could be stranded by future congestion in the transmission system.

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NORTH DAKOTA TRANSMISSION AUTHORITY
STATE CAPITAL, 14TH FLOOR
600 E. BOULEVARD AVE. DEPT. 405
BISMARCK, ND 58505-0840

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PHONE: 701.355.2189

BONDING INCLUDED IN PROPOSED LEGISLATION AS OF CROSSOVER

Bill No.	Revenue Bonds	Bond Authorization Amount	Estimated Biennial Bond Payment	Estimated Total Bond Payments
2003	University of North Dakota - Memorial Union (revenue bonds)	\$80,000,000	N/A	N/A
2003	North Dakota State University - University Village replacement - Phase II (revenue bonds)	37,600,000	N/A	N/A
Total revenue bonds		\$117,600,000		
Bill No.	Appropriation Bonds			
2214	Authorizes the Public Finance Authority to issue up to \$250 million of evidences of indebtedness for supporting the school construction assistance revolving loan fund at the Bank of North Dakota for providing school construction loans under North Dakota Century Code Section 15.1-36-08. The debt service is to be paid from the foundation aid stabilization fund.	250,000,000	\$33,800,000 ¹	\$338,000,000 ¹
2268	Authorizes the Public Finance Authority to issue up to \$100 million of evidences of indebtedness, but not in an amount that would cause the repayments to exceed \$16 million per biennium, for the purpose of the corridors of commerce program. The debt service is to be paid from legacy fund earnings deposited in the general fund.	100,000,000	13,500,000 ¹	135,200,000 ¹
2275	Authorizes the Public Finance Authority to issue up to \$500 million of evidences of indebtedness, but not in an amount that would cause the repayments to exceed \$55 million per biennium or terms exceeding 20 years, for the purpose of issuing loans from the essential infrastructure revolving loan fund administered by the Bank of North Dakota. The debt service is to be paid from legacy fund earnings deposited in the general fund.	500,000,000 ²	55,000,000 ^{1,2}	549,990,000 ^{1,2}
2297	Authorizes the Industrial Commission to issue up to \$151.98 million of evidences of indebtedness for various institutions of higher education building projects. The debt service is to be paid by funds received from lease payments from general fund appropriations.	151,975,000	20,550,000 ¹	205,470,000 ¹
Total appropriation bonds		\$1,001,975,000	\$122,850,000	\$1,228,660,000
Total proposed debt		\$1,119,575,000		

¹Biennial bond payments are calculated using the following assumptions:

- Bonds will mature in 20 years;
- Bonds are issued up to the maximum amount on the August 1, 2019 and mature on August 1, 2039;
- Bond payments are made semiannually;
- Bond coupon (3.38 percent) and yield (3.03 percent) rates are based on 30-year treasury yields; and
- Bond issuance costs are not financed; which if they are, would increase the biennial payments.

²Bond issuance at full authority using assumptions listed in footnote 1 would result in biennial bond payments of \$67.6 million exceeding the maximum biennial bond payment allowed. Using the same assumptions as listed in footnote 1, a \$55 million biennial bond payment would provide a bond issuance of \$406.8 million.

SALES TAX LIMITATION - BOND PAYMENTS

North Dakota Century Code Section 54-17.2-23 limits the amount of bonding that may be issued by the State Building Authority for capital construction projects to 10 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax.

The following table shows the projected fund portion of the bond payments for the 2017-19 through 2023-25 biennium and what the 10 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax is projected to generate (using the March 2017 Legislative Assembly budget forecast for the 2017-19 biennium and using the January 2019 Legislative Assembly budget forecast for the 2019-21 biennium with a 0 percent growth in sales tax revenues for future bienniums and no prepayments of nongeneral fund amounts):

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Biennium	Total Payments	Other Funds	General Fund	10 Percent of the Equivalent of 1 Percent	Estimated Excess General Fund Resources Available for Bond Payments
2017-19	\$12,702,698*	\$1,046,882	\$11,655,816	\$42,095,500	\$30,439,684
2019-21	\$10,076,922*	\$1,057,160	\$9,019,762	\$47,621,008	\$38,601,246
2021-23	\$7,651,211*	\$840,392	\$6,810,819	\$47,621,008	\$40,810,189
2023-25	\$3,041,207*	\$499,317	\$2,541,890	\$47,621,008	\$45,079,118

*The future biennium bond payments do not reflect any other future bond issues that may be authorized by future Legislative Assemblies. During the 2017-19 biennium, the 2006 Series A bond issue was paid off.

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum
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 4, 2019**

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 No. 1014 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission. With me today is Andrea Pfennig, Deputy Executive Director/Secretary.

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 CO₂ 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. The Industrial Commission also has 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.

Administration. The Administration budget is part of Subdivision 1 of Section 1 and is also referenced in **Sections 6** and **18** of Engrossed House Bill 1014 or Budget No. 405. No General Fund dollars are appropriated for the operations of this office. Excluding the bond payments this part of the appropriation totals \$1,103,151 under the base level and \$1,150,782 as passed by the House.

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The proposed funding for the Industrial Commission administrative office provides for 4 full-time employees. Three of the four positions are currently filled with full-time staff. The other position is currently vacant as we determine the amount of work needed on a records management project that was identified in a recent audit and changes being made to our data management system. In the past these dollars were used for part time services but it appears that the need is for a full-time person. The operating budget provides for revising the website, making improvements to the data management system (implementation of a content management system) and implementing records management practices noted in a recent audit finding. The operating budget was also increased by \$2,775 for M365 Productivity Costs (ITD).

The administrative budget includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission (IOGCC). 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 are based on the level of oil production in each member's state and because North Dakota is #2 in production the dues increased in recent years. Governor Burgum was recently named as chairman of the IOGCC and North Dakota will be hosting their annual meeting August 25 - 27, 2019 in Medora, North Dakota.

Deducted from the base level budget was the one-time funding for the Industrial Water Supply Asset Study. The study is identified in Section 2 in the amount of \$150,000. Last session the Legislature directed the following:

SECTION 11. APPROPRIATION - INDUSTRIAL COMMISSION STUDY - WESTERN AREA WATER SUPPLY AUTHORITY - REPORT TO LEGISLATIVE MANAGEMENT. There is appropriated out of any moneys in the resources trust fund, in the state treasury, the sum of \$150,000, or so much of the sum as may be necessary, to the industrial commission for the purpose of conducting an independent study of the feasibility and desirability of the sale or lease of the industrial water supply assets of the western area water supply authority, for the period beginning with the effective date of this Act, and ending June 30, 2019. The study must provide information regarding the financial impact to the western area water supply authority, its members and customers, the financial viability of the authority, and options available to the authority for debt servicing. The industrial commission may form a nonvoting advisory committee chaired by the state engineer to provide input regarding the scope of the study and to receive reports on the status of the study. The industrial commission shall report to the legislative management's interim water topics overview committee on the results of the study by June 1, 2018.

That study was conducted and the report was given to the interim Water Topics Overview Committee.

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. As the bill came over from the House the stated amount in **Section 6** is \$1,150,782.

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Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located across the state. Subdivision 1 of Section 1 includes the lease (bond) payments for the outstanding North Dakota Building Authority bonds. That amount is reflected on Page 1, Line 21 Grants - bond payments. The base level is \$13,210,484 and \$10,508,767 is needed for the 2019-2021 biennium. This amount is being reduced by \$2,701,717 because there are fewer outstanding bonds and the Commission did a refunding late in 2017 that lowered the Authority's interest costs. The sources of payment for the bond payments are found in **Section 3**.

The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of the bond payments:

*University System – UND (05A)	\$ 415,664
*Department of Corrections and Rehabilitation	\$ 16,180
Job Service North Dakota (02A/10B) (fed funds)	\$ 434,846
Historical Society (05A)	\$ 33,333
Veterans Home (10A/B)	\$ 405,733
Dept. of Health (02A) (federal funds)	<u>\$ 183,247</u>
	\$1,489,003

Attached (purple page) for your information is the Debt Service Schedule for all the Building Authority outstanding bond issues. This attachment shows that there is available debt service under the 10% of 1¢ statutory limitation for Building Authority bonds exclusive of energy conservation projects which would translate into bonding for approximately \$213.2 million of projects. Senate Bill 2297 was passed unanimously by the Senate and includes funding of 4 projects in the total amount of \$151,975,000.

Section 18 allows for monies that were transferred to the Industrial Commission Administrative Office for its operations during the 2017-2019 biennium that were not used to be carried forward to the 2019-2021 biennium. Whatever amount that is carried forward reduces the amount that needs to be transferred from the agencies during the 2019-2021 biennium.

The last item on the schedule for today is a time period to discuss the programs overseen by the Industrial Commission that have continuing appropriations. If any Senator wishes to hear from the staff regarding these programs I will work with your chairman to find a time for those presentations. The programs are:

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. Mr. Brent Brannan is the Director of the Program.

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 \$325,000 from the Oil and Gas Research Fund for the Pipeline Authority during the 2017-2019

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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. Funding for the Renewable Energy Program comes from the Resources Trust Fund at the level of \$3 million per biennium. Additional information about the Renewable Energy Program is behind the tab titled Renewable Energy Program (REP).

Transmission Authority. In 2005 the Legislature established the North Dakota Transmission Authority. John Weeda currently serves as the part-time Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund (non-matching dollars). More information about the Transmission Authority is available under the tab titled Transmission Authority.

Thank you for the opportunity to present testimony on the Industrial Commission budget.

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NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

2017A										
2006B/2001A										
2006A/2000A/1998A										
Biennium	2010B 2002A	2010A/B	2012A	2005A	Totals	Other Source	Energy Conser.	Total Gen. Fund	10% of \$.01 Sales Tax*	Available Debt Ser
2017-19	917,144	504,531	1,809,463	9,894,867	13,126,005	1,146,911	507,785	11,471,309	47,250,320	35,779,011
2019-21	928,088	490,888	1,797,750	7,361,250	10,577,976	1,140,293	431,844	9,005,839	42,095,500	33,089,661
2021-23	492,700	481,056	909,000	6,191,750	8,074,506	840,392	423,295	6,810,819	42,095,500	35,284,681
2023-25	0	465,981	0	2,782,875	3,248,856	499,317	207,649	2,541,890	42,095,500	39,553,610
2025-27	0	448,181	0	0	448,181	448,181	0	0	42,095,500	42,095,500
2027-29	0	425,469	0	0	425,469	425,468	0	0	42,095,500	42,095,500
2029-31	0	174,031	0	0	174,031	174,031	0	0	42,095,500	42,095,500
Totals	2,337,932	2,990,137	4,516,213	26,230,742	36,075,024	4,674,593	1,570,573	29,829,857		
	3.24%	3.33%	1.41%	1.53%						
Revised 11/23/2018										
The statutory limitation is based on the Legislative March 2017 forecast with a 0% increase each subsequent biennium.										

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**TESTIMONY, SENATE APPROPRIATIONS COMMITTEE
MARCH 4, 2019
ENGROSSED HOUSE BILL 1014**

**ERIC HARDMEYER – PRESIDENT & CEO
BANK OF NORTH DAKOTA**

Mr. Chairman and members of the Committee, I am Eric Hardmeyer, President and CEO of the Bank of North Dakota (BND). As you know, BND is the only state-owned bank in the nation and this year we celebrate our 100th year anniversary. Our mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota.

While our mission statement is short, the responsibilities of BND are large and extraordinary. BND is a unique hybrid between a state agency and a bank and we find ourselves as stewards of the history and visionaries for the future. As such, we believe it is our responsibility to properly position BND in this time of rapid economic change. While remaining true to our values, we must be agile in our response to changes in the marketplace.

The Bank serves many roles in North Dakota; we provide a variety of services and products to assist the local banking and financial services industry. We serve as a state repository for revenues and administer legislative loan programs to local subdivisions. We deliver unique economic development and agriculture lending programs. We buy home loans on the secondary market from local banks; provide programs to spur college saving and provide loans to advance education. And, as you know, BND is called upon to support state initiatives and provide earnings to the general fund.

Before I begin the discussion on BND’s proposed biennial budget, I want to inform you that attached as an appendix beginning on page 12, is the efficiency study as required in the last legislative session as part of the IC budget bill.

Today, in addition to the normal financial discussion, I want to outline how BND is positioning itself to play a vital role in advancing the priorities of North Dakota including economic diversification, talent attraction and retention and supporting a positive business climate. As I noted earlier, the 1919 legislature could not envision the business and technology of today. And, we cannot envision the market place in 2050 but we can properly structure and position the Bank to succeed and serve the state.

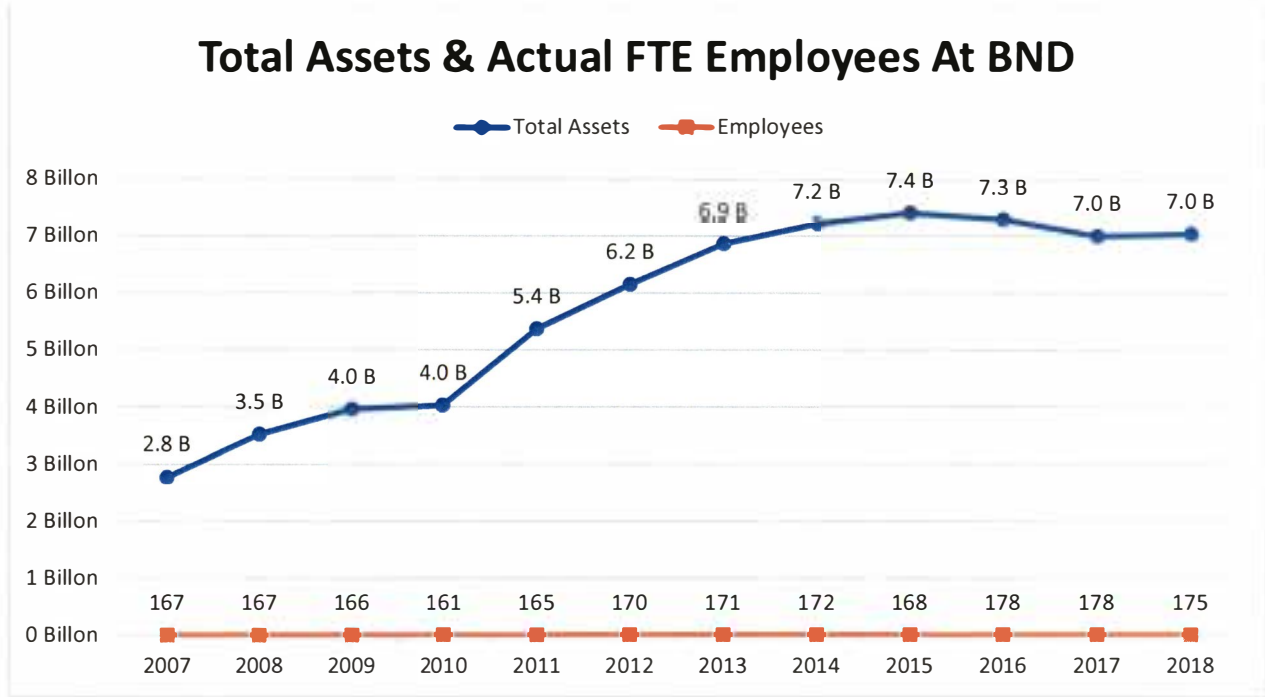
In late 2017 we completed work on our strategic plan that covers the period of 2018-2020. We began the process of evaluating the needs of the Bank in 2017. The research included input from managers, the Advisory Board and key stakeholders such as banks, legislators and economic developers. The result was a plan that identified 5 key strategies with specific underlying initiatives that provide our roadmap for that period. The 5 strategies are; actively support ND’s economic growth and diversity, expand access to postsecondary education, leverage BND’s unique competitive advantage, enhance innovation and agility to be a model of effective government, and optimize technology and use of data.

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The underlying strength of BND lies with a culture that values the abilities of our employees. Consequently, the efficient use of staff resources has enabled us to grow the bank substantially while maintaining the number of employees. Our business practice includes a diligent requisition process to evaluate every vacancy. We gained efficiencies in the Bank by utilizing technology or streamlining efforts. This practice allows us to operate in an efficient and forward-looking manner.

The graph below represents the change in assets and employees between 2007 and 2018. Over this 12 year period, assets per employee have increased 2.5x from \$16 million to \$40 million.



A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as a percentage of income. Anything below 50% is considered to be excellent. BND is operating with an efficiency ratio under 15%, which is four times better than the industry average of 60.6%.

In addition to strategic planning, we also actively engage in succession planning. Our HR service area consistently evaluates and surveys internal staff to determine their interest and ability to advance at the Bank. While talent is at a premium in every business or agency, it is essential to the current and future operations of BND. Our ability to produce record profits; address state needs and serve the private sector is directly tied to the talent level at the Bank.

In the end, our goal is to accomplish three things. One, provide products and services to the financial institutions in North Dakota. Two, serve as a steward of the revenues that pass-through BND. Three, and most importantly is the mandate of our mission serving economic development, agriculture and industry.

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12-31-18 BND YEAR END FINANCIAL HIGHLIGHTS

Over the last 15-years, BND grew from a \$2 billion bank to a \$7 billion bank today. The overall strength of North Dakota's economy during that time was key to BND's expansion. As state tax revenues and fees increased, these were deposited into BND and then deployed into various assets such as loans, investments, or short-term securities.

In calendar year 2018, BND assets were slightly higher than year-end 2017. As noted above, during the height of the energy boom, BND grew at an extraordinary pace. Now, at the end of an economic contraction, deposits have stabilized, and total assets are expected to remain somewhat level over the next few years under conservative assumptions for growth in state revenues. During 2018, BND sold the remainder of its federal student loan portfolio (\$250 million) and a portion of its mortgage loan portfolio (\$25 million). Those two sales combined with a state-wide slowdown in overall loan activity resulted in the loan portfolio shrinking by \$309 million.

BND Financial Summary In Thousands					
	2015	2016	2017	2018	Projected 2019
Assets	\$ 7,408	\$ 7,295	\$ 7,003	\$ 7,016	\$ 6,948
Net Loans	\$ 4,340	\$ 4,711	\$ 4,824	\$ 4,491	\$ 4,446
Deposits	\$ 5,802	\$ 4,887	\$ 4,615	\$ 4,770	\$ 4,477
Capital	\$ 749	\$ 876	\$ 825	\$ 862	\$ 849
C/A Ratio	10.02%	12.01%	12.05%	12.28%	12.22%
Income	\$ 130,654	\$ 136,155	\$ 145,284	\$ 158,508	\$ 163,492
Transfer	\$ 28,600	\$ 19,989	\$ 186,932	\$ 128,615	\$ 165,900
% Transfer	22%	15%	129%	81%	101%
ROE	17%	16%	18%	18%	19%

BND Capital Benchmark

The Bank of North Dakota is adequately capitalized with capital of \$862 million or 12.24% of assets. While this is a bit technical, the important thing is to understand how it compares to other banks.

- A nation-wide average for similar size banks is a ratio of 10.46%.
- The North Dakota average for all banks is 10.62%.

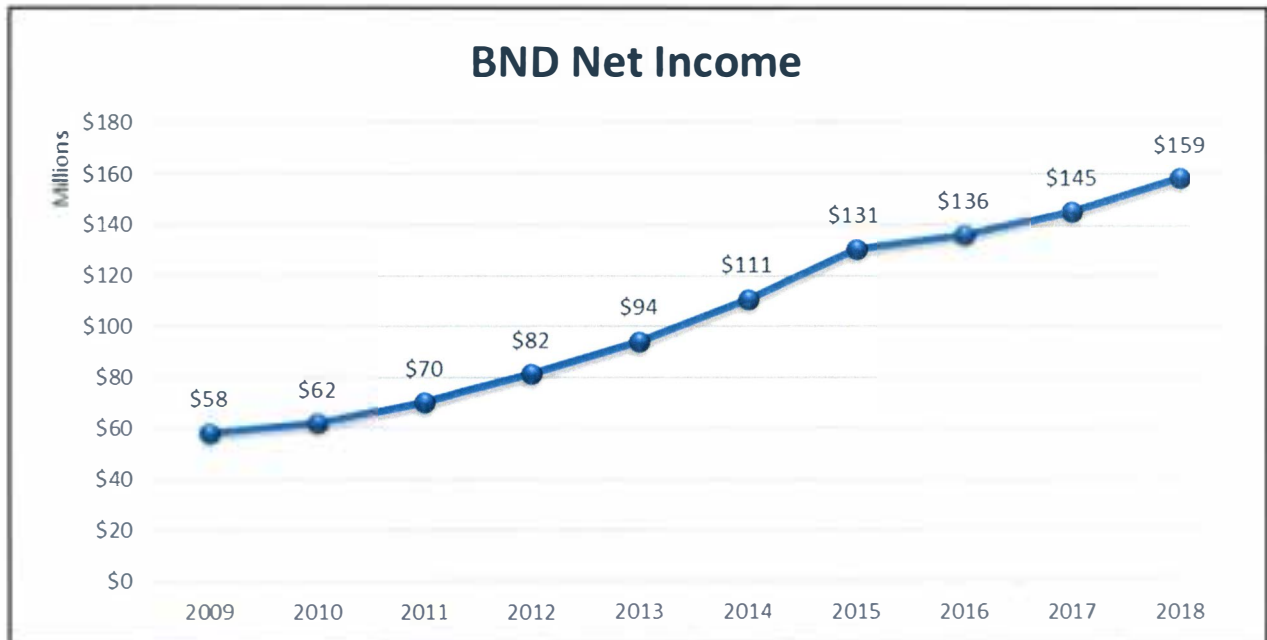
At the Bank of North Dakota, the internal benchmark is to maintain equity of 10.0%. This benchmark is set by considering peer institution benchmarks, the substantial regulatory environment, the economic concerns in energy and agriculture, and the

importance equity plays in BND providing mission-driven programs.

Banks continue to be under pressure to increase regulatory required capital levels. BND is not federally regulated; however, we are examined by state regulators and hold an independent rating from Standards & Poor's of A+. Each of these entities assess the strength of BND's capital ratios as a significant part of their exam.

BND Earnings

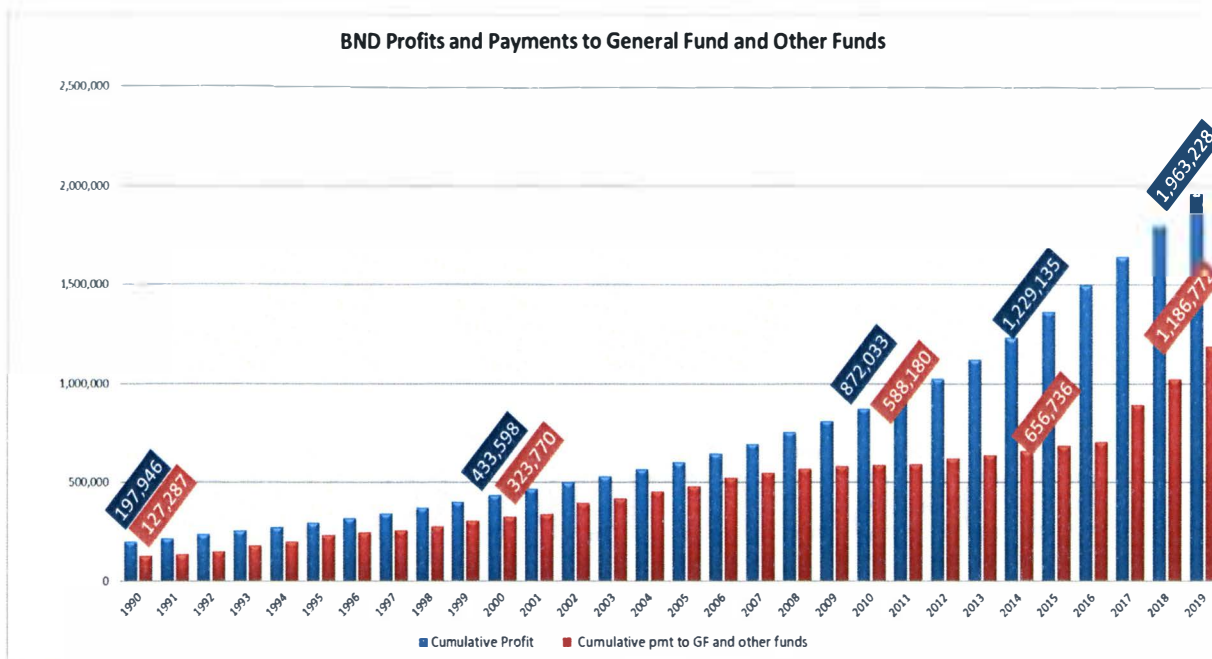
Earnings have been strong with BND achieving record profits each of the last fifteen years. The 2018 budget anticipated earnings of \$148 million but actual earnings came in above projections at \$158.6 million.



In the next biennium, we believe earnings may level off or could be reduced slightly subject to the state revenues and a rising interest rate environment. The projection for the 2019-21 biennium is for BND to have approximately \$300 million in earnings.

When the legislature requests a dividend or transfer from the Bank of North Dakota to enhance general fund revenues, it comes from the earnings BND has retained as a portion of its capital. Since 2015, the legislature has appropriated \$240 million of BND's retained earnings to the general fund. As you may recall, the first \$100 million was appropriated during the 2015 special session to cover a projected budget shortfall. In its history, BND has provided over \$800 million of its retained earnings to the general fund.

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Over the past 2 bienniums, BND's earnings and capital were also utilized to assist the state with various programming needs. In the 2015 Legislative Session, BND committed \$100 million of its capital to fund the Infrastructure Revolving Loan Fund. In the 2015 and 2017 Legislative Sessions, another \$71.0 million of capital was used to fund the various buy down loan programs that fuel economic development across ND. BND also contributed \$10 million of capital during the 2015-2017 biennium to provide support to the Housing Incentive Fund administered by Housing Finance Agency.

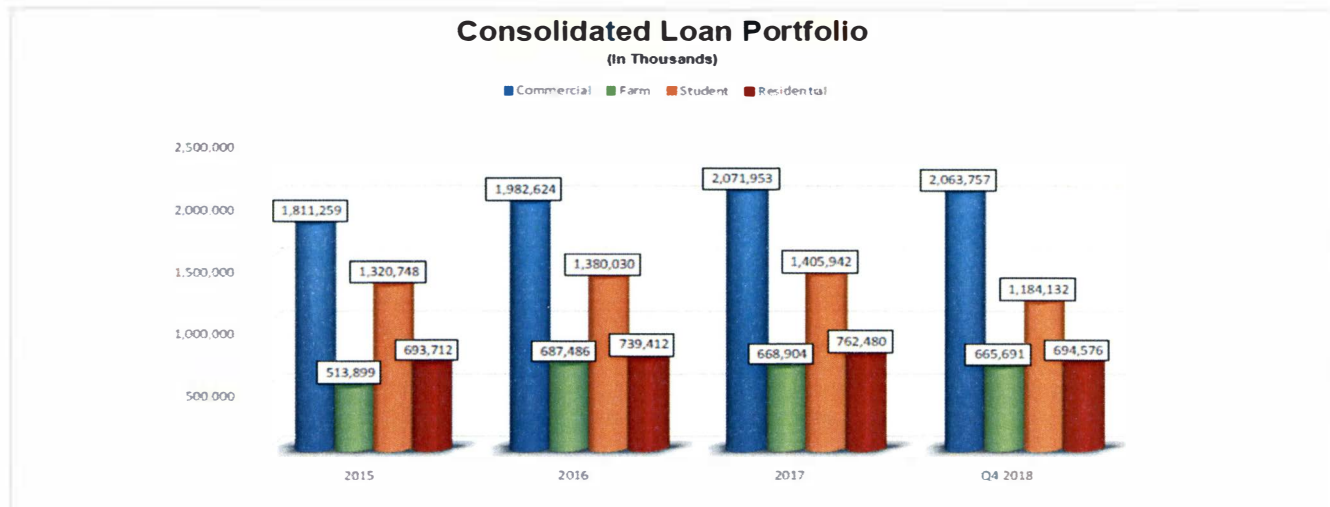
As is provided in this bill, BND is required to provide another dividend or transfer to the general fund in the amount of \$140 million. That coupled with BND programs of an additional \$51 million as provided in this bill or amendments to, will result in total transfers from BND of \$191 million. Additionally, there are several bills and a pending amendment that will require another \$37 million coming from BND's capital during the next biennium.

Can BND handle these transfers and still conduct business and produce earnings? The answer is Yes. BND is well positioned, assuming there is close coordination between the legislative branch and BND

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BND LOAN PORTFOLIO

The Bank of North Dakota's \$4.6 billion loan portfolio consists of four types of loans: agriculture; student loans; commercial and residential. This diversification provides some protection during times of rapid economic change. The graph below shows each portfolio since 2015.



BANK OF NORTH DAKOTA ENGROSSED HOUSE BILL 1014, SECTION 1 OPERATIONS

BND is a special fund agency, so expenses and employee salaries are funded by revenues generated by the Bank. In essence, the Legislature appropriates our revenues back to BND to these expenses. The Bank of North Dakota's 2019-21 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 2019-2021	\$ 62,654,235	Proposed Appropriation
Budget 2017-2019	\$ <u>58,489,204</u>	Base level
	\$ 4,165,031	Proposed Enhancement

CAPITAL ASSETS

Budget 2019-2021	\$ 1,510,000	Proposed Appropriation
Budget 2017-2019	\$ <u>810,000</u>	Base level
	\$ 700,000	Proposed Enhancement

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OPERATIONS

Salaries and benefits are projected to increase for the next biennium as we anticipate additional expenses to fund healthcare, employee raises, and temporary staffing/overtime. We anticipate competitive pressures for talent to continue into the foreseeable future and expect that to put pressure on our salary line item in the 2019-2021 biennium.

Operating expenses includes data processing, training and development, supplies, postage, etc. BND has made several adjustments to reduce its operating expenses in areas like postage and IT communications where more efficient means of electronic communication replaced mail and phone services. Within our proposed budget, total other operating increased by \$1.7 million with most of that coming from an increase to our contingency line of \$1 million.

Of the funds requested for contingency, \$1,000,000 is earmarked for compliance testing, hedge consulting and enterprise risk management. The financial industry is going through dramatic changes with information security requirements, compliance and regulatory needs, etc. 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

Moneys appropriated for capital assets consist of funds for replacement of our student loan system that will provide our student borrowers with a current technology platform and allows for more efficient integration with existing internal systems.

Biennium-to-Date Actual Spending versus Budget

Bank of North Dakota
Biennium Appropriation Report
Eighteen Months Ended December 31, 2018

Line Item	Total Approp.	Biennium-to-Date Expenditures	To-Date Budget	To-Date Variance	To-Date Unexpended
Operating	\$58,489,204	\$38,167,416	\$41,835,534	\$(3,668,118)	\$20,321,788
Cap. Assets	\$ 810,000	\$ 224,835	\$ 602,560	\$ (377,725)	\$ 585,165
Total	\$59,299,204	\$38,392,251	\$42,438,094	\$(4,045,843)	\$20,906,953

**BANK OF NORTH DAKOTA
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.

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**BANK OF NORTH DAKOTA
ENGROSSED HOUSE BILL 1014, SECTION 7
Transfer to the General Fund**

This section addresses the transfer from BND to the General Fund for the 2019-2021 biennium in the amount of \$140,000,000.

**BANK OF NORTH DAKOTA
ENGROSSED HOUSE BILL 1014, SECTIONS 8-11
Transfer to BND Economic Development Buy Down Programs**

BND administers a number of economic development loan programs. A centerpiece of the economic development programming is the PACE (Partnership in Assisting Community Expansion) Program. PACE includes a number of sub-sector programs targeted to stimulate economic diversification. Starting with the 2013 Legislative Session, the appropriation to fund the interest rate buy-down programs was removed from the General Fund and inserted in the budget as a draw to BND's Capital. Listed below are the detailed numbers for the pertinent buy-down programs.

TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, 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, 2019 and ending June 30, 2021.

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, 2019 and ending June 30, 2021.

TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$1,000,000, 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, 2019 and ending June 30, 2021.

TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, 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, 2019 and ending June 30, 2021.

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**BANK OF NORTH DAKOTA
ENGROSSED HOUSE BILL 1014, SECTION 12
Transfer to ND Development Fund, Inc.**

TRANSFER – BANK OF NORTH DAKOTA –NORTH DAKOTA DEVELOPMENT FUND INC. The Bank of North Dakota shall transfer the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank’s current earnings and undivided profits to the North Dakota Development Fund Inc. established under chapter 10-30.5 during the biennium beginning July 1, 2019 and ending June 30, 2021. The funding transferred under this section must be used to purchase existing New Venture Capital assets held by the Bank of North Dakota.

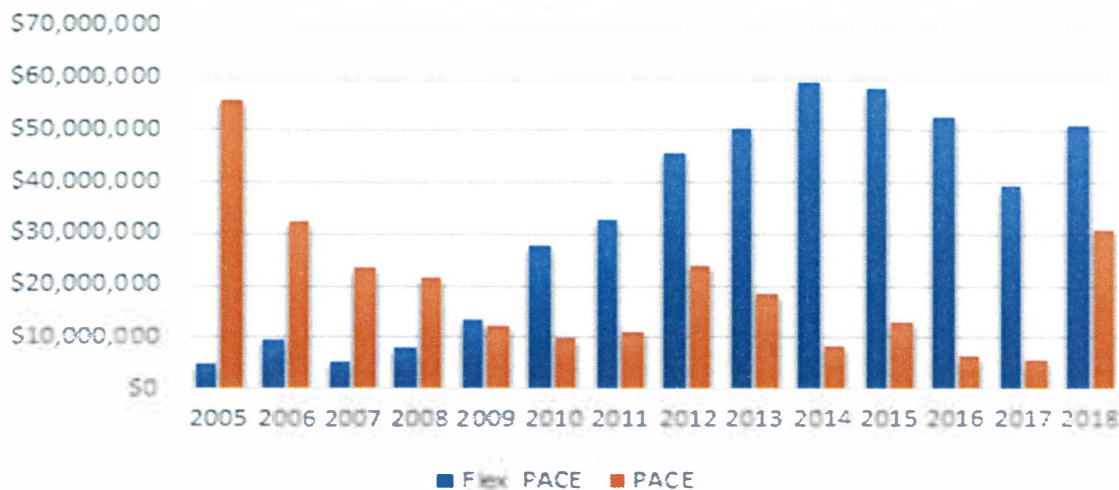
Summary of Economic Development Programs

	BND Capital Allocation: 2017-2019 Bien.	Estimated Use: 2017-2019 Bein.	Estimated Remaining: 2017-2019 Bein.	BND Capital Allocation: 2019-2021 Bien.	Program Allocation: Life-to-Date
PACE/Flex PACE	\$16,000,000	\$16,000,000	\$0	\$24,000,000	\$164,900,000
Affordable Housing	0	0	0	2,000,000	\$18,398,100
Ag PACE	2,000,000	1,333,333	666,667	3,000,000	10,900,000
Bio-Fuels Pace	1,000,000	133,333	866,667	1,000,000	10,249,000
Beginning Farmer	6,000,000	4,333,333	1,666,667	6,000,000	32,221,500
School Construction	6,000,000	6,000,000	0	0	13,875,000
	\$31,000,000	\$27,800,000	\$3,200,000	\$36,000,000	

The PACE Fund was established by the Legislature to assist North Dakota communities in expanding their economic base by providing support for 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

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Total Loan Amounts for PACE & Flex PACE 2005-2018



A total of \$30.9 million in PACE loans and \$51.0 million in Flex PACE loans were funded in 2018 in comparison to \$5.5 million and \$39.3 million respectively for 2017. As you will note in the graph, community utilization of Flex PACE surpassed PACE in 2009. This transition is reflected in the proposed allocations for the PACE Program.

BND contracted with Praxis Strategies Group in the fall of 2016 to complete an analysis of the PACE and Flex PACE programs for the time period of 2005 to 2016. The intent of this study was to determine the effectiveness and return on investment of the programs and recommend changes that could improve the program. In addition to analysis of the financial data, the study also interviewed and surveyed bankers; economic developers and loan recipients to determine ways to improve the program.

According to the analysis:

- The PACE and Flex PACE program generated projects with a total value more than \$1 billion dollars during the ten-year period.
- On average, 775 jobs were created each year by companies receiving PACE funding.
- Each dollar of BND financing leveraged \$2.03 from other sources.
- Median Wages among PACE borrowers peaked in 2015 at \$21.65/hr. The median wage of PACE borrowers was \$3.30 higher than the median wage of \$18.35/hr in North Dakota.

FLEX PACE AFFORDABLE HOUSING BUYDOWN

Flex PACE for Affordable Housing provides financing with an interest buy down for new affordable multi-family housing units and non-residential, licensed, child care projects that are new or expanding in North Dakota

- There were 4 new Affordable Housing PACE loans funded in 2018 accounting for 74 affordable rental units, compared to 17 Affordable Housing PACE loans funded in 2017 accounting for 195 affordable rental units and 8 daycare facilities.
- There are a total of 11 loans pending with a total loan amount of \$21,765M which account for 299 affordable rental units.

BEGINNING FARMER REVOLVING LOAN FUND

The beginning Farmer Revolving Loan Fund was established to assist those North Dakota residents entering agriculture with purchasing land and equipment. The interest rate on these loans is fixed at 1% below BND's base rate with a maximum interest rate of 6% for the first five years of the loan.

- There were 95 Beginning Farmer Real Estate Loans in 2018 and 62 in 2017.
- There were 75 Beginning Farmer Chattel Loans in 2018 and 62 in 2017.

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. This is a key tool in supporting agriculture diversification.

- A total of 64 Ag PACE loans were funded in 2018 compared to 40 in 2017.
- The majority of the loans funded during the previous three years were for field tiling projects.

BIO-FUELS PACE FUND

The Bio-Fuels PACE Fund was established to buy down the interest rates on loans to biodiesel and ethanol production facilities and livestock operations. These loans can be utilized for real property, equipment and facility expansion.

- There were 10 Bio-Fuels PACE loans funded in 2018 and 6 in 2017.

BANK OF NORTH DAKOTA EFFICIENCY STUDY

DECEMBER 2018

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During the 2017 legislative assembly, it was noted in Section 31 of SB2014 that “the Bank of North Dakota shall conduct a study regarding potential efficiencies in operations. The Bank of North Dakota shall report to the appropriations committees of the sixty-sixth legislative assembly regarding the results and recommendations of the study”.

Background

It is important to note that BND has been an organization of transformation for many years. We take pride in our ability to reinvent ourselves to meet the needs of the state, while always keeping true to our mission “To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota.” Our most significant recent reorganization occurred in 2014 when we clearly identified three outward-facing service market segments: financial institutions, economic development and education. This change resulted from research conducted as we developed our 2015-2017 strategic plan and included input from managers, our Advisory Board and key stakeholder groups. In addition to the external customer focus, we also reorganized internally to create three new divisions: business development, credit administration and risk management. This reorganization reflected a switch from a reactionary organization to one that is forward-looking and proactive in our approach to providing the most customer value. During this time of transition and change, we did not increase the number of FTE’s and no employees were terminated. Many employees transitioned into new roles that reflect the new direction and structure.

2015 Reorganization

The separation of our previous lending service area into business development and credit administration has had many benefits. Under this new structure, our business bankers focus on building relationships with financial institutions across the state to meet their operational and lending needs. The other three components of the business development unit include the education market, economic development and government programs, and residential real estate. The economic development and government programs service area is a new unit that was established at this time and fills a great need by identifying economic development financing needs, providing solutions in financing of large projects and administering loan programs delegated to BND by the Legislature such as the School Construction and Infrastructure loan programs. Today, BND is administering almost \$1 billion in delegated loan programs.

The credit administration service area provides critical analysis and back office operations with a focus on protecting the bank’s assets. The volume and complexity of loans held by BND has grown significantly over the years and employees in this unit play a key role in ensuring our strong loan portfolio meets self-imposed quality standards.

Risk management is a new service area that now oversees internal audit, credit review, compliance and enterprise risk management. Since 2008, the regulation and compliance mandates for a financial institution have increased dramatically. This business unit transitioned from primarily an audit function to one that is more consultative in their approach to managing risks that face our business.

Vision

As part of our 2015-2017 strategic plan review, we also believed it was time to refresh our vision statement. Based again on input from our employees and key stakeholders, we changed our vision to read “BND is an agile partner that creates financial solutions for current and emerging economic needs”. We believe that it is important for our current and future employees and customers to understand the need for BND to move quickly when things happen, whether it be in reaction to a natural disaster like the Souris River flood in 2011 or one of our many loan programs that responded to ag-related crisis relating to drought and/or low commodity prices. This proactive approach set BND up very well with the initiatives of Governor Burgum when he took office in December of 2016. Governor Burgum’s initiative on “Reinventing Government” is nothing new for BND as we have been operating in this manner for decades.

Strategic plan 2018-2020

Our current 2018-2020 strategic plan is a continuance of many of the initiatives that were started prior to 2018. One of our main areas of focus is to drive a culture of innovation. This was defined by establishing and focusing on four guiding principles: coaching, collaboration, curiosity and empowerment.

BND has numerous examples of collaborative efforts on a statewide basis. We have been reviewing and are currently in the process of identifying efficiencies with the ND Housing Finance Agency to include real estate servicing and the sharing of resources for IT, human resources and accounting. Other opportunities that have been collaborative in nature are the efforts taken on with the ND Public Finance Authority, ND Health Department and ND Department of Transportation to develop “One Application” to ease the process of infrastructure funding. This collaborative effort is being driven by our BND employees to simplify the process for entities interested in infrastructure repair and replacement projects.

Process Improvement-Streamlining

There are many examples of internal process improvement. We recently transferred the processing of BND payroll from being handled internally to the ND Office of Management and Budget. This move is not only more efficient from a macro level, we estimate that we will ultimately save staff hours that can be reallocated to other areas of need. We have also worked to utilize common policies that have been identified through the HR unification project wherever this makes sense while continuing to meet our needs as a business and financial institution.

BND is also working with ITD to identify streamlining opportunities through the statewide IT unification project. There are many examples in technology that have been identified where systems can replace manual processes.

Our Education Market was recently refocused with a more clearly defined goal toward providing the very best customer service. Leadership positions in this area were renamed to include leader of student loan performance, leader of processing, leader of customer service and leader of outreach. While titles may be simple to change by nature, these names reflect not only our focus on the future but also our desire to provide BND employees with meaningful and forward-thinking work that brings value to our customers.

We engage in an active succession planning process to help prepare our current employees for future leadership positions. We review this information on an ongoing basis

to identify training and development needs so that there is the opportunity for knowledge transfer. Our performance management process includes a discussion with employees on their future career goals as well as their plans for retirement. We believe strongly in open dialogue and transparency so that we can do our best to transfer knowledge and make sure that position successors are as prepared as possible to take on new roles as they are vacated. We recently participated in the voluntary separation incentive program because we believe it was an opportunity for employees to come forward, so we could reward them for years of hard work and effort. This program was an effective tool to allow employees to transition out of the organization and BND to reevaluate where future needs will exist. This is also done through a job requisition process where every single vacancy is analyzed before it is posted and filled. We want to make sure that appropriate resources are allocated in the best and most efficient manner so that we can provide the most value to the state of ND.

There are numerous examples where current and future needs are evaluated on an ongoing basis to provide the best customer experience and most value to the state of ND. An example of this is the establishment of BND offices in Grand Forks, Fargo, and Minot. The Fargo and Grand Forks offices are located on college campuses to leverage our relationship with both university and entrepreneurial activity. The Minot office is co-located with the economic development and chamber function in that community. This helps us provide better service to our customers around the state.

Data Measurements

The accepted industry standard for measuring banks performance is from the Federal Financial Institutions Examination Council. www.cdr.ffiec.gov. From this site, standardized measurements of banks across America are provided through a "Call Report" or a "Uniform Bank Performance Report" (UBPRs). These reports provide an in-depth analysis of a bank from the income and earnings to expenses and return on investment. While BND is not required to officially file a report as a state-owned bank, we voluntarily complete this information and track the same statistics to provide a comparative analysis tool.

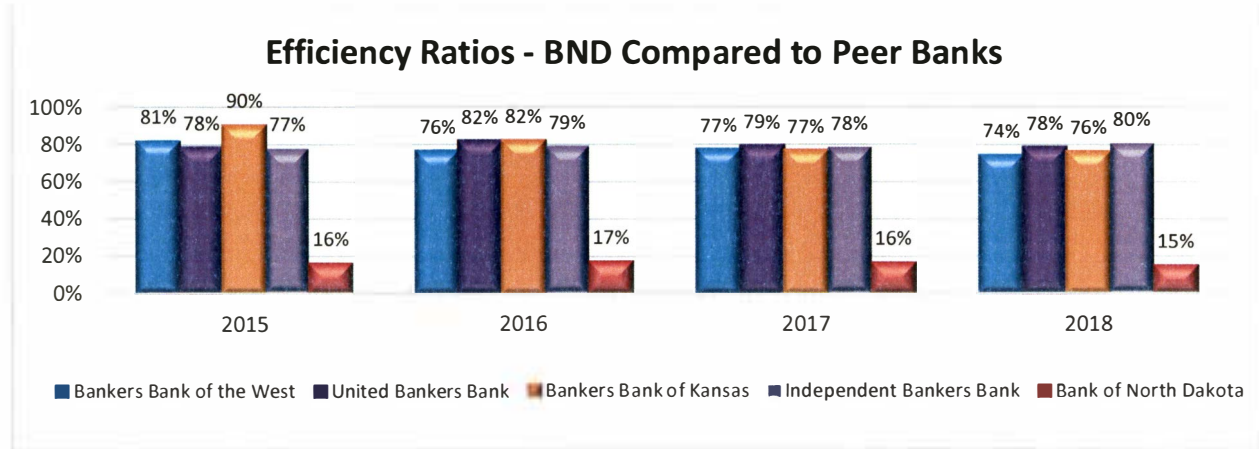
To complete this study, BND undertook analysis from two different perspectives. One, how does BND compare to the community owned banks in North Dakota. While this is useful, the insights are limited since comparing BND which serves as a "Bankers-Bank" to a retail, community bank is somewhat of a skewed metric. There is no similarity in how deposits are gathered and how deposits are utilized, and BND also does not operate retail branch locations across the state.

The second set of analysis is to compare BND to other "Bankers-Banks" in America. In the data from the FFIEC is a peer group (301) for Bankers-banks. This group currently includes 13 banks from across America. While the gathering of deposits is different, the function of these banks to provide participation loans and banking services is more similar to the role BND plays in North Dakota. For purposes of this analysis, BND is utilizing commonly accepted metrics such as the efficiency ratio, assets per employee and revenues per employee.

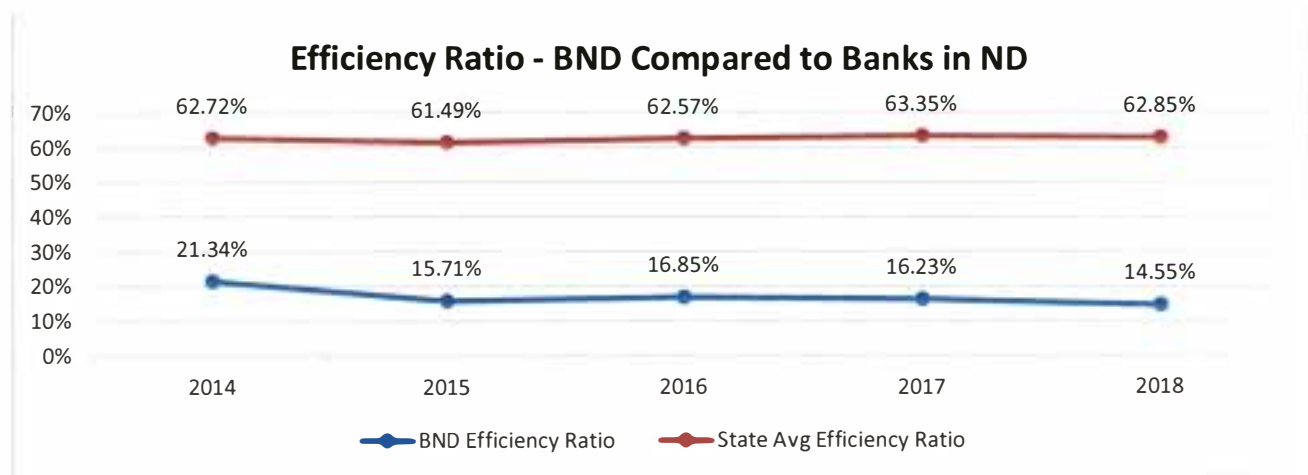
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Efficiency Ratio

According to *Investing Answers*, the bank efficiency ratio is a “quick and easy measure of a bank’s ability to turn resources into revenue”. The bank efficiency ratio measures a bank’s overhead costs as a percentage of its revenue; the lower the ratio, the better (50% is generally regarded as the maximum optimal ratio). For purposes of this analysis, BND utilized four banks from the Midwest region for this comparative analysis. As one can see of the graph, the lowest efficiency ratio in 2018 is 74% at Bankers Bank of the West. BND’s efficiency ratio is at 15% in 2018.



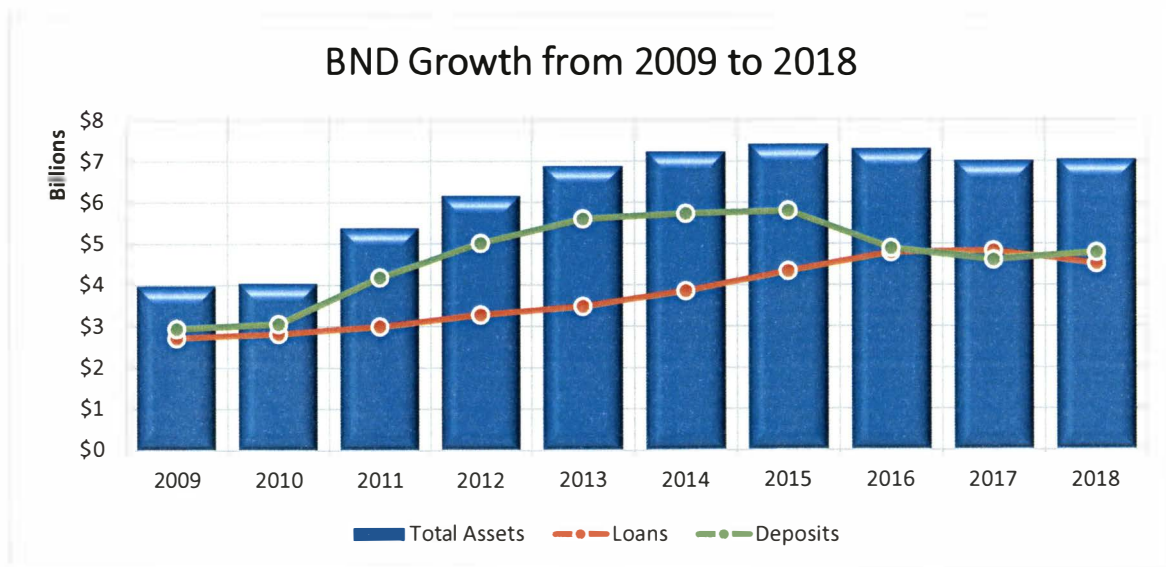
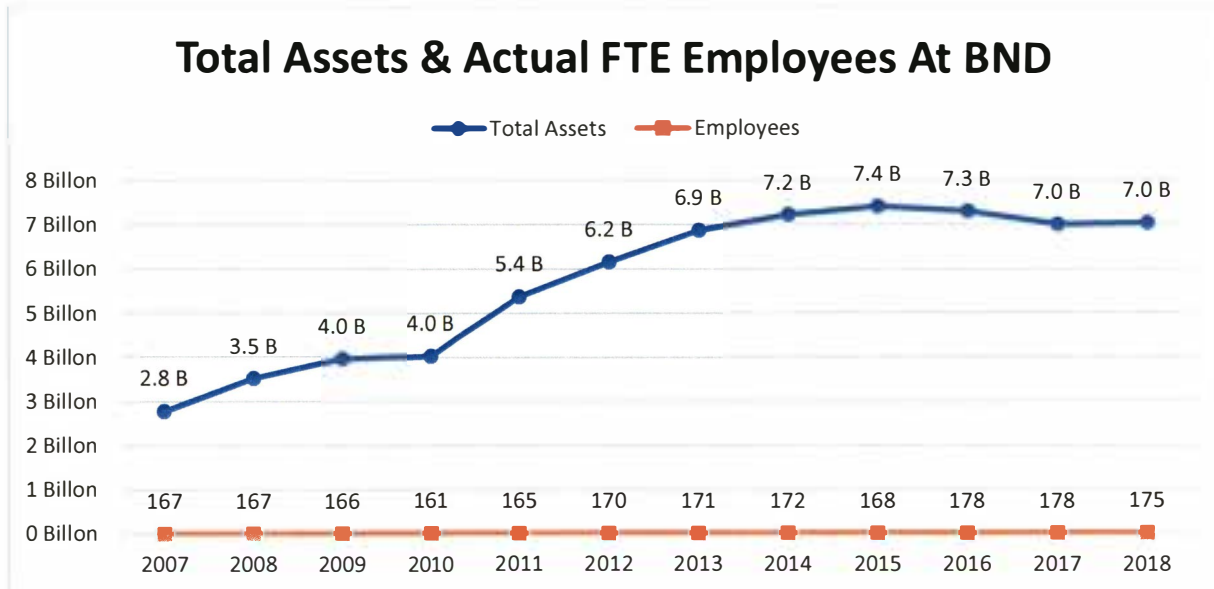
As noted earlier, BND does compare itself against community banks in North Dakota. As one can see, the efficiency ratio for North Dakota community banks has maintained around 62% over the last five years. In that same time, BND’s efficiency ratio dropped from 21.34% to 14.55%.



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Assets and Revenues Per Employee

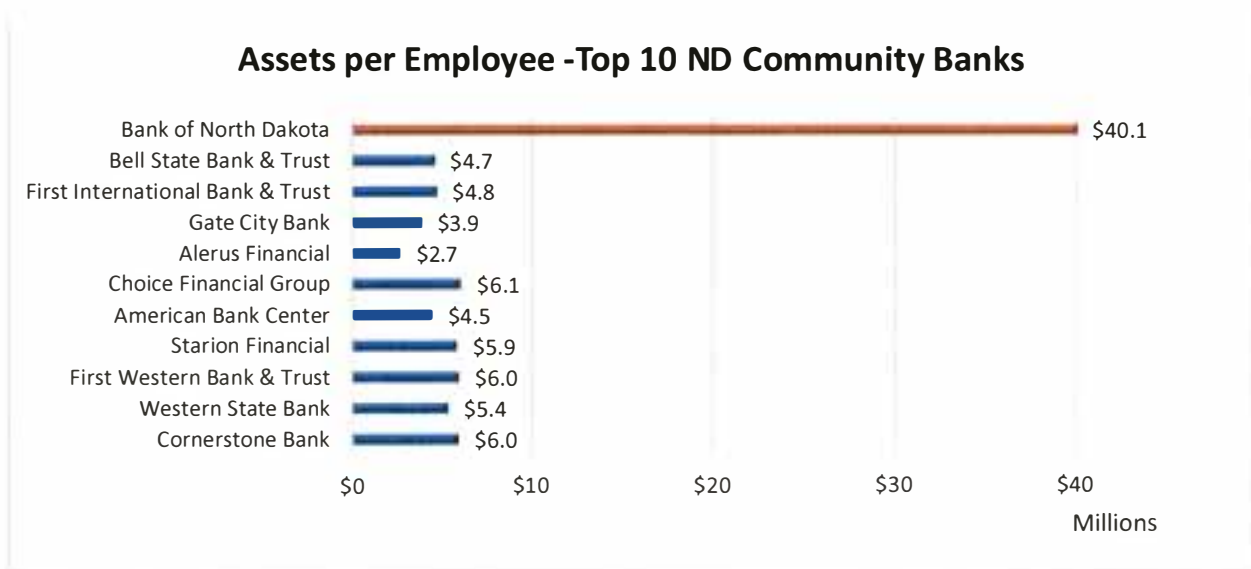
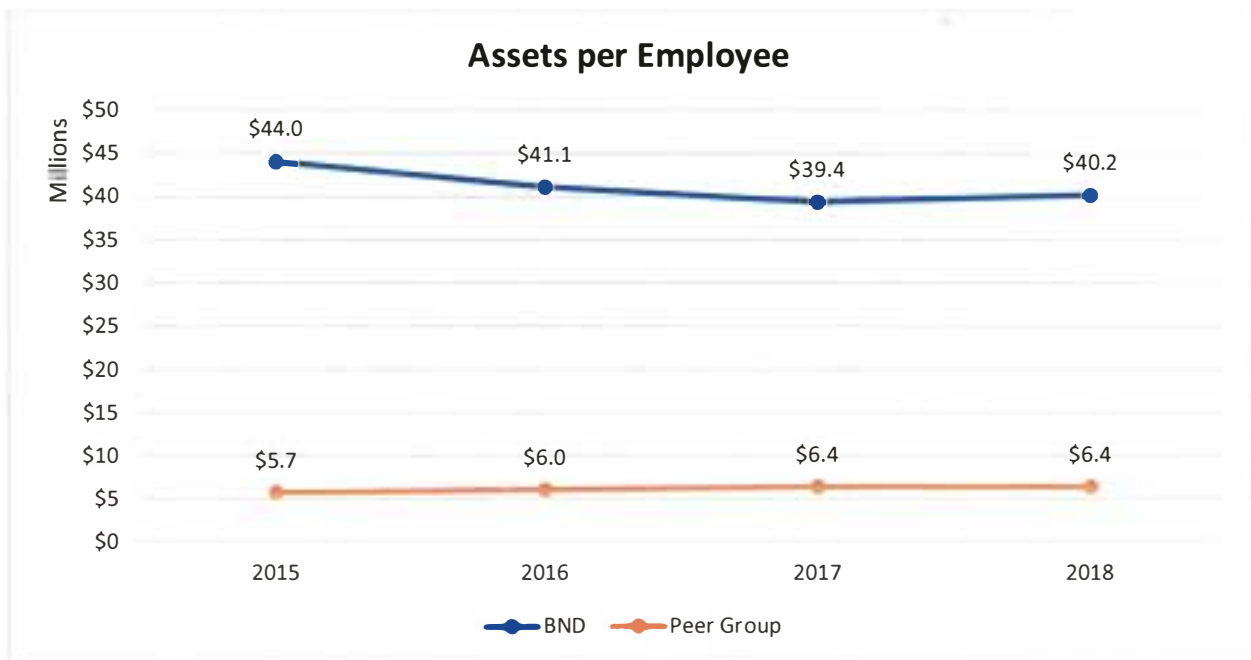
Over the last decade, the Bank of North Dakota experienced a period of dynamic growth along with the growth of the oil industry and strong agriculture commodity prices. The bank grew from about \$4 billion in assets topping out at just over \$8 billion in 2015 before shrinking back to just over \$7 billion in 2018. While total assets increased 100%, the FTE count only increased by 5%.



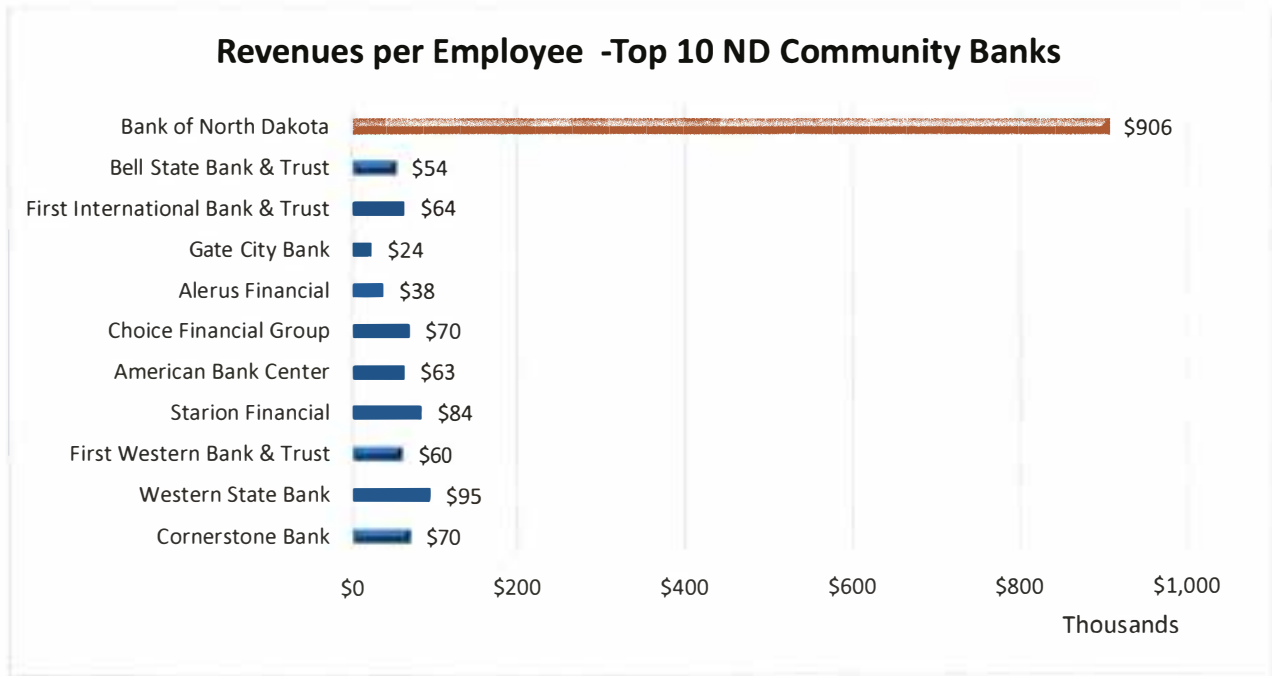
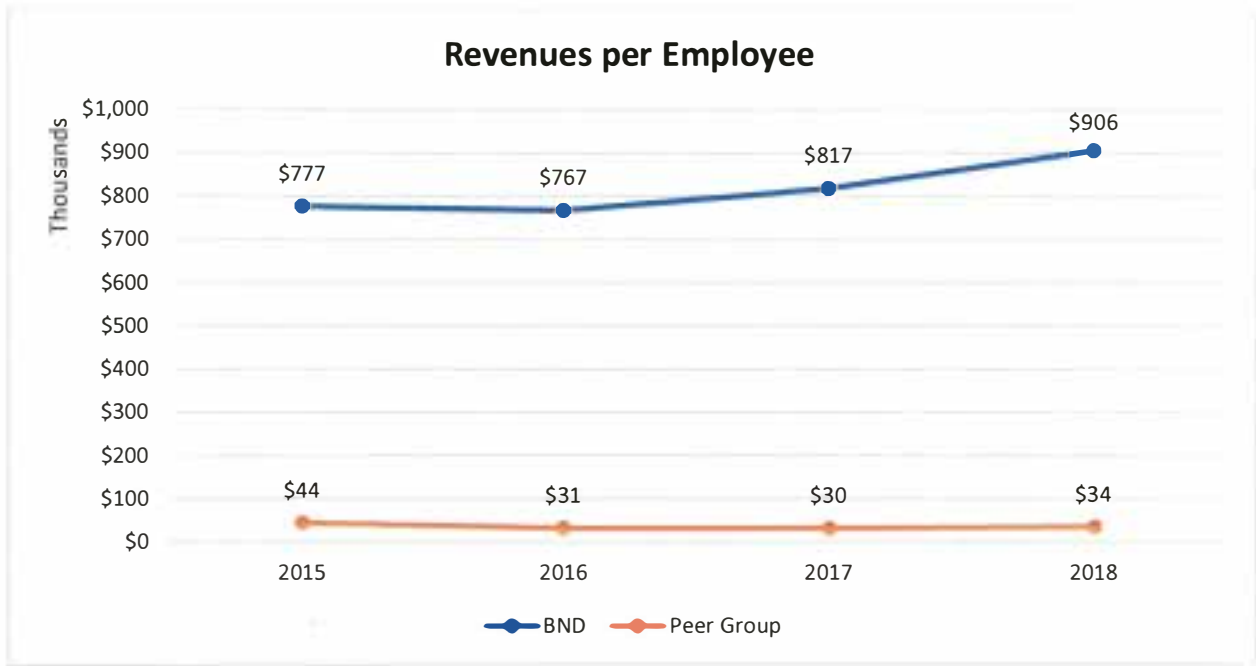
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BND Comparison with Top 10 North Dakota Community Banks as of 12/31/18

The following two graphs further show the efficiency of BND as compared to its peer institutions. BND is averaging just over \$40,000,000 in assets per employee. The peer group is averaging \$6,400,000 per employee in 2018.



BND again excels when comparing revenues per employee to its peer group. BND is making around \$902,000 per employee while the peer group is averaging \$34,000 in 2018.



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Conclusion

Our numbers only tell part of the story, our ability to meet our goals and mission is through the dedication of our employees and is reflected in an efficiency ratio that is literally the envy of other financial institutions across the country. The greatest strength of BND is to provide products and services to banks and their customers across the state. The \$2 billion in commercial participations represents economic development financing with our local community banks, financing that might have otherwise left North Dakota except for BND.

Bank of North Dakota will continue to pursue innovation and consider opportunities to streamline where it makes sense. Our approach has been and will continue to be one of balancing our focus on being a bottom-line driven organization that strives every day to fulfill our mission "**To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota**". This great work is made possible by the ongoing dedication to BND's mission, vision, core values and guiding principles by employees who provide the very best in customer value to the state of North Dakota.



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**Testimony of Connie Ova
Economic Development Association of North Dakota
In Support of HB 1014
March 4, 2019**

Chairman Holmberg and members of the Senate Appropriations Committee:

I'm Connie Ova, vice president of the Jamestown/Stutsman County Development Corporation and past president of the Economic Development Association of North Dakota. I would like to express our support for HB 1014, which includes the appropriation for the Bank of North Dakota and the North Dakota Housing Finance Agency.

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 promote the creation of new wealth throughout North Dakota to develop more vibrant communities and improve quality of life.

Bank of North Dakota

The Bank of North Dakota (BND) programs are very important to and widely used by economic developers across North Dakota. In a recent EDND survey, supporting PACE and Flex PACE programs was one of our developer's top legislative priorities. PACE and Flex PACE provide flexibility for businesses and development agencies to support new and growing businesses in a fiscally safe manner. EDND supports the executive budget recommendations for appropriating \$41 million in BND capital to fund the PACE buy-down programs. These programs have generated substantial investment in North Dakota in a cost-effective way and support economic progress that creates attractive and viable communities. These programs increase property tax revenue, expand business capacity, create new and highly skilled jobs, and help entrepreneurs in communities throughout the state.

We would also support Bank of North Dakota's request to consolidate BND's venture capital fund with the North Dakota Development Fund and transfer \$15 million of their capital to the Development Fund. EDND believes in the importance of start-up

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capital while keeping BND strong to rating companies so they are able to continue to support North Dakota.

North Dakota Housing Finance Agency

Affordable housing also continues to be a priority for expansion of North Dakota's businesses and communities in all areas of North Dakota. The Housing Incentive Fund capitalizes contributions from state taxpayers to develop affordable multi-family housing for essential service workers, main street employees and fixed-income households. A major stumbling block to attracting businesses which would diversify the economy or to attracting workers to fill the thousands of basic service jobs open in the state is a lack of affordable housing. The executive budget provides \$20 million to support this fund which is currently not included in the budget. EDND would ask this funding be added to the bill to help fill workforce housing needs across the state.

EDND understands the difficult position you have to determine the state's future, and we appreciate all the thoughtfulness you have put into managing this responsibility. Please consider how programs and resources support the communities in the entire state as you make these decisions.

I urge the committee's support of HB 1014.

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

Administration – Karlene Fine

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-328-3722 Email: kfine@nd.gov www.nd.gov/ndic

Bank of North Dakota – Eric Hardmeyer

Inside Mailing Address: State Capitol, 600 East Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-5881 Email: ehardmeyer@nd.gov www.banknd.nd.gov/

Department of Mineral Resources – Lynn Helms

Inside Mailing Address: State Capitol, 600 E Boulevard Avenue Department, Bismarck, ND 58505
Physical Address: 1016 E Calgary, Bismarck, ND 58501

Geological Survey

Phone: 701-328-8000 Email: lhelms@nd.gov www.dmr.nd.gov/ndgs/

Oil and Gas Division

Phone: 701-328-8020 Email: lhelms@nd.gov www.dmr.nd.gov/oilgas/

Housing Finance Agency – Jolene Kline

Inside Mailing Address: State Capitol, 600 East Boulevard Avenue, Bismarck, ND 58505
Physical Address: 2624 Vermont Avenue, Bismarck, ND 58501
Phone: 701-328-8080 Email: jkline@nd.gov www.ndhfa.org

Lignite Research, Development and Marketing Program – Jason Bohrer/Mike Holmes

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Email: jasonbohrer@lignite.com www.nd.gov/ndic/lrc-infopage.htm

Mill & Elevator – Vance Taylor

PO Box 13078, Grand Forks, ND 58208-3078
Phone: 701-795-7000 Email: vtaylor@ndmill.com www.ndmill.com/

Oil and Gas Research Program – Brent Brannan

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-425-1237 Email: brentbrannan@gmail.com www.dmr.nd.gov/ogr/

Outdoor Heritage Fund-Andrea Pfennig and Jim Melchior

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-328-3786 Email: apfennig@nd.gov www.nd.gov/ndic/outdoor-infopage.htm

Pipeline Authority – Justin Kringstad

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-220-6227 Email: jjkringstad@gmail.com www.dmr.nd.gov/pipeline/

Public Finance Authority – DeAnn Ament

Inside Mailing Address: State Capitol, 600 East Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-7100 Email: dament@nd.gov www.nd.gov/pfa/

Renewable Energy Program – Andrea Pfennig

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-328-3786 Email: apfennig@nd.gov www.nd.gov/ndic/renew-infopage.htm

Transmission Authority – John Weeda

State Capitol 14th Floor, 600 East Boulevard Avenue Department 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Email: johnweeda@lignite.com

**Bank of North Dakota 2019 Legislation Impacting
Capital, Loan Programs, State Agency Borrowing Authority
As of: March 20, 2019**

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2019 Legislation Impacting BND Capital

House/Senate Bill No.	Status	Agency/Borrower	Amount	Bill Description	Repayment
HB 1003	Passed House As Amended Senate Appropriations	NDUS	\$15,000,000	BND capital transfer of \$15 million (Emergency) to NDUS Capital Building Funds for repairs and deferred maintenance projects at higher education institutions.	N/A
HB 1014	Passed House As Amended Senate Subcommittee	ND Industrial Commission	\$191,000,000	BND capital transfer of \$140 million to General Fund and additional transfers of \$15 million to ND Development Loan Fund and \$36 million to various buydown loan funds for a total capital impact of \$191 million.	N/A
SB 2009	Passed Senate House Appropriations	Department of Agriculture or Department of Commerce	\$4,000,000	Anticipated BND capital transfer of \$4 million to provide grants through the Agriculture Products Utilization Committee (APUC). Bills to accomplish include HB1018 & SB2009	N/A
HB 1333	Passed House As Amended Senate Subcommittee	Administered by BND	\$15,000,000	BND anticipated capital transfer of \$15 million for creation of a Innovation Grant Fund.	N/A
HB1171-SB2039	HB 1171 amended in Senate. SB 2039 will be amended	Administered by BND	\$10,000,000	BND capital transfer of \$10 million in HB1171 to develop, implement, promote, and administer Skilled WorkForce Scholarship Program with NDUS.	N/A
TOTAL			\$235,000,000		

2019 Legislation Impacting BND Loan Programs & State Agency Borrowing Authority From BND

BND Direct Funding

House/Senate Bill No.	Status	Agency/Borrower	Amount	Bill Description	Repayment
HB 1028	Signed By Governor-Effective 3-06.	NDPERS	\$50,000,000	Provide NDPERS \$50 million LOC (Emergency) for Self-Insurance Health Plan.	Primary-Health Insurance Premium Revenue. Secondary-Legislative Deficiency.
HB 1106	Passed House As Amended Senate Appropriations	ND Reinsurance Association	\$25,000,000	Provide Reinsurance Association of ND \$25 million LOC (Emergency) to provide reimbursements to member insurers.	Primary-Assessments Against Insurers Secondary-Legislative Deficiency
HB 1435	Passed House As Amended. Senate GVA Committee	NDITD	\$120,000,000	Provide \$120 million LOC (Emergency) to ITD for statewide radio network projects. Amendment has been introduced to reduce LOC amount to \$80 million.	Statewide interoperable radio network fund.
SB 2020	Passed Senate As Amended House Appropriations	ND State Water Commission	\$75,000,000	Provide \$75 million LOC for funding water supply and flood control projects.	Resources Trust Fund, Water Development Trust Fund, or other funds appropriated by Legislature
BND Direct Funding			\$270,000,000		

2019 Legislation Impacting BND Loan Programs & State Agency Borrowing Authority From BND

Other Funding Sources

SB 2008	Passed Senate As Amended House Appropriations	ND PSC	\$900,000	Includes BND transfer \$900,000 from Beginning Farmer Revolving Fund for Rail Case.	No Repayment
SB 2214	Passed Senate As Amended House Appropriations	Administered by BND	\$25,000,000	Receive \$25 million each biennium for bond payments of which proceeds from the bonds are used to provide up to \$250 million for the School Construction Assistance Revolving Loan Fund . Also provides \$5 million of buydown for the State School Construction Loan Program. House Education Committee Hog-Housed from \$25 million in biennial payments to a one-time capitalization of \$75 million.	Foundation Aid Stabilization Fund Appropriation
SB 2275	Passed Senate - As Amended House Appropriations	Administered by BND	\$55,000,000	Receive \$55 million each biennium for bond payments of which proceeds from the bonds are used to provide up to \$500 million to the BND Infrastructure Loan Fund . NDPFA may issue anticipation bonds or BND may provide an amount, not to exceed \$100 million to fund projects prior to bond issuance.	General Fund Appropriation
SB 2276	Passed Senate - As Amended House GVA Do Pass-Amended	Administered by BND	\$250,000,000	Provides targeted 5% Legacy Fund allocation (currently estimated at \$250 million) to BND Community Infrastructure or Economic Development Programs (MATCH Program).	Community Infrastructure Projects
SB 2296	Bill Sent To Governor	Administered by BND	\$50,000,000	Establish BND guarantee reserve fund not to exceed \$50 million with BND establishing types of projects and ventures eligible to be guaranteed (Fuel Production Facility Loan Guarantee Program).	SIF Appropriation
Other Funding Sources			\$380,900,000		
GRAND TOTAL			\$650,900,000		

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AMENDMENT ENGROSSED HB 1014

SECTION 23. OIL HEDGING STUDY – BANK OF NORTH DAKOTA – REPORT TO LEGISLATIVE MANAGEMENT. During the 2019-21 biennium, Bank of North Dakota shall conduct a study on using various hedging strategies to protect the state from volatile swings in oil prices and report the results to legislative management during the 2021 Legislative Session.

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LEGISLATIVE INTENT - LIGNITE LITIGATION. It is the intent of the legislative assembly that at a minimum \$500,000 of the amount allocated to the lignite research fund in section 20 of this Act and any fee award received as a result of the court order in North Dakota v Lange, No. 16-4186 (8th Cir. 2018) 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.

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Loumer, Robyn D.

From: Morman, Heidi L.
Sent: Friday, February 15, 2019 1:57 PM
To: Loumer, Robyn D.
Subject: New FY2020-2021 Billing Rates

This email is to inform you that the North Dakota State Auditor's Office has evaluated the FY 2020-2021 billing rates for your agency. The expected bill for the Industrial Commission for the upcoming biennium will be \$14,100 for FY2020.

If you have questions please feel free to contact us at the numbers located below.

Thank you,

Heidi L. Morman
Account/Budget Specialist
NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept 117
Bismarck, ND 58505-0060
p: 701-328-1072
hlmorman@nd.gov
Facebook: [/NDStateAuditor](#)
www.nd.gov/auditor

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State Auditor Billing History

<u>Yr of Audit</u>	<u>Bien Audited</u>	<u>Audit Billing</u>	<u>Percent Change</u>	<u>5% Increase</u>
2004	01-03	\$4,150.00		
2006	03-05	\$4,357.00	0.049879518	\$4,357.50
2008	05-07	\$4,575.00	0.050034427	\$4,574.85
2010	07-09	\$4,804.00	0.050054645	\$4,803.75
2012	09-11	\$5,044.00	0.049958368	\$5,044.20
2014	11-13	\$5,296.00	0.049960349	\$5,296.20
2016	13-15	\$5,561.00	0.050037764	\$5,560.80
2018	15-17	\$5,839.00	0.049991009	\$5,839.05
2020	17-19	\$14,100.00	1.414797054	

Industrial Commission Active Litigation Cases

#2

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1 Federal Environmental Regulation

California v. Bureau of Land Management; Sierra Club v. Bureau of Land Management - Federal Environmental Regulation
(Hickey & Evans)

2 BLM HF Rule

State of Wyoming, State of Colorado, Independent Petroleum Association of America, Western Energy Alliance v. U.S. Department of the Interior,
and U.S. Bureau of Land Management - Hydraulic Fracturing Rule
(Greenberg Traurig)

3 BLM VF Rule

State of Wyoming et al v. United States Department of Interior et al - Bureau of Land Management Venting/Flaring Rule
(Greenberg Traurig)

4 ND Methane Rule

State of North Dakota v. U.S. EPA - Methane Rule
(Greenberg Traurig)

5 ND FTCA Claim

Litigation Related to Dakota Access Pipeline Protests
(Greenberg Traurig)

6 Sorum vs. ND

Sorum et al vs. State of ND et al - OHWM
(Pearson, Christensen, & Clapp)

7 Enduro Resources

Bankruptcy case
(Ballard Spahr, LLC)

Closed:

RCRA Oilfield Wastes

Environmental Integrity Project; Natural Resources Defense, Earthworks, Center for Health, Environment, and Justice; West Virginia Citizen Action
Group d/b/a West Virginia Surface Owners' Rights Organization; Responsible Drilling Alliance; and San Juan Citizens Alliance
(Greenberg Traurig)

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2017-2019 LITIGATION EXPENSES
as of March 15, 2019

	<i>Hickey & Evans</i> Federal Environmental Regulation (1)	<i>Greenberg Traurig</i> BLM HF Rule (2)	<i>Greenberg Traurig</i> BLM VF Rule (3)	<i>Greenberg Traurig</i> ND Methane Rule (4)	<i>Closed Greenberg Traurig</i> RCRA Oilfield Wastes	<i>Greenberg Traurig</i> ND FTCA Claim (5)	<i>Pearson Christensen & Clapp</i> Sorum vs. ND (6)	<i>Ballard Spahr, LLC</i> Enduro Resources (7)	Monthly Total	Litigation Balance
Jul-17										\$1,000,000.00
Aug-17	\$120.00								\$120.00	\$999,880.00
Sep-17		\$22,075.03	\$16,347.50	\$17,274.83	\$9,307.50	\$340.00			\$65,344.86	\$934,535.14
Oct-17		\$66.30	\$24,982.90	\$10,790.60	\$30,498.87	\$2,787.50			\$69,126.17	\$865,408.97
Nov-17		\$13,277.50	\$34,059.69		\$1,718.38	\$765.00			\$49,820.57	\$815,588.40
Dec-17	\$840.00	\$46,336.22	\$34,244.07	\$470.00	\$44,746.29	\$11,717.50			\$138,354.08	\$677,234.32
Jan-18									\$0.00	\$677,234.32
Feb-18		\$2,307.34	\$50,813.82	\$6,014.90	\$4,342.50	\$5,083.34			\$68,561.90	\$608,672.42
Mar-18		\$14,796.39	\$58,324.44		\$683.67	\$19,998.50	\$14,581.64		\$108,384.64	\$500,287.78
Apr-18	\$240.00	\$11,974.04	\$35,131.88		\$3,303.91	\$10,509.59	\$23,690.67		\$84,850.09	\$415,437.69
May-18							\$36,828.50		\$36,828.50	\$378,609.19
Jun-18		\$4,034.20	\$64,135.69	\$1,657.50	\$8,260.00	\$37,881.20	\$40,171.26		\$156,139.85	\$222,469.34
Jul-18									\$0.00	\$222,469.34
Aug-18		\$1,573.39	\$3,991.88			\$19,789.58		\$8,679.18	\$34,034.03	\$188,435.31
Sep-18		\$468.30	\$1,917.10	\$467.50		\$30,150.00	\$13,907.24	\$540.00	\$47,450.14	\$140,985.17
Oct-18									\$0.00	\$140,985.17
Nov-18		\$425.00	\$32,596.40	\$1,105.00		\$1,723.00	\$34,985.74	\$7,971.16	\$78,806.30	\$62,178.87
Dec-18		\$1,275.00	\$3,515.00	\$4,892.50		\$3,342.50			\$13,025.00	\$49,153.87
Jan-19							\$49,153.87		\$49,153.87	\$0.00
Feb-19									\$0.00	\$0.00
Mar-19									\$0.00	\$0.00
Apr-19									\$0.00	\$0.00
May-19									\$0.00	\$0.00
Jun-19									\$0.00	\$0.00
	\$1,200.00	\$118,608.71	\$360,060.37	\$42,672.83	\$102,861.12	\$144,087.71	\$213,318.92	\$17,190.34	\$1,000,000.00	

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2019-2021 Litigation Pool Request

	2017-19 Biennium Costs			2019-21
	Actual	Estimated	Total Costs	Estimated Costs
1 Federal Environmental Regulation	\$1,200.00	\$0.00	\$1,200.00	\$1,500
2 BLM HF Rule	\$121,443.71	\$26,988.00	\$148,431.71	\$185,540
3 BLM VF Rule	\$370,179.53	\$82,264.00	\$452,443.53	\$565,554
4 ND Methane Rule	\$43,777.53	\$9,728.00	\$53,505.53	\$66,882
5 ND FTCA Claim	\$152,287.91	\$33,840.00	\$186,127.91	\$232,660
6 Sorum vs. ND	\$226,495.90	\$69,692.00	\$296,187.90	\$370,235
7 Enduro Resources	\$17,190.34	\$11,460.00	\$28,650.34	\$35,813
(Closed) RCA Oilfield Wastes	\$102,861.12		\$102,861.12	\$0
Potential New Litigation <i>(Washington case expected to be similar to BLM VF case)</i>				\$550,000
			<u>\$1,269,408.04</u>	<u>\$2,008,184</u>
			2019-2021 Litigation Pool Request	\$2,000,000

HB 1014: Examples of Institutional Knowledge from Key Employees

Four employees with 149 years of combined experience have met the "Rule of 85".

These employees hold key positions and institutional knowledge that will be critical to retain after their retirement. Below are examples of notes from these inspectors on prior experiences sharing knowledge that could prevent unsafe situations, knowledge of the geology in the area, and technical background.

Operator of well got the idea to use an air compressor to pump air down a well for gas lift. Advised him that he is creating a downhole bomb. Gas could mix with oxygen and create explosion, also a problem for gas purchaser.

Oil theft of a well in North Dakota by a Fairview, MT pumper who owned a well in Montana. Trucking company noticed run tickets had been whited out and changed. Pumper was stealing oil in North Dakota by having oil hauled to Montana to his well. Company gauged tanks during the night before the pumper came and caught him.

Spill called in by landowner.

Kent (landowner) reported to the Williams County Sheriff's Deputy that he had found oil and saltwater coming up out of the ground in his field. Mike, the Williams County Emergency Manager called me about the spill. I asked Mike to get the legal location of the spill, so we could determine who to contact. He called back and said it was in one location, but leak was in a different location. I told Mike I would go look at the spill.

When I arrived on location a slow trickle of saltwater was coming out of the ground and also the spill site was ringed with black oil. I talked to Kent and Mike. Mike mentioned that this site was an old Dome location possibly a tank battery. He said he thought some flow lines ran to the west into Montana from this site years ago. You could see the scars in the pasture suggesting that a pipeline ran southwest of the spill site.

Mike and I went to the saltwater disposal (SWD) in Montana to find out who was the operator of the well. At the time the well was owned by Oasis, it is currently owned by Energy Equity. I called Oasis and explained the problem. They said they would send out a back hoe and dig a hole to contain the saltwater and oil from spreading that night. I was also concerned that if the flow increased it would run into the water a short distance north of the spill. Oasis said they would determine who was responsible on Monday. I went back to the spill, took some pictures and measured the spill. It was about 40- 50' wide and 250' long running to the NE. There was about 5-6 bbls of saltwater pooled that could be removed. Roustabout came and dug a shallow trench to contain any runoff.

Call from Energy Equity that they do not have any lines in this area. We talked about kicking in the transfer lines to the Horob SWD in Montana. Note: All wells and lines to SWD are in Montana.

What we found is that at a tank battery in Montana a roustabout crew - when tying in saltwater lines at an old tank battery - actually tied into an old gas line that ran from Montana into an abandoned compressor in North Dakota. I called the operator of the tank battery in Montana and had them kick in the saltwater transfer pump. In about 10 minutes we had saltwater come to surface at the old compressor station in North Dakota.

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File #2028: Hess Larson SWD

On July 11, 2002, I witnessed several 5 year MIT tests on Amerada Hess wells with Larry of Amerada and Kent with K&T Hot Oil Service.

We found 310 psi on the tubing and 700 psi when we hooked up to the Hot Oil truck to the Larsen SWD well. We tried to bleed the backside off to 0. The tubing pressure also dropped to 0.

We flowed back about 10 BLS to the Hot Oil truck. The backside was left open to the Hot Oil truck. The backside would heat up once in a while to 150 psi. We then pumped 8 barrels down the backside until pressure reached 800 psi. The tubing climbed to about 200 psi.

Larry then removed the pressure gauge to see if it was working. The gauge appeared to be OK.

Larry then opened the needle valve. No fluid came out of the needle valve. The needle valve appeared to be plugged. Larry removed the needle valve off the backside and found that the needle valve appeared to be welded shut so the pressure gauge would show 0 psi

Pumper was opening the valve on backside of a well at night and putting SWD down the shut-in well nearby. I was tipped off about this by another pumper. Valve on the backside would be closed during the day. Checked well early in the morning and found valve open. Company was illegally using the shut-in well as a SWD.

We have had people die from H2S in some areas. Blue Buttes and Ray for example.

Had a person get gassed on a snubbing unit. When they broke a connection, trapped gas escaped and he was knocked out. He fell from the snubbing unit and as he went by the rig floor cut his leg. He was ok, but it took 190 stiches to fix his leg. This well was 26% H2S.

We plugged a well a few year ago south of Tobacco Garden the well was 75% H2S. They had an ambulance off location during plugging operations.

A pumper at Ray was killed when he had an oil line valve break and sprayed him with oil. He did not make it out of the dikes.

Knowledge of the over pressured Foxhills formation in the Charlson area, over pressured Minnelusa formation and the high H2S in the North Little Knife Lone Butte area, nitrogen pressure in Tyler formation at Knutson, high H2S in Red River formation in the Roughrider field where we had to mask up to plug the well.

Having knowledge of most of the plugged out legacy fields as the Bakken expands around those.

Leaking well in T. R. field we had to re-enter and plug that had 800 psi on the welded plate.

Knowledge on the locations of plugged SWD sites which could cause issues in the future.



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House Bill 1014

Senate Appropriations Committee

March 27, 2019

North Dakota Industrial Commission—Department of Mineral Resources—Oil and Gas Division

Section 5 of Engrossed House Bill No. 1014 (19.0202.02000) appropriates funding for two full-time equivalent positions when the total number of wells capable of production and injection exceeds twenty thousand eight hundred (20,800), subject to Budget Section approval.

The Commission has requested HB 1014 be amended to appropriate funding for two additional full-time equivalent positions when the total number of wells capable of production and injection exceeds twenty-two thousand five hundred (22,500), subject to Budget Section approval.

The Commission is providing the projections below to assist in evaluating the above requests:

Assumes the number of NC wells (drilled but not completed) remains approximately constant at 867 in the '19-'21 Biennium:

Projection 3-27-2019 to 6-30-2019 (end of 2017-2019 Biennium)	
18,693	Wells capable of prod & inj as of 3-14-2019
3/27/2019	Date of Calculation
6/30/2019	End of 2017-2019 Biennium
95	Days left in 2017-2019 Biennium
3.12	Months left in 2017-2019 Biennium
344	Additional wells completed @ end of FY 2019--assumes 110 wells/mth w/65 avg rig count (1.7 wells/mth/rig)
19,037	Total wells @ end of 2017-2019 Biennium

Projection for FY 2020 (1st half of the 2019-2021 Biennium)	
19,037	Wells capable of prod & inj as of 6-30-2019
12	Months in FY 2020
1554	Additional wells completed @ during FY 2020--assumes 129.5 wells/mth w/70 avg rig count (1.85 wells/mth/rig)
20,591	Total wells @ end of FY 2020

Projection for FY 2021 (2nd half of the 2019-2021 Biennium)	
20,591	Wells capable of prod & inj as of 6-30-2020
12	Months in FY 2021
1800	Additional wells completed @ during FY 2021--assumes 150 wells/mth w/75 avg rig count (2.0 wells/mth/rig)
22,391	Total wells @ end of FY 2021

Projection to 20,800 Wells:	
20,591	Wells capable of prod & inj as of 6-30-2020
209	Wells needed to reach 20,800
42	Days to drill 209 wells--assumes 150 wells/mth w/75 avg rig count (2.0 wells/mth/rig)
8/11/2020	Date projected to reach 20,800 wells capable of prod and inj

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Assumes the number of NC wells (drilled but not completed) is reduced from 867 to approximately between one and three times the drilling rig count in the '19-'21 Biennium:

Projection 3-27-2019 to 6-30-2019 (end of 2017-2019 Biennium)	
18,693	Wells capable of prod & inj as of 3-27-2019
3/27/2019	Date of Calculation
6/30/2019	End of 2017-2019 Biennium
95	Days left in 2017-2019 Biennium
3.12	Months left in 2017-2019 Biennium
344	Additional wells completed @ end of FY 2019--assumes 110 wells/mth w/65 avg rig count (1.7 wells/mth/rig)
867	NC wells (drilled but not completed)
19,904	Total wells @ end of FY 2019

Projection for FY 2020 (1st half of the 2019-2021 Biennium)	
19,904	Wells capable of prod & inj as of 6-30-2019
6/30/2020	End of FY 2020
12	Months in FY 2020
1,554	Additional wells completed @ during FY 2020--assumes 129.5 wells/mth w/70 avg rig count (1.85 wells/mth/rig)
21,458	Total wells @ end of FY 2020

Projection to 20,800 Wells:	
19,904	Wells capable of prod & inj as of 6-30-2019
896	Wells needed to reach 20,800
210	Days to drill 896 wells--assumes 129.5 wells/mth w/70 avg rig count (1.85 wells/mth/rig)
1/26/2020	Date projected to reach 20,800 wells capable of prod and inj

Projection for FY 2021 (2nd half of the 2019-2021 Biennium)	
21,458	Wells capable of prod & inj as of 6-30-2020
6/30/2021	End of FY 2021
12	Months in FY 2021
1,800	Additional wells completed @ during FY 2020--assumes 150 wells/mth w/75 avg rig count (2.0 wells/mth/rig)
23,258	Total wells @ end of FY 2021

Projection to 22,500 Wells:	
21,458	Wells capable of prod & inj as of 6-30-2020
1,042	Wells needed to reach 22,500
211	Days to drill 1042 wells--assumes 150 wells/mth w/75 avg rig count (2.0 wells/mth/rig)
1/27/2021	Date projected to reach 22,500 wells capable of prod and inj

BAKKEN PRODUCED GAS STORAGE PILOT

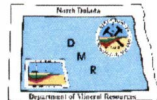
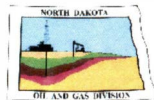
HB 1014: SECTION 17:

- Funding of demonstration project(s) can be provided through the Oil and Gas Research Fund:

SECTION 17. EXEMPTION - OIL AND GAS TAX REVENUE ALLOCATIONS - OIL AND GAS RESEARCH FUND - PILOT PROJECT FOR UNDERGROUND GAS STORAGE.

1. Notwithstanding the provisions of section 57-51.1-07.3 relating to the allocations to the oil and gas research fund, for the period beginning August 1, 2019, and ending July 31, 2021, the state treasurer shall deposit two percent of the oil and gas gross production tax and oil extraction tax revenues, up to ~~\$14,000,000~~ \$18,000,000, into the oil and gas research fund before depositing oil and gas tax revenues under section 57-51.1-07.5.
2. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use ~~\$4,000,000~~ \$8,000,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the energy and environmental research center for a pilot project relating to the underground storage of produced natural gas. The pilot project may include studies and demonstration projects. During the 2019-20 interim, the energy and environmental research center shall provide quarterly reports to the industrial commission and at least one report to the legislative management regarding the results and recommendations of the pilot project.

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DMR Amendment to HB 1014 Regarding SB 2037 Fiscal Note

Section 3 of SB 2037 establishes a high-level radioactive waste fund and a high-level radioactive waste advisory council. The bill requires appointed council members to meet at least annually, but it is estimated the council will meet three times per year (every four months) during the 2019-21 biennium in response to the number of issues that arose this session during testimony on this bill. The bill requires all travel and other expenses incurred by appointed council members be reimbursed. The travel reimbursement costs are estimated at \$19,692 per biennium.

Expenditures are for travel reimbursement for the advisory council. There would be a maximum of seven people from outside of Bismarck. The expenses are estimated as follows:

Mileage: \$0.58/mile @ 560 miles x 7 people = \$2,274

Lodging: \$84.60 + \$6.77 (tax) x 7 people = \$640

Per diem: \$35.00 + \$17.50 x 7 people = \$368

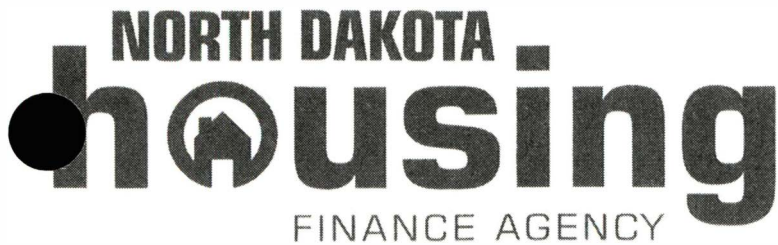
Estimated total cost per meeting: \$3,282

Cost per biennium (6 meetings): \$19,692

Until the high-level radioactive waste fund begins to collect revenue, the travel costs will require general fund transfers, and because the high-level radioactive waste fund is not established as a continuing appropriation fund in Section 3 of SB 2037, an amendment to HB 1014 is requested as follows:

Section 21. High-level Radioactive Waste Fund – Use of Funding. The high-level radioactive waste fund line item in subdivision 1 of section 1 of this Act includes \$20,000 from the general fund that the industrial commission may deposit in its high-level radioactive waste fund for the purposes of reimbursing necessary travel and other expenses incurred by appointed members of the high-level radioactive waste advisory council in the performance of official duties. The high-level radioactive waste fund must be maintained as a special fund and any interest on the fund stays with the fund. All moneys transferred into the fund are appropriated and must be used and disbursed solely for the purposes listed in chapter 38-23.

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Jolene Kline Executive Director

INDUSTRIAL COMMISSION

Doug Burgum Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

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Memo

To: Senate Appropriations Sub-Committee

From: Jolene Kline, Executive Director

Date: 4/2/2019

Re: HB 1014 - Dept 473 - Housing Finance Agency, Proposed Amendment

Senators Holmberg, Sorvaag and Mathern,

As the Executive Director of the North Dakota Housing Finance Agency, I am requesting that House Bill 1014 be amended to include funding of \$40 million for the Housing Incentive Fund (HIF).

On March 27th, the House Appropriations Committee removed the appropriations request from SB 2271 which would have provided \$40 million for HIF. Today Engrossed SB 2271 is scheduled for the House Floor Calendar on the 6th order of business as a recommended do not pass.

For background information, SB 2271 was initially introduced with a \$40 million funding request for HIF, removal of the priority for Essential Service Workers and reduced the percentage of the fund that had to be used to assist developing communities address an unmet housing need or alleviate a housing shortage from 25 percent to 15 percent. The Senate passed out SB 2271, as introduced, but with \$10 million. The House IBL committee amended the bill and passed out an increase in funding back to the original \$40 million and added the essential service worker housing priority language back into the bill.

I am asking this subcommittee to amend Engrossed HB 1014, which pertains to the Industrial Commission and the North Dakota Housing Finance Agency's budget, to include \$40 million in funding for HIF.

Funding Sources

HIF has been funded in past bienniums with state income tax credits, general fund appropriations, and transfers from the Bank of North Dakota. The Governor recommended funding for HIF in this biennium from SIF. The Agency has no objections to funding utilizing any of these sources of funds.

HIF is an effective, locally-driven rental housing financing tool, created and authorized during the 2011 legislative session. HIF was last funded at \$40 million in the 2015-2017 biennium. All of the funding has been spent or committed and there is no HIF funding available for future projects. The Agency receives \$6.1 million annually in federal funding for affordable housing projects. Without HIF funding, the Agency will only be able to finance three to four affordable housing projects across the state for each year of the biennium.

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The chart below provides an approximate number of units that would be constructed or rehabilitated at each previously discussed funding level using the historical average cost per unit of \$176,704 and HIF investment per unit of \$47,104.

HIF Funding Scenario (2019-2021)	Average Cost Per Unit	Average HIF Investment Per Unit	Estimated # of Units (2019-2021)
\$40 Million			849
\$20 Million	\$176,704	\$47,104	425
\$10 Million			212

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Targeted Housing Populations Using future HIF Funding

Workforce	More than 12,000 unfilled jobs across the state. Need to earn a minimum of \$16.10 per hour to afford a two-bedroom apartment at \$855 per month
Seniors/Frail Elderly	Senior population will grow by 52.8% up to 159,969 by 2029. Dept. of Human Services spent \$90,000 per individual on Medicaid living in a nursing home totaling \$258 million in FY17. In-home care programs cost \$17,000 to \$23,000 per person and Dept. of Human Services spent \$43 million in FY17.
Homeless/ At-Risk of Homelessness	Chronically homeless individuals cost the state \$30,000-\$50,000 on average per person per year. HIF funded permanent supportive housing (PSH) reduces this cost by 40%. Every dollar invested in PSH saves the state \$4 in support services when generational poverty is eliminated.
Rehabilitation	State and federally funded affordable housing units across the state provide housing for low-income households, elderly and individuals with disabilities. A substantial portion of these units are located in rural communities and approaching the end of the program mandatory affordability period or the building's lifecycle, therefore, requiring additional funding for replacement or renovation. Approximately 3,000 units will reach maturity by 2029

NDHFA's mission is to ensure that every North Dakotan has a safe and affordable place to call home. Our most vulnerable households are the ones that need our help the most. I fully understand that \$40 million is a big ask, yet we have big challenges and great opportunities across the state and HIF can be part of the solution.

- Availability of affordable housing is a vital part of attracting a workforce to fill the more than 12,178 current job openings posted on the Job Service of North Dakota website.
- Providing in-home support services in an affordable home is not only a much more cost-effective way for our state to address the growing numbers of seniors and frail elderly but it also is a substantial improvement to their quality of life and allows them to age in place for as long as possible.

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- The availability of affordable housing coupled with appropriate support services will be critical in the state's efforts to transform behavioral health care and reduce recidivism as part of the Free through Recovery and Behavioral Health initiatives.

When this program was last funded in the 2015-17 biennium, there were more than \$70 million in requests for the \$40 million that was available. After coordinating public hearings and evaluating projects based on the greatest value and public need more than 1,100 housing units were constructed or rehabilitated. Projects include 84 units to replace functionally obsolete public housing in West Fargo. Ten new units in New Rockford to support the local school district. Thirty-two senior living units in downtown Bismarck close to medical centers. Fifty new units in Fargo and West Fargo for single parents with children to break the cycle of generational poverty and an additional 30 units in Bismarck for chronically homeless men to help them become housing stable and reintegrated back into the community.

Whether the ultimate funding level is \$40 million, or \$20 million or something even less, every rental unit produced with this funding will make a difference in someone's life and help grow our state and local economies.

We respectfully ask this sub-committee to recognize that an investment in housing is an investment in the infrastructure of our state. Affordable Housing Empowers People, Improves Lives, and Inspires Success.

p3

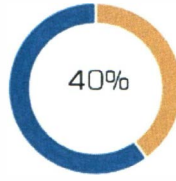
District 11 Affordable Housing Facts

POPULATION
14,590

HOUSEHOLDS
7,183

MEDIAN HOUSEHOLD INCOME
\$43,016

RENTER HOUSEHOLDS



are cost burdened



SENIOR HOUSEHOLDS
1,551

SENIOR HOUSEHOLDS WITH FOOD STAMPS
130

SENIORS WITH A DISABILITY
823

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
1,657

WITH FOOD STAMPS
333



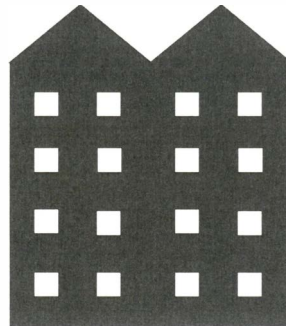
HOUSEHOLDS WITH FOOD STAMPS
808

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
\$20,625



HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
1,750

AVERAGE SOCIAL SECURITY INCOME PER YEAR
\$16,693

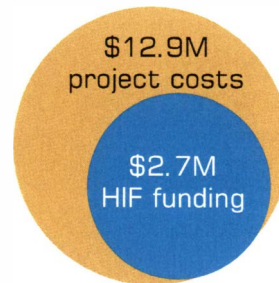


EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLDS PROJECTIONS (2014-2029)
Cass +8,061

HIF MAKES A DIFFERENCE

2 HIF projects for a total of 50 units

- Grace Garden
- Jeremiah Program



\$4.78 leveraged for each HIF dollar invested

District 17 Affordable Housing Facts

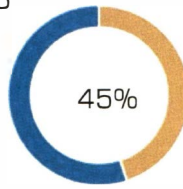
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POPULATION
 15,878

HOUSEHOLDS
 6,789

MEDIAN HOUSEHOLD INCOME
 \$76,796

RENTER HOUSEHOLDS
 2,146



are cost burdened



Median Rent for a 2 bedroom apartment Grand Forks* \$870

\$16.73

hourly wage needed



*Grand Forks, ND-MN Metropolitan Statistical Area

SENIOR HOUSEHOLDS
 1,586

SENIOR HOUSEHOLDS WITH FOOD STAMPS
 61

SENIORS WITH A DISABILITY
 621

HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
 1,299

WITH FOOD STAMPS
 88



HOUSEHOLDS WITH FOOD STAMPS
 336

MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
 \$15,000



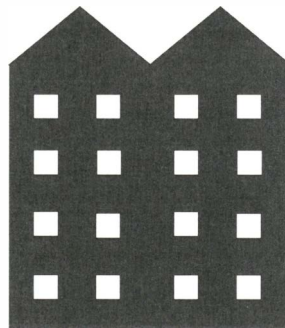
\$375 affordable rent

HOUSEHOLDS WITH A SOCIAL SECURITY INCOME
 1,779

AVERAGE SOCIAL SECURITY INCOME PER YEAR
 \$21,312



\$533 affordable rent



EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLDS PROJECTIONS (2014-2029)
 Grand Forks + 1.213

District 45 Affordable Housing Facts

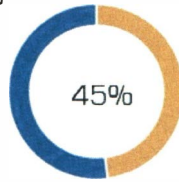
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POPULATION
15,319

HOUSEHOLDS
4,821

MEDIAN HOUSEHOLD INCOME
\$61,790

RENTER HOUSEHOLDS
1,408



are cost burdened



Median Rent for a
2 bedroom apartment
Cass* \$859

\$16.52

hourly wage
needed



*Fargo, ND-MN Metropolitan Statistical Area

SENIOR HOUSEHOLDS
768

**SENIOR HOUSEHOLDS WITH
FOOD STAMPS**
34

SENIORS WITH A DISABILITY
447

**HOUSEHOLDS WITH AN
INDIVIDUAL WITH A DISABILITY**
833

WITH FOOD STAMPS
42



**HOUSEHOLDS WITH FOOD
STAMPS**
200

**MEDIAN INCOME OF A
HOUSEHOLD WITH FOOD
STAMPS**
\$31,548



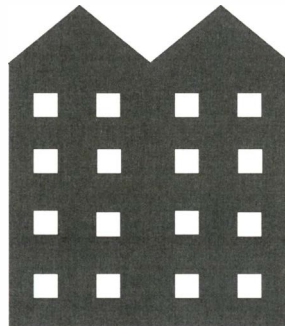
affordable rent

**HOUSEHOLDS WITH A SOCIAL
SECURITY INCOME**
1,034

**AVERAGE SOCIAL SECURITY
INCOME PER YEAR**
\$19,662



affordable rent



**EXTREMELY LOW- AND VERY
LOW-INCOME HOUSEHOLDS
PROJECTIONS (2014-2029)**
Cass +8,061

**ANALYSIS OF THE LIGNITE RESEARCH FUND
FOR THE 2017-19 AND 2019-21 BIENNIUMS
(REFLECTING LEGISLATIVE ACTION THROUGH CROSSOVER)**

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	2017-19 Biennium		2019-21 Biennium	
Estimated beginning balance ¹		\$23,941,865		\$729,270
Add estimated revenues				
Separate two-cent coal severance tax	\$1,140,000		\$1,140,000	
50 percent of coal severance taxes deposited in the coal development trust fund (result of passage of Initiated Measure No. 3 in June 1990) (2017 SB 2014) ²	1,730,000		1,730,000	
20 percent of coal severance taxes deposited in the coal development trust fund for clean coal projects (result of constitutional amendment approved by voters in June 1994) (2017 SB 2014) ²	710,000		710,000	
15 percent of coal severance taxes (2017 SB 2014) ²	3,205,000		3,205,000	
Investment income on Dakota Gasification Company ammonia plant and Spiritwood Plant	180,000		180,000	
5 percent of the general fund share of coal conversion tax (2007 HB 1093)	2,310,000		2,310,000	
Oil and gas tax allocation (2017 HB 1152) (2019 HB 1066) ²	3,000,000		10,000,000	
Revenue bonds/short-term loan ³	0		0	
Transfer from the strategic investment and improvements fund (2017 SB 2014)	3,000,000		0	
Interest income and return of funds and litigation contributions	234,000		600,000	
Total estimated revenues		15,509,000		19,875,000
Total estimated available		\$39,450,865		\$20,604,270
Less estimated expenditures and transfers ^{4,5}				
Administration	\$850,000		\$900,000	
Lignite feasibility studies (nonmatching grants)	2,192,250		2,000,000	
Small research grants	6,974,844		2,500,000	
Lignite marketing	2,634,000		1,500,000	
Lignite litigation ⁶	1,500,000		1,500,000	
Demonstration projects	1,367,678			
Allam Cycle grants (2015 HB 1014) ⁷	2,358,678			
Advanced energy technology development	20,844,145		11,500,000	
Total estimated expenditures and transfers⁸		38,721,595		19,900,000
Estimated ending balance		\$729,270		\$704,270

¹The beginning balance shown for the 2017-19 biennium is \$72,952 less than the \$24,014,817 reported in June 2018 due to an adjustment to 2015-17 biennium expenditures.

²Senate Bill No. 2014 (2017) reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund. House Bill No. 1152 (2017) changes the allocation of the state's share of oil and gas tax revenue to increase the allocation to the general fund and provide allocations to the budget stabilization fund and the lignite research fund, providing up to \$3 million of allocations to the lignite research fund.

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House Bill No. 1066 (2019) increases the allocation of oil and gas tax revenue to the lignite research fund by \$7 million, from \$3 million to \$10 million.

³Pursuant 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.

⁴The 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.

⁵The Industrial Commission has waived the fund allocation policy. The commission has committed \$22 million through the 2011-13 biennium to three projects. In January 2015 the commission learned one of the projects is not proceeding and released the project's 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, \$110,000 during the 2013-15 biennium, \$914,663 during the 2015-17 biennium, and anticipated expenditures of \$1,367,678 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 that were distributed but later returned when projects did not proceed.)

⁶Lignite litigation - 2007 House Bill No. 1093 provides that \$500,000 of the amount appropriated to the lignite research fund for the 2007-09 biennium 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, \$983,288 during the 2013-15 biennium with \$451,555 of that amount paid by industry, \$259,159 during the 2015-17 biennium with \$122,866 of that amount paid by industry, and \$1,500,000 is set aside to be spent during the 2017-19 biennium and the 2019-21 biennium. The State of North Dakota was successful in its litigation against the State of Minnesota and will be receiving a total of \$1,410,000. Of the \$1,410,000, \$670,000 will be paid to industry partners, and the remaining \$740,000 will be deposited in the lignite research fund during the 2017-19 and 2019-21 bienniums. The original \$500,000 was spent by the end of the 2011-13 biennium with additional funding being provided from nonmatching program funds in subsequent bienniums. In addition, the lignite industry has paid a portion of the litigation costs.

⁷The 2015 Legislative Assembly provided \$5 million from the general fund; however, the appropriation was reduced by \$327,500 as the result of the August 2016 budget reductions. All of the funding was committed during the 2015-17 biennium, the funding is distributed as projects are completed. As of February 20, 2019, the remaining \$2,358,678 has been distributed.

⁸The 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 Section 21 of Article X of the Constitution of North Dakota provide for up to 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.

#2

Jolene Kline Executive Director

INDUSTRIAL COMMISSION

Doug Burgum Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

HB 1014

4-4-19

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Memo

To: Senate Appropriations Sub-Committee

From: Jolene Kline, Executive Director

Date: 4/4/2019

Re: HB 1014 - Dept 473 - Housing Finance Agency, Proposed Amendment

Chairman Sorvaag and members of the committee

In addition to the request for funding, attached are some suggested language changes to NDCC 54-17.40 to be included in an amendment to HB 1014 removing the priority for housing for essential service workers.

The priority for essential service worker housing was put into place when the program was first created in 2011 as a way for local communities to recruit and retain workers in a rapidly escalating rental rate environment. While there still may be a need for housing for essential service workers in some communities, there may be different unmet needs in other communities.

By revising this section we are not removing the ability to fund housing for essential service workers. Each community in North Dakota has unique population and housing demographics. HIF is one of the most flexible and accessible programs that communities have to address their housing needs. Some communities may want to invest more in housing for workers. Other communities may need affordable housing for seniors to keep them as part of their community. Other communities may need permanent supportive housing options for individuals to address behavioral health issues causing homelessness.

The HIF allocation plan will still allow for funding of workforce projects as well as projects that serve the elderly, disabled, homeless, etc.

Removal of the statutory ESW priority will leave it up to the local communities to support the type of housing that is most needed in their community rather than the state prioritizing what we believe they need most.

54-17-40. 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. a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least ~~twenty-five~~ fifteen percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage.
b. The ~~housing incentive fund must be used 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.~~
c. ~~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, I~~ 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 market rents or department of housing and urban development section 8 payment standards.
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.
6. 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.
7. 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.
8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.
9. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing

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incentive fund. The report must include the following:

- a. ~~The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and~~
- b. ~~A listing of projects approved and the number of units within those projects that provide housing for essential service workers.~~

NDHFA Total Federal/State Funding	Base Budget 2017-2019	Request 2019-2021	Base Budget Changes
		\$31,794,828	\$33,466,600
Federal Funding	Base Budget 2017-2019	Request 2019-2021	Base Budget Changes
HUD Housing Counseling – Passed Through			
NDHFA receives and awards to Community Action Agencies for housing counseling.	\$170,000	\$120,000	(\$50,000)
HUD Moderate Rehabilitation – Passed Through			
NDHFA receives and distributes to landlords providing project-based rental assistance to low-income families.	\$1,186,030	\$1,021,100	(\$164,930)
HUD Contract Administration Section 8 Housing – Passed Through			
NDHFA receives and distributes to landlords providing rental assistance to low-income families.	\$24,488,798	\$26,155,500	\$1,666,702
HUD Housing Trust Fund – Affordable Housing Construction or Rehabilitation Funding			
NDHFA receives and awards funding for the production or preservation of affordable Housing.	\$5,400,000	\$5,600,000	\$200,000
Total Federal Sources	\$31,244,828	\$32,896,600	\$1,651,772
State/NDHFA Funded Grants	Base Budget 2017-2019	Request 2019-2021	Base Budget Changes
Housing Incentive Fund – Affordable Housing Construction or Rehabilitation State Funding			
NDHFA awards funding for the production or preservation of affordable Housing.	\$0	\$0	.
Helping HAND – NDHFA funded rehabilitation grant			
NDHFA funded grant to support new or existing single- or multi-family housing rehabilitation.	\$400,000	\$400,000	.
RAP – NDHFA funded rehabilitation grant			
NDHFA funded grant to support accessibility improvements made to single- or multi-family properties occupied by low income people with disabilities.	\$100,000	\$100,000	.
Housing Market Survey – NDHFA funded survey			
NDHFA awards funding to communities to help pay for an analysis of current and future housing needs.	\$50,000	\$50,000	.
Landlord Risk Mitigation – Passed Through from Dept. of Human Services			
NDHFA administers an “insurance” to landlords willing to rent to tenants experiencing rental barriers.	.	\$20,000	\$20,000
State/NDHFA Funded Grants	\$550,000	\$570,000	\$20,000

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Title.

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Prepared by the Legislative Council staff for AS 1
Senator Wardner
March 14, 2019

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 5, remove "and"

Page 1, line 6, after "exemption" insert "; to provide for a study; and to provide for a report"

Page 8, after line 16, insert:

"SECTION 21. BANK OF NORTH DAKOTA STUDY - REPORT TO LEGISLATIVE ASSEMBLY. During the 2019-20 interim, the Bank of North Dakota shall conduct a study on the use of various hedging strategies to protect the state from volatile swings in oil prices. Before January 15, 2021, the Bank of North Dakota shall report the results of its study to the appropriations committees of the sixty-seventh legislative assembly."

Renumber accordingly

April 3, 2019

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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 2, after the semicolon insert "to create and enact section 6-09.4-28 of the North Dakota Century Code, relating to the infrastructure revolving loan fund debt repayments;"

Page 1, line 3, after "reenact" insert "sections 6-09-49, 6-09.4-06, and 6-09.4-10, subsection 6 of section 21-03-07, sections 21-03-19, 57-15-06.6, and 57-47-02, and"

Page 1, line 4, after "to" insert "the infrastructure revolving loan fund, borrowing and lending authority, reserve funds, expanded bonding authority for counties, and"

Page 1, line 5, after the first semicolon insert "to repeal section 61-02-78 of the North Dakota Century Code, relating to a revolving loan fund for water projects;"

Page 1, line 5, replace "and" with "to provide a continuing appropriation; to provide a bond issuance limitation;"

Page 1, line 6, after "exemption" insert "; to provide an effective date; and to declare an emergency"

Page 4, after line 15, insert:

"SECTION 5. APPROPRIATION - 2017-19 BIENNIUM - PUBLIC FINANCE AUTHORITY - EXEMPTION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with bonds issued to support the infrastructure revolving loan fund, for the period beginning with the effective date of this Act and ending June 30, 2019. The funding provided in this section is not subject to section 54-44.1-11 and may be continued into the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 6, after line 3, insert:

"SECTION 14. TRANSFER INFRASTRUCTURE REVOLVING LOAN FUND FOR WATER PROJECTS TO INFRASTRUCTURE REVOLVING LOAN FUND. The state water commission shall transfer any outstanding loans from the infrastructure revolving loan fund under section 61-02-78 to the infrastructure revolving loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 6, after line 12, insert:

"SECTION 17. AMENDMENT. Section 6-09-49 of the North Dakota Century Code is amended and reenacted as follows:

6-09-49. 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 two percent per year. pg 2

2. For purposes of this section, "essential infrastructure projects" means capital construction projects for the following:
 - a. New or replacement of existing water treatment plants;
 - b. New or replacement of existing wastewater treatment plants;
 - c. New or replacement of existing sewer lines and water lines; and
 - d. New or replacement of existing 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 fifteen million dollars per loan. 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.
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 administer this loan program in accordance with the provisions of this section and to supplement and leverage the funds in the infrastructure revolving loan fund. Additionally, the Bank may adopt policies allowing participation by local financial institutions.

Infrastructure revolving loan fund - Bank of North Dakota - Continuing appropriation.

1. The infrastructure revolving loan fund is a special fund in the state treasury administered by the Bank of North Dakota. The Bank shall use moneys in the fund to provide loans to political subdivisions for eligible infrastructure projects pursuant to subsections 6 and 7 and to provide loans to institutions of higher education for eligible infrastructure projects pursuant to subsection 8.
2. The Bank may adopt policies and establish guidelines to administer the loan program in accordance with this section, including policies to supplement and leverage the moneys in the fund and policies to allow participation by local financial institutions. A loan made from the fund must have an interest rate that does not exceed two percent per year. The maximum term of a loan for an infrastructure project under subsections 6 and 8 is thirty years, and the maximum term of a loan for an infrastructure project under subsection 7 is forty years.

3. All principal and interest payments received on loans made from the infrastructure revolving loan fund must be deposited into the fund. The Bank may use a portion of the interest paid on the outstanding loans as a servicing fee to pay 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.
4. An applicant shall issue an evidence of indebtedness as authorized by law. An institution of higher education shall identify at least one funding source for the debt repayment, including:
 - a. Tuition or fee revenue collected by the institution of higher education;
 - b. Distributions of state aid received by the institution of higher education under chapter 15-18.2; or
 - c. Other sources of revenue.
5. In processing loan applications under this section, the Bank shall calculate the maximum loan amount available to a qualified applicant. Each applicant may have up to twenty-five million dollars of outstanding loans from the fund for infrastructure projects under subsections 6 and 8. The Bank shall consider the ability of the applicant 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. If an infrastructure project qualifies for funding through the state revolving fund established pursuant to chapters 61-28.1 and 61-28.2, the Bank shall verify the loan application only is for the portion of the project that is ineligible to receive funding from the state revolving fund.
6. Eligible infrastructure projects are capital construction projects to construct new infrastructure or to replace existing infrastructure, which provide the fixed installations necessary for the function of a political subdivision and are in the public interest. Capital construction projects exclude routine maintenance and repair projects, but include the following:
 - a. Water treatment plants;
 - b. Wastewater treatment plants;
 - c. Sewer lines and water lines, including lift stations and pumping systems;
 - d. Water storage systems, including dams, water tanks, and water towers;
 - e. Storm water infrastructure, including curb and gutter construction;
 - f. Road and bridge infrastructure, including paved and unpaved roads and bridges;
 - g. Airport infrastructure;
 - h. Electricity transmission infrastructure;

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- L Natural gas transmission infrastructure; and
 - L Communications infrastructure, excluding fiber optic infrastructure.
7. Eligible infrastructure projects are capital construction projects to construct new infrastructure or to replace existing infrastructure, which provide the fixed installations necessary for the function of a political subdivision and are in the public interest. Capital construction projects exclude routine maintenance and repair projects, but include the following:
- a. Flood control;
 - b. Water supply; and
 - c. Water management.
8. Eligible infrastructure projects for institutions of higher education are capital construction projects to construct new infrastructure or to replace existing infrastructure, which provide the fixed installations necessary for the function of the institution and are in the public interest. Capital construction projects exclude routine maintenance and repair projects, but include the following:
- a. Sewer lines and water lines;
 - b. Storm water infrastructure, including curb and gutter construction; and
 - c. Road infrastructure.

SECTION 18. AMENDMENT. Section 6-09.4-06 of the North Dakota Century Code is amended and reenacted as follows:

6-09.4-06. Lending and borrowing powers generally.

1. The public finance authority may lend money to political subdivisions or other contracting parties through the purchase or holding of municipal securities which, in the opinion of the attorney general, are properly eligible for purchase or holding by the public finance authority under this chapter or chapter 40-57 and for purposes of the public finance authority's capital financing program the principal amount of any one issue does not exceed five hundred thousand dollars. However, the public finance authority may lend money to political subdivisions through the purchase of securities issued by the political subdivisions through the capital financing program without regard to the principal amount of the bonds issued, if the industrial commission approves a resolution that authorizes the public finance authority to purchase the securities. The capital financing program authorizing resolution must state that the industrial commission has determined that private bond markets will not be responsive to the needs of the issuing political subdivision concerning the securities or, if it appears that the securities can be sold through private bond markets without the involvement of the public finance authority, the authorizing resolution must state reasons for the public finance authority's involvement in the bond issue. The public finance authority may hold such municipal securities for any length of time it finds to be necessary. The public finance authority, for the purposes authorized by this chapter or chapter 40-57, may issue its bonds payable solely from the revenues available to the public finance authority which are authorized or pledged for payment of public finance

authority obligations, and to otherwise assist political subdivisions or other contracting parties as provided in this chapter or chapter 40-57.

- 2. The public finance authority may lend or transfer money to the Bank of North Dakota underas follows:
 - a. Under terms and conditions requiring the Bank to use the proceeds to make loans for agricultural improvements that qualify for assistance under the revolving loan fund program established byunder chapter 61-28.2; and
 - b. Under terms and conditions requiring the Bank to use the transferred proceeds to make loans for infrastructure projects that qualify for assistance under the infrastructure revolving loan fund established under section 6-09-49 and to use the transferred proceeds to support the resources trust fund. Bonds issued for this purpose are payable in each biennium solely from amounts the legislative assembly may appropriate for debt service for any biennium or from a reserve fund established for the bonds. This section may not be construed to require the state to appropriate funds sufficient to make debt service payments with respect to the bonds or replenish a related reserve fund. The bonds are not a debt of the Bank or the state, and the full faith, credit, and taxing powers of the state are not pledged to the payment of the bonds. The obligation of the public finance authority with respect to the bonds must terminate and the bonds are no longer outstanding as of the date appropriated funds and reserves are not sufficient to pay debt service on the bonds. In addition to providing funds for transfers to the Bank, the public finance authority may use the bond proceeds to pay the costs of issuance of the bonds and establish a reserve fund for the bonds.
- 3. Bonds of the public finance authority issued under this chapter or chapter 40-57 are not in any way a debt or liability of the state and do not constitute a loan of the credit of the state or create any debt or debts, liability or liabilities, on behalf of the state, or constitute a pledge of the faith and credit of the state, but all such bonds are payable solely from revenues pledged or available for their payment as authorized in this chapter. Each bond must contain on its face a statement to the effect that the public finance authority is obligated to pay such principal or interest, and redemption premium, if any, and that neither the faith and credit nor the taxing power of the state is pledged to the payment of the principal of or the interest on such bonds. Specific funds pledged to fulfill the public finance authority's obligations are obligations of the public finance authority.
- 4. All expenses incurred in carrying out the purposes of this chapter or chapter 40-57 are payable solely from revenues or funds provided or to be provided under this chapter or chapter 40-57 and nothing in this chapter may be construed to authorize the public finance authority to incur any indebtedness or liability on behalf of or payable by the state.

SECTION 19. AMENDMENT. Section 6-09.4-10 of the North Dakota Century Code is amended and reenacted as follows:

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6-09.4-10. Reserve fund.

1. The public finance authority shall establish and maintain a reserve fund in which there must be deposited all moneys appropriated by the state for the purpose of the fund, all proceeds of bonds required to be deposited therein by terms of any contract between the public finance authority and its bondholders or any resolution of the public finance authority with respect to the proceeds of bonds, any other moneys or funds of the public finance authority which it determines to deposit therein, any contractual right to the receipt of moneys by the public finance authority for the purpose of the fund, including a letter of credit or similar instrument, and any other moneys made available to the public finance authority only for the purposes of the fund from any other source or sources. Moneys in the reserve fund must be held and applied solely to the payment of the interest on and the principal of bonds and sinking fund payments as the same become due and payable and for the retirement of bonds, including payment of any redemption premium required to be paid when any bonds are redeemed or retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if the withdrawal would reduce the amount in the reserve fund to an amount less than the required debt service reserve, except for payment of interest then due and payable on bonds and the principal of bonds then maturing and payable and sinking fund payments and for the retirement of bonds in accordance with the terms of any contract between the public finance authority and its bondholders and for the payments on account of which interest or principal or sinking fund payments or retirement of bonds, other moneys of the public finance authority are not then available in accordance with the terms of the contract. The required debt service reserve must be an aggregate amount equal to at least the largest amount of money required by the terms of all contracts between the public finance authority and its bondholders to be raised in the then current or any succeeding calendar year for the payment of interest on and maturing principal of outstanding bonds, and sinking fund payments required by the terms of any contracts to sinking funds established for the payment or redemption of the bonds.
2. If the establishment of the reserve fund for an issue or the maintenance of an existing reserve fund at a required level under this section would necessitate the investment of all or any portion of a new reserve fund or all or any portion of an existing reserve fund at a restricted yield, because to not restrict the yield may cause the bonds to be taxable under the Internal Revenue Code, then at the discretion of the public finance authority no reserve fund need be established prior to the issuance of bonds or the reserve fund need not be funded to the levels required by other subsections of this section or an existing reserve fund may be reduced.
3. No bonds may be issued by the public finance authority unless there is in the reserve fund the required debt service reserve for all bonds then issued and outstanding and the bonds to be issued. Nothing in this chapter prevents or precludes the public finance authority from satisfying the foregoing requirement by depositing so much of the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve the required debt service reserve. The public finance authority may at any time issue its bonds or notes for the purpose of providing any amount necessary to increase the amount in the reserve fund to the required debt service

reserve, or to meet such higher or additional reserve as may be fixed by the public finance authority with respect to such fund.

4. 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. However, the commission may approve a resolution for the issuance of bonds, as provided by section 6-09.4-06, which states in substance that this subsection is not applicable to the required debt service reserve for bonds issued under that resolution.
5. If the maturity of a series of bonds of the public finance authority is three years or less from the date of issuance of the bonds, the public finance authority may determine that no reserve fund need be established for that respective series of bonds. If such a determination is made, holders of that respective series of bonds may have no interest in or claim on existing reserve funds established for the security of the holders of previously issued public finance authority bonds, and may have no interest in or claim on reserve funds established for the holders of subsequent issues of bonds of the public finance authority.
6. The industrial commission may determine that this section is inapplicable in whole or in part for bonds issued ~~under section~~ as follows:
 - a. Under section 6-09.4-06;
 - b. Under section 6-09.4-24; or ~~under~~
 - c. Under the public finance authority's state revolving fund program.

SECTION 20. Section 6-09.4-28 of the North Dakota Century Code is created and enacted as follows:

6-09.4-28. Debt service requirements - Infrastructure revolving loan fund - Resources trust fund.

Each biennium, the public finance authority shall request from the legislative assembly an appropriation from the general fund to meet the debt service requirements for evidences of indebtedness issued by the authority to support the infrastructure revolving loan fund and the resources trust fund.

SECTION 21. AMENDMENT. Subsection 6 of section 21-03-07 of the North Dakota Century Code is amended and reenacted as follows:

6. The governing body of any county may also by resolution adopted by a two-thirds vote dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of section 57-15-06.7 and may authorize and issue general obligation bonds to be paid by the dedicated levy for the purpose of ~~providing funds for the purchase, construction, reconstruction, or repair of regional or county correction centers, or parks and recreational facilities~~ purposes identified under section 57-15-06.6 and subsection 5 of section 57-15-06.7; provided, that the initial resolution authorizing the tax levy dedication and general obligation bonds must be published in the

official newspaper, and any owner of taxable property within the county may, within sixty days after publication, file with the county auditor a protest against the adoption of the resolution. Protests must be in writing and must describe the property which is the subject of the protest. If the governing body finds such protests to have been signed by the owners of taxable property having an assessed valuation equal to five percent or more of the assessed valuation of all taxable property within the county, as theretofore last finally equalized, all further proceedings under the initial resolution are barred.

SECTION 22. AMENDMENT. Section 21-03-19 of the North Dakota Century Code is amended and reenacted as follows:

21-03-19. Bonds - Terms.

Bonds issued under this chapter must be authorized by resolution, bear such date or dates, be in such denomination or denominations, be in such form, be subject to redemption with or without premium, and be subject to such other terms or conditions as in the judgment of the municipality are in the public interest of the municipality, and must provide that the last installment of principal falls due not more than twenty years from the date of the bonds or not more than thirty years for bonds sold to the entities under section 21-03-30. The requirements of this section apply to each new issue of bonds, or if so determined by the governing body, to the bonds of a new issue combined with all of the outstanding bonds of one or more designated issues of bonds previously issued and similarly payable from taxes or other sources of revenues, or both, as the case may be.

SECTION 23. AMENDMENT. Section 57-15-06.6 of the North Dakota Century Code is amended and reenacted as follows:

57-15-06.6. County capital projects levy.

1. The board of county commissioners of each county may levy an annual tax not exceeding ten mills plus any voter-approved additional levy as provided in subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:
 - 1- a. Constructing and equipping and maintaining structural and mechanical components of regional or county corrections centers or for the purpose of contracting for corrections center space capacity from another public or private entity.
 - 2- b. Acquiring real estate as a site for public parks and construction and equipping and maintaining structural and mechanical components of recreational facilities under section 11-28-06.
 - 3- c. Acquiring real estate as a site for county buildings and operations and constructing and equipping and maintaining structural and mechanical components of county buildings and property.
 - 4- d. Acquiring real estate as a site for county fair buildings and operations and constructing and equipping and maintaining structural and mechanical components of county fair buildings and property as provided in section 4-02-26.

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5. e. Acquiring and developing real estate, capital improvements, buildings, pavement, equipment, and debt service associated with financing for county supported airports or airport authorities.

6. f. Expenditures for the cost of leasing as an alternative means of financing for any of the purposes for which expenditures are authorized under ~~subsections~~ subdivisions a through 5e.

g. Improvement of the county road system, including the acquisition of land, construction of new paved and unpaved roads and bridges, replacement of existing paved and unpaved roads and bridges, and maintenance and repair of existing paved and unpaved roads and bridges.

2. Any voter-approved levy for the purposes specified in this section approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved. After January 1, 2015, approval or reauthorization by electors of increased levy authority under this section may not be effective for more than ten taxable years.

SECTION 24. AMENDMENT. Section 57-47-02 of the North Dakota Century Code is amended and reenacted as follows:

57-47-02. County authorized to borrow - Term - Interest rate.

Whenever in the judgment of the board of county commissioners all taxes authorized to be levied in any one year for general or special county purposes are insufficient to carry on the primary governmental functions, or to pay the mandatory obligations imposed by law upon a county, then such a county may borrow money in such an amount as the board shall determine to be necessary to meet the deficiencies existing in its general or special funds, or to carry on primary governmental functions, and to pay mandatory obligations. For the purpose of borrowing, a county may issue evidences of indebtedness, which must consist of an agreement by the county to pay a stated sum on a specified date, or on or before a specified date, not more than ~~fivetwenty~~ years in the future, together with interest thereon at a rate or rates resulting in an average annual net interest cost not to exceed twelve percent per annum if sold privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or any of its agencies or instrumentalities. A public sale must comply with the procedures set out in chapter 21-03. There is no requirement for an advertisement for bids if an evidence of indebtedness is sold privately or to the state of North Dakota or any of its agencies or instrumentalities."

Page 6, after line 26, insert:

"SECTION 26. REPEAL. Section 61-02-78 of the North Dakota Century Code is repealed.

SECTION 27. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE

LIMITATION. Pursuant to the bonding authority under section 6-09.4-06, the public finance authority may issue up to \$500,000,000 of evidences of indebtedness, but not in an amount that would cause the repayments to exceed \$55,000,000 per biennium, for the purpose of supporting the infrastructure revolving loan fund and the resources trust fund during the biennium beginning July 1, 2019, and ending June 30, 2021. Of

the total evidences of indebtedness issued by the public finance authority, an amount equal to the transfer under section 14 of this Act must be used to support the resources trust fund, and the remaining amount must be used to support the infrastructure revolving loan fund. The term of any evidences of indebtedness issued under this section may not exceed thirty years. The public finance authority may issue bond anticipation notes for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance."

Page 8, after line 16, insert:

"SECTION 33. EFFECTIVE DATE. Section 26 of this Act becomes effective July 1, 2021.

SECTION 34. EMERGENCY. Section 5 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment adds provisions authorizing the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund and appropriates \$26 million during the 2017-19 biennium for bond repayments.

Mill and Elevator Association - Budget No. 475
House Bill No. 1014
Base Level Funding Changes

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	House Version				Senate Version				Senate Changes to House Version Increase (Decrease) - House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	153.00	\$0	\$68,213,519	\$68,213,519	153.00	\$0	\$68,213,519	\$68,213,519	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$3,477,828	\$3,477,828			\$3,477,828	\$3,477,828				\$0
Health insurance increase			682,698	682,698			682,698	682,698				0
Increases funding for overtime			2,227,085	2,227,085			2,227,085	2,227,085				0
Increases funding for temporary employees			311,600	311,600			311,600	311,600				0
Adds funding for FTE positions	2.00		285,082	285,082	4.00		570,165	570,165	2.00		285,083	285,083
Adds funding for increases in operating costs			1,642,000	1,642,000			1,642,000	1,642,000				0
Total ongoing funding changes	2.00	\$0	\$8,626,293	\$8,626,293	4.00	\$0	\$8,911,376	\$8,911,376	2.00	\$0	\$285,083	\$285,083
One-time funding items												
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	2.00	\$0	\$8,626,293	\$8,626,293	4.00	\$0	\$8,911,376	\$8,911,376	2.00	\$0	\$285,083	\$285,083
2019-21 Total Funding	155.00	\$0	\$76,839,812	\$76,839,812	157.00	\$0	\$77,124,895	\$77,124,895	2.00	\$0	\$285,083	\$285,083

Other Sections for Mill and Elevator Association - Budget No. 475

House Version
 The House did not include any other sections related to the Mill and Elevator Association.

Senate Version
 The Senate did not include any other sections related to the Mill and Elevator Association.

Housing Finance Agency - Budget No. 473
 House Bill No. 1014
 Base Level Funding Changes

DRAFT - PROPOSAL - 4/8/2019

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	House Version				Senate Version				Senate Changes to House Version Increase (Decrease) - House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	44.00	\$0	\$44,530,239	\$44,530,239	44.00	\$0	\$44,530,239	\$44,530,239	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$221,665	\$221,665			\$221,665	\$221,665				\$0
Salary increase			208,965	208,965			256,181	256,181			47,216	47,216
Health insurance increase			196,332	196,332			196,332	196,332				0
Removes funding for temporary employees			(57,219)	(57,219)			(57,219)	(57,219)				0
Increases funding for mortgage servicing premium expenses			602,921	602,921			602,921	602,921				0
Increases funding for program grants			20,000	20,000			20,000	20,000				0
Adds funding for federal housing grants			1,651,772	1,651,772			1,651,772	1,651,772				0
Total ongoing funding changes	0.00	\$0	\$2,844,436	\$2,844,436	0.00	\$0	\$2,891,652	\$2,891,652	0.00	\$0	\$47,216	\$47,216
One-time funding items												
No one-time funding items				0				0				0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$2,844,436	\$2,844,436	0.00	\$0	\$2,891,652	\$2,891,652	0.00	\$0	\$47,216	\$47,216
2019-21 Total Funding	44.00	\$0	\$47,374,675	\$47,374,675	44.00	\$0	\$47,421,891	\$47,421,891	0.00	\$0	\$47,216	\$47,216

Other Sections for Housing Finance Agency - Budget No. 473

	House Version	Senate Version
Additional appropriation authority	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.
Housing incentive fund		Section 26 amends Section 54-17-40 relating to the housing incentive fund to decrease the amount of funding designated for small communities and to remove the prioritization for essential service worker housing.

Bank of North Dakota - Budget No. 471
House Bill No. 1014
Base Level Funding Changes

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	House Version				Senate Version				Senate Changes to House Version Increase (Decrease) - House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	181.50	\$0	\$59,299,204	\$59,299,204	181.50	\$0	\$59,299,204	\$59,299,204	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$230,000	\$230,000			\$230,000	\$230,000				\$0
Salary increase			894,823	894,823			1,088,387	1,088,387			193,564	193,564
Health insurance increase			812,098	812,098			812,098	812,098				0
Adjusts funding for postage and temporary salaries			(75,550)	(75,550)			(75,550)	(75,550)				0
Increases funding for information technology costs			876,800	876,800			876,800	876,800				0
Adds funding for Microsoft Office 365 licensing			37,352	37,352			37,352	37,352				0
Increases funding for professional development and services			139,508	139,508			139,508	139,508				0
Increases funding for utilities, insurance, and other operating costs			250,000	250,000			250,000	250,000				0
Increases funding for contingency expenses			1,000,000	1,000,000			1,000,000	1,000,000				0
Adds funding for information technology equipment			700,000	700,000			700,000	700,000				0
Total ongoing funding changes	0.00	\$0	\$4,865,031	\$4,865,031	0.00	\$0	\$5,058,595	\$5,058,595	0.00	\$0	\$193,564	\$193,564
One-time funding items				0				0				0
No one-time funding items				0				0				0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$4,865,031	\$4,865,031	0.00	\$0	\$5,058,595	\$5,058,595	0.00	\$0	\$193,564	\$193,564
2019-21 Total Funding	181.50	\$0	\$64,164,235	\$64,164,235	181.50	\$0	\$64,357,799	\$64,357,799	0.00	\$0	\$193,564	\$193,564

Other Sections for Bank of North Dakota - Budget No. 471

	House Version	Senate Version
Line of credit		Section 6 authorizes the Bank to extend a line of credit, up to \$100 million, to the infrastructure revolving loan fund to support new loans from the fund prior to the issuance of bonds by the Public Finance Authority.
Transfer to general fund	Section 7 provides for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium and identifies the transfer as an ongoing revenue source.	Section 10 provides for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium and identifies the transfer as an ongoing revenue source.
Transfer to partnership in assisting community expansion (PACE) fund	Section 8 provides for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.	Section 11 provides for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.
Transfer to Ag PACE fund	Section 9 provides for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.	Section 12 provides for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.
Transfer to biofuels PACE fund	Section 10 provides for a transfer of \$1 million from the Bank's current earnings and undivided profits to the biofuels PACE fund for the 2019-21 biennium.	Section 13 provides for a transfer of \$1 million from the Bank's current earnings and undivided profits to the biofuels PACE fund for the 2019-21 biennium.

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Other Sections for Bank of North Dakota - Budget No. 471

	<u>House Version</u>	<u>Senate Version</u>
Transfer to beginning farmer revolving loan fund	Section 11 provides for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.	Section 14 provides for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.
Transfer to North Dakota development fund	Section 12 provides for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.	Section 15 provides for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.
Infrastructure revolving loan fund		Section 16 requires the State Water Commission to transfer outstanding loans for water projects to the infrastructure revolving loan fund related to the repeal of a revolving loan fund designated for water projects in Section 30. Section 20 amends Section 6-09-49 relating to the infrastructure revolving loan fund to allow additional entities, including institutions of higher education, to obtain low-interest loans for infrastructure projects, and to expand the types of eligible infrastructure projects. Section 39 provides an effective date of July 1, 2021, related to the repeal of a revolving loan fund.
Hedging strategies study		Section 37 provides for the Bank to study hedging strategies related to the volatility of oil prices.

Industrial Commission - Budget No. 405
House Bill No. 1014
Base Level Funding Changes

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	House Version				Senate Version				Senate Changes to House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease) - House Version			
									FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	110.25	\$25,408,987	\$15,343,206	\$40,752,193	110.25	\$25,408,987	\$15,343,206	\$40,752,193	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes		(\$163,450)	\$40,140	(\$123,310)		(\$163,450)	\$40,140	(\$123,310)				\$0
Salary increase		571,918	36,477	608,395		678,183	42,842	721,025		106,265	6,365	112,630
Health insurance increase		504,216	31,234	535,450		504,216	31,234	535,450				0
Transfers \$221,737 to salaries and wages line item				0				0				0
Increases funding for 2 FTE positions (partial funding in 2017-19)		40,464		40,464		40,464		40,464				0
Adds contingent FTE positions	2.00	229,544		229,544	2.00	229,544		229,544				0
Adjusts funding for operating expenses		300,827	(36,324)	264,503		409,067	(36,324)	372,743		108,240		108,240
Adds funding for computer replacements		70,400		70,400		70,400		70,400				0
Adds funding for Microsoft Office 365 licensing		76,787	4,409	81,196		76,787	4,409	81,196				0
Reduces funding for bond payments			(2,701,717)	(2,701,717)			(2,701,717)	(2,701,717)				0
Total ongoing funding changes	2.00	\$1,630,706	(\$2,625,781)	(\$995,075)	2.00	\$1,845,211	(\$2,619,416)	(\$774,205)	0.00	\$214,505	\$6,365	\$220,870
One-time funding items												
Adds funding for rare earth element study			\$160,000	\$160,000			\$160,000	\$160,000				\$0
Adds funding for fracturing sand study			110,000	110,000			110,000	110,000				0
Adds funding for oil database software upgrade			5,000,000	5,000,000			5,000,000	5,000,000				0
High-level radio active waste advisory council				0			20,000	20,000			20,000	20,000
Total one-time funding changes	0.00	\$0	\$5,270,000	\$5,270,000	0.00	\$0	\$5,290,000	\$5,290,000	0.00	\$0	\$20,000	\$20,000
Total Changes to Base Level Funding	2.00	\$1,630,706	\$2,644,219	\$4,274,925	2.00	\$1,845,211	\$2,670,584	\$4,515,795	0.00	\$214,505	\$26,365	\$240,870
2019-21 Total Funding	112.25	\$27,039,693	\$17,987,425	\$45,027,118	112.25	\$27,254,198	\$18,013,790	\$45,267,988	0.00	\$214,505	\$26,365	\$240,870

Other Sections for Industrial Commission - Budget No. 405

Bond payments

Public Finance Authority bonding authorization

House Version
 Section 3 provides legislative intent for bond payments.

Senate Version
 Section 3 provides legislative intent for bond payments.

Section 5 appropriates \$26 million from the general fund during the 2017-19 biennium and allows the funding to continue in the 2019-21 biennium to repay bonds issued by the Public Finance Authority. Sections 21, 22, and 23 amend provisions of law relating to the Public Finance Authority's authorization to issue bonds to support the infrastructure revolving loan fund and resources trust fund. Sections 24 and 25 clarify the authority of counties to access loans from the infrastructure revolving loan fund. Section 31 authorizes the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund with a term of 30 years and authorizes bond anticipation notes. Section 40 includes an emergency clause related to the appropriation in Section 5.

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Other Sections for Industrial Commission - Budget No. 405

	House Version	Senate Version
High-level radioactive waste fund		Section 7 appropriates \$20,000 from the general fund and requires the Office of Management and Budget to transfer the funding to the high-level radioactive waste fund. Section 19 identifies \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council.
Contingent FTE Positions	Section 5 identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions and related funding are available if the total number of wells capable of production and injection exceeds 20,800.	Section 8 identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions and related funding are available if the total number of wells capable of production and injection exceeds 20,800.
Administrative cost transfers	Section 6 allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 18 provides an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.	Section 9 allows the Industrial Commission to transfer up to \$1,172,603 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 34 provides an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.
Strategic investment and improvements fund	Section 13 identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.	Section 17 identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.
Abandoned oil and gas well plugging and site reclamation fund	Section 14 identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project. Section 15 limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.	Section 18 identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project. Section 29 limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.
County levy and bonding authority		Section 27 authorizes counties to use property taxes levied for capital projects for county road projects. Section 28 allows counties to borrow for up to 20 years when taxes are insufficient to meet the needs of the county, an increase from the current limit of 5 years.
North Dakota outdoor heritage fund	Section 16 decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.	Section 32 decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.
Oil and gas research fund	Section 17 increases 2019-21 biennium oil and gas tax revenue allocations to the oil and gas research fund by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.	Section 33 increases 2019-21 biennium oil and gas tax revenue allocations to the oil and gas research fund by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.
Survey review exemption	Section 19 provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review during the 2019-21 biennium.	Section 35 provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review during the 2019-21 biennium.

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Other Sections for Industrial Commission - Budget No. 405

Lignite research

House Version

Section 20 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Senate Version

Section 36 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation. Section 38 provides legislative intent related to funding for lignite litigation expenses from the lignite research fund.

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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 2, after the semicolon insert "to create and enact section 6-09.4-28 of the North Dakota Century Code, relating to the infrastructure revolving loan fund debt repayments;"

Page 1, line 3, after "reenact" insert "sections 6-09-49, 6-09.4-06, and 6-09.4-10, subsection 6 of section 21-03-07, sections 21-03-19, 54-17-40, 57-15-06.6, and 57-47-02, and"

Page 1, line 4, after "to" insert "the infrastructure revolving loan fund, borrowing and lending authority, reserve funds, expanded bonding authority for counties, the housing incentive fund, and"

Page 1, line 5, after the first semicolon insert "to repeal section 61-02-78 of the North Dakota Century Code, relating to a revolving loan fund for water projects;"

Page 1, line 5, replace "and" with "to provide a continuing appropriation; to provide a bond issuance limitation;"

Page 1, line 6, after "exemption" insert "to provide for a study; to provide a report; to provide a statement of legislative intent; to provide an effective date; and to declare an emergency"

Page 1, remove lines 18 through 24

Page 2, replace line 1 with:

"Salaries and wages	\$22,014,084	\$1,570,366	\$23,584,450
Operating expenses	5,305,888	814,339	6,120,227
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>7,807</u>	<u>229,544</u>
Total all funds	\$40,752,193	\$4,690,795	\$45,442,988
Less estimated income	<u>15,343,206</u>	<u>2,670,584</u>	<u>18,013,790</u>
Total general fund	\$25,408,987	\$2,020,211	\$27,429,198"

Page 2, replace lines 7 through 9 with:

"Bank of North Dakota operations	\$58,489,204	\$4,358,595	\$62,847,799
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$5,058,595	\$64,357,799"

Page 2, replace lines 15 through 19 with:

"Salaries and wages	\$7,892,056	\$616,959	\$8,509,015
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,891,652	\$47,421,891"

Page 2, replace lines 25 through 30 with:

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"Salaries and wages	\$39,308,519	\$7,269,376	\$46,577,895
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
Total special funds	\$68,213,519	\$8,911,376	\$77,124,895
Full-time equivalent positions	153.00	4.00	157.00"

Page 3, replace lines 4 through 6 with:

"Grand total general fund	\$25,408,987	\$22,040,211	\$47,449,198
Grand total special funds	<u>187,386,168</u>	<u>19,532,207</u>	<u>206,918,375</u>
Grand total all funds	\$212,795,155	\$41,572,418	\$254,367,573"

Page 3, replace lines 12 through 19 with:

"Litigation	\$1,000,000		\$0
Industrial water supply asset study	150,000		0
Soil remediation studies	5,000,000		0
Survey review	800,000		0
Temporary employees	0		175,000
Radioactive waste advisory council	0		20,000
Rare earth elements study	0		160,000
Fracturing sand study	0		110,000
Oil database software upgrade	<u>0</u>		<u>5,000,000</u>
Total all funds	\$6,950,000		\$5,465,000
Less estimated income	<u>6,950,000</u>		<u>5,290,000</u>
Total general fund	\$0		\$175,000"

Page 4, after line 15, insert:

"SECTION 5. APPROPRIATION - 2017-19 BIENNIUM - PUBLIC FINANCE AUTHORITY - EXEMPTION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with bonds issued to support the infrastructure revolving loan fund, for the period beginning with the effective date of this Act and ending June 30, 2019. The funding provided in this section is not subject to section 54-44.1-11 and may be continued into the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 6. APPROPRIATION - BANK OF NORTH DAKOTA - LINE OF CREDIT. The Bank of North Dakota may extend a line of credit, not to exceed \$100,000,000, to the infrastructure revolving loan fund established under section 6-09-49. The Bank may access the line of credit, to the extent necessary, the sum of which is appropriated, for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance by the public finance authority, for the biennium beginning July 1, 2019, and ending June 30, 2021. The interest rate associated with the line of credit must be the same as the prevailing interest rate charged by the Bank to North Dakota governmental entities. If a line of credit is extended pursuant to this section, the Bank shall repay the line of credit from bond proceeds associated with the bonds issued by the public finance authority to support the infrastructure revolving loan fund.

SECTION 7. APPROPRIATION - TRANSFER GENERAL FUND TO HIGH-LEVEL RADIOACTIVE WASTE FUND. There is appropriated out of any moneys in the

general fund in the state treasury, not otherwise appropriated, the sum of \$20,000, which the office of management and budget shall transfer to the high-level radioactive waste fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item.

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SECTION 8. 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 \$20,000,000, which the office of management and budget shall transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item."

Page 4, line 16, replace "APPROPRIATION" with "FUNDING"

Page 4, line 16, remove "FUNDING"

Page 4, line 26, replace "\$1,150,782" with "\$1,172,603"

Page 6, after line 3, insert:

"SECTION 17. TRANSFER INFRASTRUCTURE REVOLVING LOAN FUND FOR WATER PROJECTS TO INFRASTRUCTURE REVOLVING LOAN FUND. The state water commission shall transfer any outstanding loans from the infrastructure revolving loan fund under section 61-02-78 to the infrastructure revolving loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 6, after line 12, insert:

"SECTION 20. ESTIMATED INCOME - HIGH-LEVEL RADIOACTIVE WASTE FUND. The operating expenses line item and the estimated income line item in subdivision 1 of section 1 of this Act include \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council.

SECTION 21. AMENDMENT. Section 6-09-49 of the North Dakota Century Code is amended and reenacted as follows:

~~6-09-49. 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 two percent per year.~~
- ~~2. For purposes of this section, "essential infrastructure projects" means capital construction projects for the following:
 - ~~a. New or replacement of existing water treatment plants;~~
 - ~~b. New or replacement of existing wastewater treatment plants;~~
 - ~~c. New or replacement of existing sewer lines and water lines; and~~~~

d. ~~New or replacement of existing storm water and transportation infrastructure, including curb and gutter construction.~~

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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 fifteen million dollars per loan. 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.~~
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 administer this loan program in accordance with the provisions of this section and to supplement and leverage the funds in the infrastructure revolving loan fund. Additionally, the Bank may adopt policies allowing participation by local financial institutions.~~

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Infrastructure revolving loan fund - Bank of North Dakota - Continuing appropriation.

1. The infrastructure revolving loan fund is a special fund in the state treasury administered by the Bank of North Dakota. The Bank shall use moneys in the fund to provide loans to political subdivisions for eligible infrastructure projects pursuant to subsections 6 and 7 and to provide loans to institutions of higher education for eligible infrastructure projects pursuant to subsection 8.
2. The Bank may adopt policies and establish guidelines to administer the loan program in accordance with this section, including policies to supplement and leverage the moneys in the fund and policies to allow participation by local financial institutions. A loan made from the fund must have an interest rate that does not exceed two percent per year. The maximum term of a loan for an infrastructure project under subsections 6 and 8 is thirty years, and the maximum term of a loan for an infrastructure project under subsection 7 is forty years.
3. All principal and interest payments received on loans made from the infrastructure revolving loan fund must be deposited into the fund. The Bank may use a portion of the interest paid on the outstanding loans as a servicing fee to pay 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.

4. An applicant shall issue an evidence of indebtedness as authorized by law. An institution of higher education shall identify at least one funding source for the debt repayment, including:
- a. Tuition or fee revenue collected by the institution of higher education;
 - b. Distributions of state aid received by the institution of higher education under chapter 15-18.2; or
 - c. Other sources of revenue.
5. In processing loan applications under this section, the Bank shall calculate the maximum loan amount available to a qualified applicant. Each applicant may have up to twenty-five million dollars of outstanding loans from the fund for infrastructure projects under subsections 6 and 8. The Bank shall consider the ability of the applicant 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. If an infrastructure project qualifies for funding through the state revolving fund established pursuant to chapters 61-28.1 and 61-28.2, the Bank shall verify the loan application only is for the portion of the project that is ineligible to receive funding from the state revolving fund.
6. Eligible infrastructure projects are capital construction projects to construct new infrastructure or to replace existing infrastructure, which provide the fixed installations necessary for the function of a political subdivision and are in the public interest. Capital construction projects exclude routine maintenance and repair projects, but include the following:
- a. Water treatment plants;
 - b. Wastewater treatment plants;
 - c. Sewer lines and water lines, including lift stations and pumping systems;
 - d. Water storage systems, including dams, water tanks, and water towers;
 - e. Storm water infrastructure, including curb and gutter construction;
 - f. Road and bridge infrastructure, including paved and unpaved roads and bridges;
 - g. Airport infrastructure;
 - h. Electricity transmission infrastructure;
 - i. Natural gas transmission infrastructure; and
 - j. Communications infrastructure, excluding fiber optic infrastructure.
7. Eligible infrastructure projects are capital construction projects to construct new infrastructure or to replace existing infrastructure, which provide the fixed installations necessary for the function of a political subdivision and are in the public interest. Capital construction projects exclude routine maintenance and repair projects, but include the following:

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- a. Flood control;
 - b. Water supply; and
 - c. Water management.
8. Eligible infrastructure projects for institutions of higher education are capital construction projects to construct new infrastructure or to replace existing infrastructure, which provide the fixed installations necessary for the function of the institution and are in the public interest. Capital construction projects exclude routine maintenance and repair projects, but include the following:
- a. Sewer lines and water lines;
 - b. Storm water infrastructure, including curb and gutter construction; and
 - c. Road infrastructure.

SECTION 22. AMENDMENT. Section 6-09.4-06 of the North Dakota Century Code is amended and reenacted as follows:

6-09.4-06. Lending and borrowing powers generally.

1. The public finance authority may lend money to political subdivisions or other contracting parties through the purchase or holding of municipal securities which, in the opinion of the attorney general, are properly eligible for purchase or holding by the public finance authority under this chapter or chapter 40-57 and for purposes of the public finance authority's capital financing program the principal amount of any one issue does not exceed five hundred thousand dollars. However, the public finance authority may lend money to political subdivisions through the purchase of securities issued by the political subdivisions through the capital financing program without regard to the principal amount of the bonds issued, if the industrial commission approves a resolution that authorizes the public finance authority to purchase the securities. The capital financing program authorizing resolution must state that the industrial commission has determined that private bond markets will not be responsive to the needs of the issuing political subdivision concerning the securities or, if it appears that the securities can be sold through private bond markets without the involvement of the public finance authority, the authorizing resolution must state reasons for the public finance authority's involvement in the bond issue. The public finance authority may hold such municipal securities for any length of time it finds to be necessary. The public finance authority, for the purposes authorized by this chapter or chapter 40-57, may issue its bonds payable solely from the revenues available to the public finance authority which are authorized or pledged for payment of public finance authority obligations, and to otherwise assist political subdivisions or other contracting parties as provided in this chapter or chapter 40-57.
2. The public finance authority may lend or transfer money to the Bank of North Dakota underas follows:
- a. Under terms and conditions requiring the Bank to use the proceeds to make loans for agricultural improvements that qualify for assistance

under the revolving loan fund program established by under chapter 61-28.2; and

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- b. Under terms and conditions requiring the Bank to use the transferred proceeds to make loans for infrastructure projects that qualify for assistance under the infrastructure revolving loan fund established under section 6-09-49 and to use the transferred proceeds to support the resources trust fund. Bonds issued for this purpose are payable in each biennium solely from amounts the legislative assembly may appropriate for debt service for any biennium or from a reserve fund established for the bonds. This section may not be construed to require the state to appropriate funds sufficient to make debt service payments with respect to the bonds or replenish a related reserve fund. The bonds are not a debt of the Bank or the state, and the full faith, credit, and taxing powers of the state are not pledged to the payment of the bonds. The obligation of the public finance authority with respect to the bonds must terminate and the bonds are no longer outstanding as of the date appropriated funds and reserves are not sufficient to pay debt service on the bonds. In addition to providing funds for transfers to the Bank, the public finance authority may use the bond proceeds to pay the costs of issuance of the bonds and establish a reserve fund for the bonds.
3. Bonds of the public finance authority issued under this chapter or chapter 40-57 are not in any way a debt or liability of the state and do not constitute a loan of the credit of the state or create any debt or debts, liability or liabilities, on behalf of the state, or constitute a pledge of the faith and credit of the state, but all such bonds are payable solely from revenues pledged or available for their payment as authorized in this chapter. Each bond must contain on its face a statement to the effect that the public finance authority is obligated to pay such principal or interest, and redemption premium, if any, and that neither the faith and credit nor the taxing power of the state is pledged to the payment of the principal of or the interest on such bonds. Specific funds pledged to fulfill the public finance authority's obligations are obligations of the public finance authority.
4. All expenses incurred in carrying out the purposes of this chapter or chapter 40-57 are payable solely from revenues or funds provided or to be provided under this chapter or chapter 40-57 and nothing in this chapter may be construed to authorize the public finance authority to incur any indebtedness or liability on behalf of or payable by the state.

SECTION 23. AMENDMENT. Section 6-09.4-10 of the North Dakota Century Code is amended and reenacted as follows:

6-09.4-10. Reserve fund.

1. The public finance authority shall establish and maintain a reserve fund in which there must be deposited all moneys appropriated by the state for the purpose of the fund, all proceeds of bonds required to be deposited therein by terms of any contract between the public finance authority and its bondholders or any resolution of the public finance authority with respect to the proceeds of bonds, any other moneys or funds of the public finance authority which it determines to deposit therein, any contractual right to the

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receipt of moneys by the public finance authority for the purpose of the fund, including a letter of credit or similar instrument, and any other moneys made available to the public finance authority only for the purposes of the fund from any other source or sources. Moneys in the reserve fund must be held and applied solely to the payment of the interest on and the principal of bonds and sinking fund payments as the same become due and payable and for the retirement of bonds, including payment of any redemption premium required to be paid when any bonds are redeemed or retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if the withdrawal would reduce the amount in the reserve fund to an amount less than the required debt service reserve, except for payment of interest then due and payable on bonds and the principal of bonds then maturing and payable and sinking fund payments and for the retirement of bonds in accordance with the terms of any contract between the public finance authority and its bondholders and for the payments on account of which interest or principal or sinking fund payments or retirement of bonds, other moneys of the public finance authority are not then available in accordance with the terms of the contract. The required debt service reserve must be an aggregate amount equal to at least the largest amount of money required by the terms of all contracts between the public finance authority and its bondholders to be raised in the then current or any succeeding calendar year for the payment of interest on and maturing principal of outstanding bonds, and sinking fund payments required by the terms of any contracts to sinking funds established for the payment or redemption of the bonds.

2. If the establishment of the reserve fund for an issue or the maintenance of an existing reserve fund at a required level under this section would necessitate the investment of all or any portion of a new reserve fund or all or any portion of an existing reserve fund at a restricted yield, because to not restrict the yield may cause the bonds to be taxable under the Internal Revenue Code, then at the discretion of the public finance authority no reserve fund need be established prior to the issuance of bonds or the reserve fund need not be funded to the levels required by other subsections of this section or an existing reserve fund may be reduced.
3. No bonds may be issued by the public finance authority unless there is in the reserve fund the required debt service reserve for all bonds then issued and outstanding and the bonds to be issued. Nothing in this chapter prevents or precludes the public finance authority from satisfying the foregoing requirement by depositing so much of the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve the required debt service reserve. The public finance authority may at any time issue its bonds or notes for the purpose of providing any amount necessary to increase the amount in the reserve fund to the required debt service reserve, or to meet such higher or additional reserve as may be fixed by the public finance authority with respect to such fund.
4. 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. However, the commission may approve a resolution for the issuance of

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bonds, as provided by section 6-09.4-06, which states in substance that this subsection is not applicable to the required debt service reserve for bonds issued under that resolution.

- 5. If the maturity of a series of bonds of the public finance authority is three years or less from the date of issuance of the bonds, the public finance authority may determine that no reserve fund need be established for that respective series of bonds. If such a determination is made, holders of that respective series of bonds may have no interest in or claim on existing reserve funds established for the security of the holders of previously issued public finance authority bonds, and may have no interest in or claim on reserve funds established for the holders of subsequent issues of bonds of the public finance authority.
- 6. The industrial commission may determine that this section is inapplicable in whole or in part for bonds issued ~~under section~~ as follows:
 - a. Under section 6-09.4-06 and as authorized by the sixty-sixth legislative assembly;
 - b. Under section 6-09.4-24; or under
 - c. Under the public finance authority's state revolving fund program.

SECTION 24. Section 6-09.4-28 of the North Dakota Century Code is created and enacted as follows:

6-09.4-28. Debt service requirements - Infrastructure revolving loan fund - Resources trust fund.

Each biennium, the public finance authority shall request from the legislative assembly an appropriation from the general fund to meet the debt service requirements for evidences of indebtedness issued by the authority to support the infrastructure revolving loan fund and the resources trust fund.

SECTION 25. AMENDMENT. Subsection 6 of section 21-03-07 of the North Dakota Century Code is amended and reenacted as follows:

- 6. The governing body of any county may also by resolution adopted by a two-thirds vote dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of section 57-15-06.7 and may authorize and issue general obligation bonds to be paid by the dedicated levy for the ~~purpose of providing funds for the purchase, construction, reconstruction, or repair of regional or county correction centers, or parks and recreational facilities~~ purposes identified under section 57-15-06.6 and subsection 5 of section 57-15-06.7; provided, that the initial resolution authorizing the tax levy dedication and general obligation bonds must be published in the official newspaper, and any owner of taxable property within the county may, within sixty days after publication, file with the county auditor a protest against the adoption of the resolution. Protests must be in writing and must describe the property which is the subject of the protest. If the governing body finds such protests to have been signed by the owners of taxable property having an assessed valuation equal to five percent or more of the assessed valuation of all taxable property within the county, as

theretofore last finally equalized, all further proceedings under the initial resolution are barred.

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SECTION 26. AMENDMENT. Section 21-03-19 of the North Dakota Century Code is amended and reenacted as follows:

21-03-19. Bonds - Terms.

Bonds issued under this chapter must be authorized by resolution, bear such date or dates, be in such denomination or denominations, be in such form, be subject to redemption with or without premium, and be subject to such other terms or conditions as in the judgment of the municipality are in the public interest of the municipality, and must provide that the last installment of principal falls due not more than twenty years from the date of the bonds or not more than thirty years for bonds sold to the entities under section 21-03-30. The requirements of this section apply to each new issue of bonds, or if so determined by the governing body, to the bonds of a new issue combined with all of the outstanding bonds of one or more designated issues of bonds previously issued and similarly payable from taxes or other sources of revenues, or both, as the case may be.

SECTION 27. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. 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.
 - a. 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.
 - b. 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.
 - c. 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.

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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.
6. 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.
7. ~~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.~~
8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.
- 9-8. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. ~~The report must include the following:~~
 - a. ~~The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and~~
 - b. ~~A listing of projects approved and the number of units within those projects that provide housing for essential service workers.~~

SECTION 28. AMENDMENT. Section 57-15-06.6 of the North Dakota Century Code is amended and reenacted as follows:

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57-15-06.6. County capital projects levy.

1. The board of county commissioners of each county may levy an annual tax not exceeding ten mills plus any voter-approved additional levy as provided in subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:
 - 1- a. Constructing and equipping and maintaining structural and mechanical components of regional or county corrections centers or for the purpose of contracting for corrections center space capacity from another public or private entity.
 - 2- b. Acquiring real estate as a site for public parks and construction and equipping and maintaining structural and mechanical components of recreational facilities under section 11-28-06.
 - 3- c. Acquiring real estate as a site for county buildings and operations and constructing and equipping and maintaining structural and mechanical components of county buildings and property.
 - 4- d. Acquiring real estate as a site for county fair buildings and operations and constructing and equipping and maintaining structural and mechanical components of county fair buildings and property as provided in section 4-02-26.
 - 5- e. Acquiring and developing real estate, capital improvements, buildings, pavement, equipment, and debt service associated with financing for county supported airports or airport authorities.
 - 6- f. Expenditures for the cost of leasing as an alternative means of financing for any of the purposes for which expenditures are authorized under subsections 4 subdivisions a through 5e.
 - g. Improvement of the county road system, including the acquisition of land, construction of new paved and unpaved roads and bridges, replacement of existing paved and unpaved roads and bridges, and maintenance and repair of existing paved and unpaved roads and bridges.
2. Any voter-approved levy for the purposes specified in this section approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved. After January 1, 2015, approval or reauthorization by electors of increased levy authority under this section may not be effective for more than ten taxable years.

SECTION 29. AMENDMENT. Section 57-47-02 of the North Dakota Century Code is amended and reenacted as follows:

57-47-02. County authorized to borrow - Term - Interest rate.

Whenever in the judgment of the board of county commissioners all taxes authorized to be levied in any one year for general or special county purposes are insufficient to carry on the primary governmental functions, or to pay the mandatory obligations imposed by law upon a county, then such a county may borrow money in

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such an amount as the board shall determine to be necessary to meet the deficiencies existing in its general or special funds, or to carry on primary governmental functions, and to pay mandatory obligations. For the purpose of borrowing, a county may issue evidences of indebtedness, which must consist of an agreement by the county to pay a stated sum on a specified date, or on or before a specified date, not more than fivetwenty years in the future, together with interest thereon at a rate or rates resulting in an average annual net interest cost not to exceed twelve percent per annum if sold privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or any of its agencies or instrumentalities. A public sale must comply with the procedures set out in chapter 21-03. There is no requirement for an advertisement for bids if an evidence of indebtedness is sold privately or to the state of North Dakota or any of its agencies or instrumentalities."

Page 6, after line 26, insert:

"**SECTION 31. REPEAL.** Section 61-02-78 of the North Dakota Century Code is repealed.

SECTION 32. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE

LIMITATION. Pursuant to the bonding authority under section 6-09.4-06, the public finance authority may issue up to \$500,000,000 of evidences of indebtedness, but not in an amount that would cause the repayments to exceed \$55,000,000 per biennium, for the purpose of supporting the infrastructure revolving loan fund and the resources trust fund during the biennium beginning July 1, 2019, and ending June 30, 2021. Of the total evidences of indebtedness issued by the public finance authority, an amount equal to the outstanding principal balance of loans transferred under section 17 of this Act must be used to support the resources trust fund, and the remaining amount must be used to support the infrastructure revolving loan fund. The term of any evidences of indebtedness issued under this section may not exceed thirty years. The public finance authority may issue bond anticipation notes for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance."

Page 7, line 8, replace "\$14,000,000" with "\$18,000,000"

Page 7, line 11, replace "\$4,000,000" with "\$8,000,000"

Page 7, line 13, replace "a pilot project" with "pilot projects"

Page 7, line 14, replace "project" with "projects"

Page 8, after line 16, insert:

"SECTION 38. HEDGING STRATEGIES STUDY - BANK OF NORTH DAKOTA - REPORT TO LEGISLATIVE ASSEMBLY. During the 2019-20 interim, the Bank of North Dakota shall conduct a study on the use of various hedging strategies to protect the state from volatile swings in oil prices. Before January 15, 2021, the Bank of North Dakota shall report the results of its study to the appropriations committees of the sixty-seventh legislative assembly.

SECTION 39. LEGISLATIVE INTENT - LIGNITE RESEARCH FUND - LIGNITE LITIGATION. It is the intent of the sixty-sixth legislative assembly that at least \$500,000 of the funding in section 37 of this Act and any funding deposited in the lignite research fund related to successful litigation is available from the lignite research fund to be used to pay fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources.

SECTION 40. EFFECTIVE DATE. Section 31 of this Act becomes effective July 1, 2021.

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SECTION 41. EMERGENCY. Section 5 of this Act is declared to be an emergency measure."

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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Office of Management and Budget				
Total all funds	\$0	\$0	\$20,020,000	\$20,020,000
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$20,020,000	\$20,020,000
FTE	0.00	0.00	0.00	0.00
Industrial Commission				
Total all funds	\$40,752,193	\$45,027,118	\$415,870	\$45,442,988
Less estimated income	15,343,206	17,987,425	26,365	18,013,790
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198
FTE	110.25	112.25	0.00	112.25
Bank of North Dakota				
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799
Less estimated income	59,299,204	64,164,235	193,564	64,357,799
General fund	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50
Housing Finance Agency				
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891
Less estimated income	44,530,239	47,374,675	47,216	47,421,891
General fund	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00
Mill and Elevator				
Total all funds	\$68,213,519	\$76,839,812	\$285,083	\$77,124,895
Less estimated income	68,213,519	76,839,812	285,083	77,124,895
General fund	\$0	\$0	\$0	\$0
FTE	153.00	155.00	2.00	157.00
Bill total				
Total all funds	\$212,795,155	\$233,405,840	\$20,961,733	\$254,367,573
Less estimated income	187,386,168	206,366,147	552,228	206,918,375
General fund	\$25,408,987	\$27,039,693	\$20,409,505	\$47,449,198
FTE	488.75	492.75	2.00	494.75

House Bill No. 1014 - Office of Management and Budget - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
High-level radioactive waste fund			\$20,000	\$20,000
Housing incentive fund			20,000,000	20,000,000
Total all funds	\$0	\$0	\$20,020,000	\$20,020,000
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$20,020,000	\$20,020,000
FTE	0.00	0.00	0.00	0.00

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Department 110 - Office of Management and Budget - Detail of Senate Changes

	Transfer to High-Level Radioactive Waste Fund ¹	Transfer to Housing Incentive Fund ²	Total Senate Changes
High-level radioactive waste fund	\$20,000		\$20,000
Housing incentive fund		\$20,000,000	20,000,000
Total all funds	\$20,000	\$20,000,000	\$20,020,000
Less estimated income	0	0	0
General fund	\$20,000	\$20,000,000	\$20,020,000
FTE	0.00	0.00	0.00

¹ One-time funding of \$20,000 is added from the general fund for a transfer to the high-level radioactive waste fund.

² One-time funding of \$20 million is added from the general fund for a transfer to the housing incentive fund.

House Bill No. 1014 - Industrial Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$22,014,084	\$23,296,820	\$287,630	\$23,584,450
Operating expenses	5,305,888	5,991,987	128,240	6,120,227
Capital assets		5,000,000		5,000,000
Grants - Bond payments	13,210,484	10,508,767		10,508,767
Contingencies	221,737	229,544		229,544
Total all funds	\$40,752,193	\$45,027,118	\$415,870	\$45,442,988
Less estimated income	15,343,206	17,987,425	26,365	18,013,790
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198
FTE	110.25	112.25	0.00	112.25

Department 405 - Industrial Commission - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Adjusts Funding for Operating Expenses ²	Adds Funding for Temporary Employees ³	Adds Funding for Radioactive Waste Council ⁴	Total Senate Changes
Salaries and wages	\$112,630		\$175,000		\$287,630
Operating expenses		\$108,240		\$20,000	128,240
Capital assets					
Grants - Bond payments					
Contingencies					
Total all funds	\$112,630	\$108,240	\$175,000	\$20,000	\$415,870
Less estimated income	6,365	0	0	20,000	26,365
General fund	\$106,265	\$108,240	\$175,000	\$0	\$389,505
FTE	0.00	0.00	0.00	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding is added for operating expenses associated with 2 contingent FTE positions that were authorized in the 2017-19 biennium and will continue in the 2019-21 biennium since the contingency was met.

³ One-time funding of \$175,000 from the general fund is added to hire temporary employees to record historical information to provide guidance to current and future employees.

⁴ One-time funding of \$20,000 from the high-level radioactive waste fund is added for reimbursing travel costs of the high-level radioactive waste advisory council. The amendment also includes a transfer of \$20,000 from the general fund to the high-level radioactive waste fund. The House did not include this funding.

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This amendment also includes the following items related to the Industrial Commission:

- Appropriates \$26 million from the general fund during the 2017-19 biennium and allows the funding to continue in the 2019-21 biennium to repay bonds issued by the Public Finance Authority. An emergency clause is included related to the appropriation. The House did not include this funding.
- Adjusts the transfer for administrative costs to provide a total transfer of \$1,172,603. The House provided for a transfer of \$1,150,782.
- Increases oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$8 million, from \$10 million to \$18 million for contracting with the Energy and Environmental Research Center for pilot projects relating to underground storage of produced natural gas. The House increased the allocations by \$4 million for this purpose.
- Amends provisions of law relating to the Public Finance Authority's authorization to issue bonds to support the infrastructure revolving loan fund and resources trust fund. The House did not amend these provisions of law.
- Clarifies the authority of counties to access loans from the infrastructure revolving loan fund. The House did not clarify the authority of counties to access loans from the infrastructure revolving loan fund.
- Authorizes the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund with a term of 30 years and authorizes bond anticipation notes. The House did not include authorization for bonds.
- Identifies \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council. The House did not provide funding for the council.
- Authorizes counties to use property taxes levied for capital projects for county road projects and allows counties to borrow for up to 20 years when taxes are insufficient to meet the needs of the county, an increase from the current limit of 5 years. The House did not change the levy and bonding authority for counties.
- Provides legislative intent related to funding for lignite litigation expenses from the lignite research fund. The House did not include legislative intent for lignite litigation.

House Bill No. 1014 - Bank of North Dakota - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Capital assets	\$810,000	\$1,510,000		\$1,510,000
Bank of North Dakota operations	58,489,204	62,654,235	\$193,564	62,847,799
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799
Less estimated income	59,299,204	64,164,235	193,564	64,357,799
General fund	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50

Department 471 - Bank of North Dakota - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Total Senate Changes
Capital assets		
Bank of North Dakota operations	\$193,564	\$193,564
Total all funds	\$193,564	\$193,564
Less estimated income	193,564	193,564
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also includes the following items related to the Bank of North Dakota:

- Authorizes the Bank to extend a line of credit up to \$100 million to the infrastructure revolving loan fund to support new loans from the fund prior to the issuance of bonds by the Public Finance Authority. The House did not include a line a credit for the infrastructure revolving loan fund.
- Requires the State Water Commission to transfer outstanding loans for water projects to the infrastructure

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revolving loan fund related to the repeal of a revolving loan fund designated for water projects. The repeal of the revolving loan fund is effective July 1, 2021. The House did not transfer outstanding loans for water projects or repeal the revolving loan fund designated for water projects.

- Amends North Dakota Century Code Section 6-09-49 relating to the infrastructure revolving loan fund to allow additional entities, including institutions of higher education, to obtain low-interest loans for infrastructure projects, and to expand the types of eligible infrastructure projects. The House did not expand the infrastructure revolving loan fund.
- Provides for the Bank to study hedging strategies related to the volatility of oil prices. The House did not include a study of hedging strategies.

House Bill No. 1014 - Housing Finance Agency - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$7,892,056	\$8,461,799	\$47,216	\$8,509,015
Operating expenses	4,743,355	5,346,276		5,346,276
Grants	31,794,828	33,466,600		33,466,600
HFA contingencies	100,000	100,000		100,000
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891
Less estimated income	44,530,239	47,374,675	47,216	47,421,891
General fund	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Total Senate Changes
Salaries and wages	\$47,216	\$47,216
Operating expenses		
Grants		
HFA contingencies		
Total all funds	\$47,216	\$47,216
Less estimated income	47,216	47,216
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also adds a section to amend Section 54-17-40 relating to the housing incentive fund to decrease the amount of funding designated for small communities and to remove the prioritization for essential service worker housing. The House did not amend the housing incentive fund.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$39,308,519	\$46,292,812	\$285,083	\$46,577,895
Operating expenses	28,195,000	29,837,000		29,837,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	\$68,213,519	\$76,839,812	\$285,083	\$77,124,895
Less estimated income	68,213,519	76,839,812	285,083	77,124,895
General fund	\$0	\$0	\$0	\$0
FTE	153.00	155.00	2.00	157.00

Department 475 - Mill and Elevator - Detail of Senate Changes

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	Adds FTE Positions ¹	Total Senate Changes
Salaries and wages	\$285,083	\$285,083
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	\$285,083	\$285,083
Less estimated income	285,083	285,083
General fund	\$0	\$0
FTE	2.00	2.00

¹ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,071), to provide a total of 4 new FTE positions. The House added 2 FTE positions.

No other sections were added by the Senate related to the Mill and Elevator Association.

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STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Funding Summary

	Base Budget	House Version	Senate Changes	Senate Version
Office of Management and Budget				
High-level radioactive waste fund			\$20,000	\$20,000
Housing incentive fund			20,000,000	20,000,000
Total all funds	\$0	\$0	\$20,020,000	\$20,020,000
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$20,020,000	\$20,020,000
FTE	0.00	0.00	0.00	0.00
Industrial Commission				
Salaries and wages	\$22,014,084	\$23,296,820	\$287,630	\$23,584,450
Operating expenses	5,305,888	5,991,987	128,240	6,120,227
Capital assets		5,000,000		5,000,000
Grants - Bond payments	13,210,484	10,508,767		10,508,767
Contingencies	221,737	229,544		229,544
Total all funds	\$40,752,193	\$45,027,118	\$415,870	\$45,442,988
Less estimated income	15,343,206	17,987,425	26,365	18,013,790
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198
FTE	110.25	112.25	0.00	112.25
Bank of North Dakota				
Capital assets	\$810,000	\$1,510,000		\$1,510,000
Bank of North Dakota operations	58,489,204	62,654,235	\$193,564	62,847,799
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799
Less estimated income	59,299,204	64,164,235	193,564	64,357,799
General fund	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50
Housing Finance Agency				
Salaries and wages	\$7,892,056	\$8,461,799	\$47,216	\$8,509,015
Operating expenses	4,743,355	5,346,276		5,346,276
Grants	31,794,828	33,466,600		33,466,600
HFA contingencies	100,000	100,000		100,000
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891
Less estimated income	44,530,239	47,374,675	47,216	47,421,891
General fund	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00
Mill and Elevator				
Salaries and wages	\$39,308,519	\$46,292,812	\$285,083	\$46,577,895
Operating expenses	28,195,000	29,837,000		29,837,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	\$68,213,519	\$76,839,812	\$285,083	\$77,124,895
Less estimated income	68,213,519	76,839,812	285,083	77,124,895
General fund	\$0	\$0	\$0	\$0
FTE	153.00	155.00	2.00	157.00
Bill total				
Total all funds	\$212,795,155	\$233,405,840	\$20,961,733	\$254,367,573
Less estimated income	187,386,168	206,366,147	552,228	206,918,375
General fund	\$25,408,987	\$27,039,693	\$20,409,505	\$47,449,198

FTE 488.75 492.75 2.00 494.75

House Bill No. 1014 - Office of Management and Budget - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
High-level radioactive waste fund			\$20,000	\$20,000
Housing incentive fund			20,000,000	20,000,000
Total all funds	\$0	\$0	\$20,020,000	\$20,020,000
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$20,020,000	\$20,020,000
FTE	0.00	0.00	0.00	0.00

Department 110 - Office of Management and Budget - Detail of Senate Changes

	Transfer to High-Level Radioactive Waste Fund ¹	Transfer to Housing Incentive Fund ²	Total Senate Changes
High-level radioactive waste fund	\$20,000		\$20,000
Housing incentive fund		\$20,000,000	20,000,000
Total all funds	\$20,000	\$20,000,000	\$20,020,000
Less estimated income	0	0	0
General fund	\$20,000	\$20,000,000	\$20,020,000
FTE	0.00	0.00	0.00

¹ One-time funding of \$20,000 is added from the general fund for a transfer to the high-level radioactive waste fund.

² One-time funding of \$20 million is added from the general fund for a transfer to the housing incentive fund.

House Bill No. 1014 - Industrial Commission - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$22,014,084	\$1,282,736	\$23,296,820
Operating expenses	5,305,888	686,099	5,991,987
Capital assets		5,000,000	5,000,000
Grants - Bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	221,737	7,807	229,544
Total all funds	\$40,752,193	\$4,274,925	\$45,027,118
Less estimated income	15,343,206	2,644,219	17,987,425
General fund	\$25,408,987	\$1,630,706	\$27,039,693
FTE	110.25	2.00	112.25

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Department 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for 2017-19 Contingent FTE Positions ³	Adds Contingent FTE Positions ⁴	Adjusts Funding for Operating Expenses ⁵	Reduces Funding for Bond Payments ⁶
Salaries and wages	(\$123,310)	\$1,143,845	\$262,201			
Operating expenses					\$416,099	
Capital assets						
Grants - Bond payments						(\$2,701,717)
Contingencies			(221,737)	\$229,544		
Total all funds	(\$123,310)	\$1,143,845	\$40,464	\$229,544	\$416,099	(\$2,701,717)
Less estimated income	40,140	67,711	0	0	(31,915)	(2,701,717)
General fund	(\$163,450)	\$1,076,134	\$40,464	\$229,544	\$448,014	\$0
FTE	0.00	0.00	0.00	2.00	0.00	0.00

	Adds One-Time Funding for Studies and an Information Technology Project ⁷	Total House Changes
Salaries and wages		\$1,282,736
Operating expenses	\$270,000	686,099
Capital assets	5,000,000	5,000,000
Grants - Bond payments		(2,701,717)
Contingencies		7,807
Total all funds	\$5,270,000	\$4,274,925
Less estimated income	5,270,000	2,644,219
General fund	\$0	\$1,630,706
FTE	0.00	2.00

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	General Fund	Other Funds	Total
Salary increase	\$571,918	\$36,477	\$608,395
Health insurance increase	504,216	31,234	535,450
Total	\$1,076,134	\$67,711	\$1,143,845.00

³ Funding of \$221,737 is transferred from the contingencies line item to the salaries and wages line item, and funding of \$40,464 is added to the salaries and wages line item related to 2 FTE positions that were partially funded as contingent positions in the 2017-19 biennium.

⁴ Contingent funding and authorization is provided for 2 FTE positions. The FTE positions and related funding are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 20,800 as identified in Section 5 of the bill.

⁵ Funding is adjusted for operating expenses as follows:

	General Fund	Other Funds	Total
Adjusts funding for travel and building leases	\$300,827	(\$36,324)	\$264,503
Adds funding for computer replacements	70,400	0	70,400
Adds funding for Microsoft Office 365 licensing	76,787	4,409	81,196
Total	\$448,014	(\$31,915)	\$416,099

⁶ Funding for bond payments is reduced by \$2,701,717, from \$13,210,484 to \$10,508,767.

⁷ Funding is added for the following one-time items:

	<u>Total</u>
Rare earth element study (strategic investment and improvements fund)	\$160,000
Fracturing sand study (strategic investment and improvements fund)	110,000
Information technology project (abandoned oil and gas well plugging and site reclamation fund)	<u>5,000,000</u>
Total	\$5,270,000

This amendment also includes the following items related to the Industrial Commission:

- Provides legislative intent for bond payments.
- Identifies 2 FTE positions included in the appropriation as contingent FTE positions. The positions are available if the total number of wells capable of production and injection exceeds 20,800.
- Allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services and provides an exemption to allow any unspent 2017-19 biennium appropriations for administrative costs to continue in the 2019-21 biennium.
- Identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.
- Identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project.
- Limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.
- Decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.
- Increases the oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.
- Provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review in the 2019-21 biennium.
- Provides legislative intent that \$4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

House Bill No. 1014 - Industrial Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$22,014,084	\$23,296,820	\$287,630	\$23,584,450
Operating expenses	5,305,888	5,991,987	128,240	6,120,227
Capital assets		5,000,000		5,000,000
Grants - Bond payments	13,210,484	10,508,767		10,508,767
Contingencies	221,737	229,544		229,544
Total all funds	\$40,752,193	\$45,027,118	\$415,870	\$45,442,988
Less estimated income	<u>15,343,206</u>	<u>17,987,425</u>	<u>26,365</u>	<u>18,013,790</u>
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198
 FTE	 110.25	 112.25	 0.00	 112.25

Department 405 - Industrial Commission - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Adjusts Funding for Operating Expenses ²	Adds Funding for Temporary Employees ³	Adds Funding for Radioactive Waste Council ⁴	Total Senate Changes
Salaries and wages	\$112,630		\$175,000		\$287,630
Operating expenses		\$108,240		\$20,000	128,240
Capital assets					
Grants - Bond payments					
Contingencies					
Total all funds	\$112,630	\$108,240	\$175,000	\$20,000	\$415,870
Less estimated income	6,365	0	0	20,000	26,365
General fund	\$106,265	\$108,240	\$175,000	\$0	\$389,505
FTE	0.00	0.00	0.00	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding is added for operating expenses associated with 2 contingent FTE positions authorized in the 2017-19 biennium which will continue in the 2019-21 biennium since the contingency was met.

³ One-time funding of \$175,000 from the general fund is added to hire temporary employees to record historical information to provide guidance to current and future employees.

⁴ One-time funding of \$20,000 from the high-level radioactive waste fund is added for reimbursing travel costs of the high-level radioactive waste advisory council. The amendment also includes a transfer of \$20,000 from the general fund to the high-level radioactive waste fund. The House did not include this funding.

This amendment also includes the following items related to the Industrial Commission:

- Appropriates \$26 million from the general fund during the 2017-19 biennium and allows the funding to continue in the 2019-21 biennium to repay bonds issued by the Public Finance Authority. An emergency clause is included related to the appropriation. The House did not include this funding.
- Adjusts the transfer for administrative costs to provide a total transfer of \$1,172,603. The House provided for a transfer of \$1,150,782.
- Increases oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$8 million, from \$10 million to \$18 million, for contracting with the Energy and Environmental Research Center for pilot projects relating to underground storage of produced natural gas. The House increased the allocations by \$4 million for this purpose.
- Amends provisions of law relating to the Public Finance Authority's authorization to issue bonds to support the infrastructure revolving loan fund and resources trust fund. The House did not amend these provisions of law.
- Clarifies the authority of counties to access loans from the infrastructure revolving loan fund. The House did not clarify the authority of counties to access loans from the infrastructure revolving loan fund.
- Authorizes the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund with a term of 30 years and authorizes bond anticipation notes. The House did not include authorization for bonds.
- Identifies \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council. The House did not provide funding for the council.
- Authorizes counties to use property taxes levied for capital projects for county road projects and allows counties to borrow for up to 20 years when taxes are insufficient to meet the needs of the county, an increase from the current limit of 5 years. The House did not change the levy and bonding authority for counties.
- Provides legislative intent related to funding for lignite litigation expenses from the lignite research fund. The House did not include legislative intent for lignite litigation.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	\$810,000	\$700,000	\$1,510,000
Bank of North Dakota operations	58,489,204	4,165,031	62,654,235
Total all funds	\$59,299,204	\$4,865,031	\$64,164,235
Less estimated income	59,299,204	4,865,031	64,164,235
General fund	\$0	\$0	\$0
FTE	181.50	0.00	181.50

Department 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for Bank Operations ³	Adds Funding for Bank Contingencies ⁴	Adds Funding for Information Technology Equipment and Software ⁵	Total House Changes
Capital assets					\$700,000	\$700,000
Bank of North Dakota operations	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000		4,165,031
Total all funds	\$230,000	\$1,706,921	\$1,228,110	\$1,000,000	\$700,000	\$4,865,031
Less estimated income	230,000	1,706,921	1,228,110	1,000,000	700,000	4,865,031
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	<u>Other Funds</u>
Salary increase	\$894,823
Health insurance increase	812,098
Total	\$1,706,921

³ Funding is adjusted for Bank of North Dakota operations, as follows:

	<u>Other Funds</u>
Adjusts funding for postage and temporary salaries	(\$75,550)
Increases funding for information technology costs	876,800
Adds funding for Microsoft Office 365 licensing	37,352
Increases funding for professional development and services	139,508
Increases funding for utilities, insurance, and other operating expenses	<u>250,000</u>
Total	\$1,228,110

⁴ Funding of \$1 million is added for Bank of North Dakota contingencies to provide total contingency funding of \$3.5 million.

⁵ Funding is added for information technology equipment and software.

This amendment also includes the following items related to the Bank of North Dakota:

- Transfers \$140 million of Bank profits to the general fund and identifies the transfer as an ongoing revenue source for Legislative Council budget status reporting purposes.
- Transfers \$26 million of Bank profits to the partnership in assisting community expansion (PACE) fund.

- Transfers \$3 million of Bank profits to the Ag PACE fund.
- Transfers \$1 million of Bank profits to the biofuels PACE fund.
- Transfers \$6 million of Bank profits to the beginning farmer revolving loan fund.
- Transfers \$15 million of Bank profits to the North Dakota development fund and requires the funding be used to purchase existing venture capital assets held by the Bank.

House Bill No. 1014 - Bank of North Dakota - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Capital assets	\$810,000	\$1,510,000		\$1,510,000
Bank of North Dakota operations	58,489,204	62,654,235	\$193,564	62,847,799
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799
Less estimated income	59,299,204	64,164,235	193,564	64,357,799
General fund	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50

Department 471 - Bank of North Dakota - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Total Senate Changes
Capital assets		
Bank of North Dakota operations	\$193,564	\$193,564
Total all funds	\$193,564	\$193,564
Less estimated income	193,564	193,564
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also includes the following items related to the Bank of North Dakota:

- Authorizes the Bank to extend a line of credit up to \$100 million to the infrastructure revolving loan fund to support new loans from the fund prior to the issuance of bonds by the Public Finance Authority. The House did not include a line of credit for the infrastructure revolving loan fund.
- Requires the State Water Commission to transfer outstanding loans for water projects to the infrastructure revolving loan fund related to the repeal of a revolving loan fund designated for water projects. The repeal of the revolving loan fund is effective July 1, 2021. The House did not transfer outstanding loans for water projects or repeal the revolving loan fund designated for water projects.
- Amends North Dakota Century Code Section 6-09-49 relating to the infrastructure revolving loan fund to allow additional entities, including institutions of higher education, to obtain low-interest loans for infrastructure projects, and to expand the types of eligible infrastructure projects. The House did not expand the infrastructure revolving loan fund program.
- Provides for the Bank to study hedging strategies related to the volatility of oil prices. The House did not include a study of hedging strategies.

House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$7,892,056	\$569,743	\$8,461,799
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
HFA contingencies	100,000		100,000
Total all funds	\$44,530,239	\$2,844,436	\$47,374,675
Less estimated income	44,530,239	2,844,436	47,374,675
General fund	\$0	\$0	\$0
FTE	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Removes Funding for Temporary Employees ³	Adds Funding for Mortgage Servicing Premium Expenses ⁴	Adds Funding for Grants ⁵	Total House Changes
Salaries and wages	\$221,665	\$405,297	(\$57,219)			\$569,743
Operating expenses				\$602,921		602,921
Grants					\$1,671,772	1,671,772
HFA contingencies						
Total all funds	\$221,665	\$405,297	(\$57,219)	\$602,921	\$1,671,772	\$2,844,436
Less estimated income	221,665	405,297	(57,219)	602,921	1,671,772	2,844,436
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 base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

<u>Other Funds</u>	
Salary increase	\$208,965
Health insurance increase	196,332
Total	\$405,297

³ Funding is removed for temporary employees.

⁴ Funding is added for mortgage servicing premium expenses related to an increasing loan volume.

⁵ Funding of \$1,671,772 is added for grants, including \$20,000 for program grants and \$1,651,772 for federal housing grants.

This amendment also adds a section related to the Housing Finance Agency to provide appropriation authority for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium and requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

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House Bill No. 1014 - Housing Finance Agency - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$7,892,056	\$8,461,799	\$47,216	\$8,509,015
Operating expenses	4,743,355	5,346,276		5,346,276
Grants	31,794,828	33,466,600		33,466,600
HFA contingencies	100,000	100,000		100,000
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891
Less estimated income	44,530,239	47,374,675	47,216	47,421,891
General fund	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00

Department 473 - Housing Finance Agency - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Total Senate Changes
Salaries and wages	\$47,216	\$47,216
Operating expenses		
Grants		
HFA contingencies		
Total all funds	\$47,216	\$47,216
Less estimated income	47,216	47,216
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also adds a section to amend Section 54-17-40 relating to the housing incentive fund to decrease the amount of funding designated for small communities and to remove the prioritization for essential service worker housing. The House did not amend the housing incentive fund.

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$39,308,519	\$6,984,293	\$46,292,812
Operating expenses	28,195,000	1,642,000	29,837,000
Agriculture promotion	210,000		210,000
Contingencies	500,000		500,000
Total all funds	\$68,213,519	\$8,626,293	\$76,839,812
Less estimated income	68,213,519	8,626,293	76,839,812
General fund	\$0	\$0	\$0
FTE	153.00	2.00	155.00

Department 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Benefit Increases ²	Increases Funding for Overtime and Temporary Employees ³	Adds FTE Positions ⁴	Adds Funding for Operating Expenses ⁵	Total House Changes
Salaries and wages	\$3,477,828	\$682,698	\$2,538,685	\$285,082		\$6,984,293
Operating expenses					\$1,642,000	1,642,000
Contingencies						
Agriculture promotion						
Total all funds	\$3,477,828	\$682,698	\$2,538,685	\$285,082	\$1,642,000	\$8,626,293
Less estimated income	3,477,828	682,698	2,538,685	285,082	1,642,000	8,626,293
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00	0.00	2.00

¹ Funding is adjusted for base payroll changes, including salary increases.

² Funding is added for increases in health insurance premiums from \$1,241 to \$1,427 per month.

³ Funding is increased for overtime expenses (\$2,227,085) and temporary employees (\$311,600).

⁴ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,070).

⁵ Funding is added for operating expenses for increased costs related to utilities, insurance, and repairs.

No other sections were included by the House related to the Mill and Elevator Association.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$39,308,519	\$46,292,812	\$285,083	\$46,577,895
Operating expenses	28,195,000	29,837,000		29,837,000
Agriculture promotion	210,000	210,000		210,000
Contingencies	500,000	500,000		500,000
Total all funds	\$68,213,519	\$76,839,812	\$285,083	\$77,124,895
Less estimated income	68,213,519	76,839,812	285,083	77,124,895
General fund	\$0	\$0	\$0	\$0
FTE	153.00	155.00	2.00	157.00

Department 475 - Mill and Elevator - Detail of Senate Changes

	Adds FTE Positions ¹	Total Senate Changes
Salaries and wages	\$285,083	\$285,083
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	\$285,083	\$285,083
Less estimated income	285,083	285,083
General fund	\$0	\$0
FTE	2.00	2.00

¹ Funding is added for 2 FTE positions, including 1 food safety position (\$155,012) and 1 utility worker position (\$130,071), to provide a total of 4 new FTE positions. The House added 2 FTE positions.

No other sections were added by the Senate related to the Mill and Elevator Association.

April 17, 2019

AB1014

at B

**Industrial Commission - Budget No. 405
House Bill No. 1014
Base Level Funding Changes**

	House Version				Senate Version				Senate Changes to House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease) - House Version			
									FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	110.25	\$25,408,987	\$15,343,206	\$40,752,193	110.25	\$25,408,987	\$15,343,206	\$40,752,193	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes		(\$163,450)	\$40,140	(\$123,310)		(\$163,450)	\$40,140	(\$123,310)				\$0
Salary increase		571,918	36,477	608,395		678,183	42,842	721,025		106,265	6,365	112,630
Health insurance increase		504,216	31,234	535,450		504,216	31,234	535,450				0
Transfers \$221,737 to salaries and wages line item				0				0				0
Increases funding for 2 FTE positions (partial funding in 2017-19)		40,464		40,464		40,464		40,464				0
Adds contingent FTE positions	2.00	229,544		229,544	2.00	229,544		229,544				0
Adjusts funding for operating expenses		300,827	(36,324)	264,503		409,067	(36,324)	372,743		108,240		108,240
Adds funding for computer replacements		70,400		70,400		70,400		70,400				0
Adds funding for Microsoft Office 365 licensing		76,787	4,409	81,196		76,787	4,409	81,196				0
Reduces funding for bond payments			(2,701,717)	(2,701,717)			(2,701,717)	(2,701,717)				0
Total ongoing funding changes	2.00	\$1,630,706	(\$2,625,781)	(\$995,075)	2.00	\$1,845,211	(\$2,619,416)	(\$774,205)	0.00	\$214,505	\$6,365	\$220,870
One-time funding items												
Adds funding for rare earth element study			\$160,000	\$160,000			\$160,000	\$160,000				\$0
Adds funding for fracturing sand study			110,000	110,000			110,000	110,000				0
Adds funding for oil database software upgrade			5,000,000	5,000,000			5,000,000	5,000,000				0
High-level radio active waste advisory council				0			20,000	20,000			20,000	20,000
Adds funding for temporary employees				0		175,000		175,000		175,000		175,000
Total one-time funding changes	0.00	\$0	\$5,270,000	\$5,270,000	0.00	\$175,000	\$5,290,000	\$5,465,000	0.00	\$175,000	\$20,000	\$195,000
Total Changes to Base Level Funding	2.00	\$1,630,706	\$2,644,219	\$4,274,925	2.00	\$2,020,211	\$2,670,584	\$4,690,795	0.00	\$389,505	\$26,365	\$415,870
2019-21 Total Funding	112.25	\$27,039,693	\$17,987,425	\$45,027,118	112.25	\$27,429,198	\$18,013,790	\$45,442,988	0.00	\$389,505	\$26,365	\$415,870

Other Sections for Industrial Commission - Budget No. 405

Bond payments

Public Finance Authority bonding authorization

House Version
Section 3 provides legislative intent for bond payments.

Senate Version
Section 3 provides legislative intent for bond payments.

Section 5 appropriates \$26 million from the general fund during the 2017-19 biennium and allows the funding to continue in the 2019-21 biennium to repay bonds issued by the Public Finance Authority. Sections 22, 23, and 24 amend provisions of law relating to the Public Finance Authority's authorization to issue bonds to support the infrastructure revolving loan fund and resources trust fund. Sections 25 and 26 clarify the authority of counties to access loans from the infrastructure revolving loan fund. Section 32 authorizes the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund with a term of 30 years and authorizes bond anticipation notes. Section 41 includes an emergency clause related to the appropriation in Section 5.

April 17, 2019

HB1014

att B

Other Sections for Industrial Commission - Budget No. 405

	House Version	Senate Version
High-level radioactive waste fund		Section 7 appropriates \$20,000 from the general fund and requires the Office of Management and Budget to transfer the funding to the high-level radioactive waste fund. Section 20 identifies \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council.
Contingent FTE Positions	Section 5 identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions and related funding are available if the total number of wells capable of production and injection exceeds 20,800.	Section 9 identifies 2 FTE positions included in the appropriation as contingent FTE position authorization. The positions and related funding are available if the total number of wells capable of production and injection exceeds 20,800.
Administrative cost transfers	Section 6 allows the Industrial Commission to transfer up to \$1,150,782 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 18 provides an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.	Section 10 allows the Industrial Commission to transfer up to \$1,172,603 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 35 provides an exemption allowing unspent prior biennium appropriation authority for administrative costs to be available in the 2019-21 biennium.
Strategic investment and improvements fund	Section 13 identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.	Section 18 identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.
Abandoned oil and gas well plugging and site reclamation fund	Section 14 identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project. Section 15 limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.	Section 19 identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project. Section 30 limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.
County levy and bonding authority		Section 28 authorizes counties to use property taxes levied for capital projects for county road projects. Section 29 allows counties to borrow for up to 20 years when taxes are insufficient to meet the needs of the county, an increase from the current limit of 5 years.
North Dakota outdoor heritage fund	Section 16 decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.	Section 33 decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.
Oil and gas research fund	Section 17 increases 2019-21 biennium oil and gas tax revenue allocations to the oil and gas research fund by \$4 million, from \$10 million to \$14 million, and requires the Industrial Commission to use \$4 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for a pilot project relating to the underground storage of produced natural gas.	Section 34 increases 2019-21 biennium oil and gas tax revenue allocations to the oil and gas research fund by \$8 million, from \$10 million to \$18 million, and requires the Industrial Commission to use \$8 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for pilot projects relating to the underground storage of produced natural gas.
Survey review exemption	Section 19 provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review during the 2019-21 biennium.	Section 36 provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review during the 2019-21 biennium.

April 17, 2019

HB 1014

att B

Other Sections for Industrial Commission - Budget No. 405

Lignite research

House Version

Section 20 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Senate Version

Section 37 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation. Section 39 provides legislative intent related to funding for lignite litigation expenses from the lignite research fund.

April 17, 2019

HB1014

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Mill and Elevator Association - Budget No. 475
House Bill No. 1014
Base Level Funding Changes

	House Version				Senate Version				Senate Changes to House Version Increase (Decrease) - House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	153.00	\$0	\$68,213,519	\$68,213,519	153.00	\$0	\$68,213,519	\$68,213,519	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$3,477,828	\$3,477,828			\$3,477,828	\$3,477,828				\$0
Health insurance increase			682,698	682,698			682,698	682,698				0
Increases funding for overtime			2,227,085	2,227,085			2,227,085	2,227,085				0
Increases funding for temporary employees			311,600	311,600			311,600	311,600				0
Adds funding for FTE positions	2.00		285,082	285,082	4.00		570,165	570,165	2.00		285,083	285,083
Adds funding for increases in operating costs			1,642,000	1,642,000			1,642,000	1,642,000				0
Total ongoing funding changes	2.00	\$0	\$8,626,293	\$8,626,293	4.00	\$0	\$8,911,376	\$8,911,376	2.00	\$0	\$285,083	\$285,083
One-time funding items												
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	2.00	\$0	\$8,626,293	\$8,626,293	4.00	\$0	\$8,911,376	\$8,911,376	2.00	\$0	\$285,083	\$285,083
2019-21 Total Funding	155.00	\$0	\$76,839,812	\$76,839,812	157.00	\$0	\$77,124,895	\$77,124,895	2.00	\$0	\$285,083	\$285,083

Other Sections for Mill and Elevator Association - Budget No. 475

House Version	Senate Version
The House did not include any other sections related to the Mill and Elevator Association.	The Senate did not include any other sections related to the Mill and Elevator Association.

April 17, 2019

HB 1014

att D

**Housing Finance Agency - Budget No. 473
House Bill No. 1014
Base Level Funding Changes**

	House Version				Senate Version				Senate Changes to House Version Increase (Decrease) - House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	44.00	\$0	\$44,530,239	\$44,530,239	44.00	\$0	\$44,530,239	\$44,530,239	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$221,665	\$221,665			\$221,665	\$221,665				\$0
Salary increase			208,965	208,965			256,181	256,181			47,216	47,216
Health insurance increase			196,332	196,332			196,332	196,332				0
Removes funding for temporary employees			(57,219)	(57,219)			(57,219)	(57,219)				0
Increases funding for mortgage servicing premium expenses			602,921	602,921			602,921	602,921				0
Increases funding for program grants			20,000	20,000			20,000	20,000				0
Adds funding for federal housing grants			1,651,772	1,651,772			1,651,772	1,651,772				0
Total ongoing funding changes	0.00	\$0	\$2,844,436	\$2,844,436	0.00	\$0	\$2,891,652	\$2,891,652	0.00	\$0	\$47,216	\$47,216
One-time funding items												
No one-time funding items				0				0				0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$2,844,436	\$2,844,436	0.00	\$0	\$2,891,652	\$2,891,652	0.00	\$0	\$47,216	\$47,216
2019-21 Total Funding	44.00	\$0	\$47,374,675	\$47,374,675	44.00	\$0	\$47,421,891	\$47,421,891	0.00	\$0	\$47,216	\$47,216

Other Sections for Housing Finance Agency - Budget No. 473

	House Version	Senate Version
Additional appropriation authority	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2019-21 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.
Housing incentive fund		Section 8 appropriates \$20 million from the general fund and requires the Office of Management and Budget to transfer the funding to the housing incentive fund. Section 27 amends Section 54-17-40 relating to the housing incentive fund to decrease the amount of funding designated for small communities and to remove the prioritization for essential service worker housing.

April 17, 2019

HB 1014

atE

**Bank of North Dakota - Budget No. 471
House Bill No. 1014
Base Level Funding Changes**

	House Version				Senate Version				Senate Changes to House Version Increase (Decrease) - House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	181.50	\$0	\$59,299,204	\$59,299,204	181.50	\$0	\$59,299,204	\$59,299,204	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			\$230,000	\$230,000			\$230,000	\$230,000				\$0
Salary increase			894,823	894,823			1,088,387	1,088,387			193,564	193,564
Health insurance increase			812,098	812,098			812,098	812,098				0
Adjusts funding for postage and temporary salaries			(75,550)	(75,550)			(75,550)	(75,550)				0
Increases funding for information technology costs			876,800	876,800			876,800	876,800				0
Adds funding for Microsoft Office 365 licensing			37,352	37,352			37,352	37,352				0
Increases funding for professional development and services			139,508	139,508			139,508	139,508				0
Increases funding for utilities, insurance, and other operating costs			250,000	250,000			250,000	250,000				0
Increases funding for contingency expenses			1,000,000	1,000,000			1,000,000	1,000,000				0
Adds funding for information technology equipment			700,000	700,000			700,000	700,000				0
Total ongoing funding changes	0.00	\$0	\$4,865,031	\$4,865,031	0.00	\$0	\$5,058,595	\$5,058,595	0.00	\$0	\$193,564	\$193,564
One-time funding items												
No one-time funding items				0				0				0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$4,865,031	\$4,865,031	0.00	\$0	\$5,058,595	\$5,058,595	0.00	\$0	\$193,564	\$193,564
2019-21 Total Funding	181.50	\$0	\$64,164,235	\$64,164,235	181.50	\$0	\$64,357,799	\$64,357,799	0.00	\$0	\$193,564	\$193,564

Other Sections for Bank of North Dakota - Budget No. 471

	House Version	Senate Version
Line of credit		Section 6 authorizes the Bank to extend a line of credit, up to \$100 million, to the infrastructure revolving loan fund to support new loans from the fund prior to the issuance of bonds by the Public Finance Authority.
Transfer to general fund	Section 7 provides for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium and identifies the transfer as an ongoing revenue source.	Section 11 provides for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2019-21 biennium and identifies the transfer as an ongoing revenue source.
Transfer to partnership in assisting community expansion (PACE) fund	Section 8 provides for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.	Section 12 provides for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund for the 2019-21 biennium.
Transfer to Ag PACE fund	Section 9 provides for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.	Section 13 provides for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2019-21 biennium.
Transfer to biofuels PACE fund	Section 10 provides for a transfer of \$1 million from the Bank's current earnings and undivided profits to the biofuels PACE fund for the 2019-21 biennium.	Section 14 provides for a transfer of \$1 million from the Bank's current earnings and undivided profits to the biofuels PACE fund for the 2019-21 biennium.

April 17, 2019

HB1014

atE

Other Sections for Bank of North Dakota - Budget No. 471

	<u>House Version</u>	<u>Senate Version</u>
Transfer to beginning farmer revolving loan fund	Section 11 provides for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.	Section 15 provides for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2019-21 biennium.
Transfer to North Dakota development fund	Section 12 provides for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.	Section 16 provides for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund for the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the North Dakota development fund.
Infrastructure revolving loan fund		Section 17 requires the State Water Commission to transfer outstanding loans for water projects to the infrastructure revolving loan fund related to the repeal of a revolving loan fund designated for water projects in Section 31. Section 21 amends Section 6-09-49 relating to the infrastructure revolving loan fund to allow additional entities, including institutions of higher education, to obtain low-interest loans for infrastructure projects, and to expand the types of eligible infrastructure projects. Section 40 provides an effective date of July 1, 2021, related to the repeal of a revolving loan fund.
Hedging strategies study		Section 38 provides for the Bank to study hedging strategies related to the volatility of oil prices.

April 22, 2019

HB1014

atA

Section 6-09-52. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

6-09-52 REBUILDERS LOAN PROGRAM-REBUILDERS PERMANENT LOAN FUND-CONTINUING APPROPRIATION REQUIREMENTS.

1. The Bank shall develop policies to implement this section. The Bank shall make or participate in loans to North Dakota residents affected by extraordinary losses directly as a result of a natural disaster or weather-related events, in a presidentially declared disaster area or as declared by executive order of the Governor of North Dakota.
2. To be eligible for a loan under this section, a resident homeowner or owner of nonowner-occupied property must own the home or property located in the area affected; must be the owner at the time of the extraordinary event; is limited to rebuilding the structure to the condition previous to the event and must be secured by a first lien on the property if it is a nonowner-occupied property. For purposes of this section, "nonowner-occupied property" means property consisting of one or more rental dwelling units, none of which is occupied by the owner but does not include hotel or motel accommodations or any other commercial property.
3. A loan to a homeowner or owner of nonowner-occupied property under this section may not exceed the lesser of Seventy Five thousand dollars or the actual amount of documented damage not paid by the appropriate type of disaster insurance. A loan from the fund must have the interest rate fixed at one percent per year for a maximum term of twenty years and may be secured or unsecured.
4. For a resident rebuilding a home damaged by a natural disaster, up to twenty percent of the loan proceeds disbursed under this program may be used for debt service, debt retirement, or other credit obligations. For every loan made from the fund to a homeowner to rebuild or replace that individual's home, principal and interest payments must be deferred for the first twenty-four months of the loan. There is no deferral of principal and interest payments for a loan to the owner of a nonowner-occupied property.
5. An application for a loan from the fund must be made to the originating financial institution, and upon approval, a loan must be made from the fund in accordance with this section. A loan application for purposes of this section may be accepted for a period of eighteen months from the date of a signed presidential disaster declaration or executive order of the Governor.

6. If, subsequent to receiving a loan from the fund, the property for which the loan was made is sold, the balance of the loan and any interest accrued on the loan must be repaid to the fund upon closing of the sale. If the borrower provides financial evidence satisfactory to the Bank to show the borrower does not have the financial ability to repay the loan in full upon sale of the property, after the sale of the property, the Bank may allow the borrower to continue to make payments based on the loan terms.
7. The Bank may deduct, from interest payments received on loans, a service fee for administering the fund for the bank and originating financial institutions. The Bank shall contract with a certified public accounting firm to audit the fund as necessary. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund, must be paid by the fund.
8. **CONTINUING APPROPRIATION.** There is created in the state treasury the rebuilders permanent loan fund administered by the Bank of North Dakota. The fund consists of all moneys transferred to the fund by the legislative assembly, interest on moneys in the fund, and payments to the fund of principal and interest on loans made from the fund. All moneys in the fund are appropriated to the Bank on a continuing basis for the rebuilders home loan program for the purpose of providing loans in accordance with this section.

Current loans in the Rebuilders Loan Program established in 6-09-46 will be transferred to the rebuilders permanent loan fund administered by the Bank of North Dakota. Principal and interest payments shall be used to repay Bank of North Dakota for existing loans as established in 6-09-46. Future repayments of principal and interest shall be retained in the permanent loan fund.

The fund may, as directed by the North Dakota Industrial Commission, borrow from the Bank of North Dakota to providing funding for loans to residents of North Dakota experiencing extraordinary losses directly as a result of a natural disaster or weather-related events, in a presidentially declared disaster area or as declared by executive order of the Governor of North Dakota. Loans shall be repaid with principal and interest payments received by the rebuilders permanent loan fund or with moneys appropriated by the legislative assembly.

April 22, 2019

HB1044

att B

SECTION 13. TRANSFER - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$3,000,000, \$4,500,000 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 July1, 2019, and ending June 30, 2021. \$1,500,000 may be used by the Bank of North Dakota to expand parameters for the agriculture partnership in assisting community expansion disaster program to assist those farmers and livestock producers that suffered extraordinary losses directly as a result of weather related events as declared by executive order of the Governor.

April 22, 2019

HB 1014

attc

Section (TBD) Section 10 of chapter 247 of the 2019 Session Laws related to the governance, purchase, financing and operation of the statewide interoperable radio network are amended and reenacted as follows:

SECTION 7. TRANSFER-BANK OF NORTH DAKOTA PROFITS-STATEWIDE INTEROPERABLE RADIO NETWORK FUND. The Industrial Commission shall transfer the sum of \$20,000,000 or so much of the sum as may be necessary from the current earnings and accumulated undivided profits of the Bank of North Dakota to the statewide interoperable radio network fund after existing funding in the statewide interoperable radio network fund, the \$20,000,000 transfer from the Strategic Investment and Improvements Fund and the \$80,000,000 line of credit are exhausted during the period beginning with the effective date of the Act and ending June 30, 2021.

April 23, 2019

HB1014

att A

SECTION 13. TRANSFER - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$3,000,000, \$4,500,000 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 July1, 2019, and ending June 30, 2021. \$1,500,000 may be used by the Bank of North Dakota to expand parameters for the agriculture partnership in assisting community expansion program to assist farmers and livestock producers that suffered extraordinary losses from flooding on the Yellowstone River in the spring of 2019.

April 23, 2019

HB 1014

att B

19.0202.02009
Title.

Prepared by the Legislative Council staff for
Representative Mock
April 23, 2019

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

That the Senate recede from its amendments as printed on pages 1763-1779 of the House Journal and pages 1454-1470 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, line 5, remove "and"

Page 1, line 6, after "exemption" insert "; to provide for a report to the legislative management; and to provide for a study"

Page 8, after line 16, insert:

"SECTION 21. RECYCLING PRODUCED WATER STUDY - REPORT TO LEGISLATIVE MANAGEMENT. The industrial commission shall issue a request for proposals for a study regarding the recycling of water used in oil and gas operations, also known as produced water, from oil and gas-producing regions of North Dakota. The study must include the development or compilation of data regarding methods for the recycling of produced water specific to this state, and must examine the relevant, objective economic, regulatory, scientific, technological, and feasibility considerations. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$300,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the sponsor of the proposal selected for the study. The contractor shall provide reports on the status of the study at the request of the legislative management during the 2019-20 interim and shall provide a final report to the legislative management by October 1, 2020. The legislative council shall provide a report to the legislative management by October 1, 2020, regarding comparative state laws regarding the recycling of produced water."

Renumber accordingly

19.0202.02008
Title.

Prepared by the Legislative Council staff for
Senator Wardner and Representative Pollert
April 23, 2019

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 2, after the second "commission" insert "to create and enact a new section to chapter 6-09 of the North Dakota Century Code, relating to a rebuilders home loan program"

Page 1, line 5, remove "and"

Page 1, line 6, after "exemption" insert "; and to declare an emergency"

Page 6, after line 3, insert:

"SECTION 13. TRANSFER - REBUILDERS LOAN PROGRAM PAYMENTS TO REBUILDERS HOME LOAN FUND. From the principal payments received under the rebuilders loan program established in section 6-09-46, which were designated to replenish the Bank of North Dakota's current earnings and undivided profits pursuant to section 3 of chapter 83 of the 2013 Session Laws, the Bank shall transfer the sum of \$3,750,000 to the rebuilders home loan fund during the period beginning with the effective date of this Act and ending June 30, 2021. Any funds not committed to loans by September 30, 2020, must be returned to the Bank's current earnings and undivided profits."

Page 6, after line 12, insert:

"SECTION 16. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Rebuilders home loan program - Rebuilders home loan fund - Continuing appropriation - Requirements.

1. There is created in the state treasury the rebuilders home loan fund administered by the Bank of North Dakota. The fund consists of all moneys transferred to the fund by the legislative assembly. All moneys in the fund are appropriated to the Bank on a continuing basis for the rebuilders home loan program.
2. The Bank shall develop policies to implement this section. The Bank shall make or participate in loans to North Dakota residents affected by river flooding in the state due to ice jams in the winter and spring of 2019. Loans are available for rebuilding the resident's flood-damaged home or rebuilding nonowner-occupied property. A loan from the fund must have the interest rate fixed at one percent per year for no more than twenty years. A loan made to a homeowner or owner of nonowner-occupied property under this section may not exceed the lesser of seventy-five thousand dollars or the actual amount of documented damage not paid by flood insurance. For purposes of this section, "nonowner-occupied property" means property consisting of one or more rental dwelling units, none of which is occupied by the owner, and does not include hotel or motel accommodations or any other commercial property. For a resident rebuilding the resident's flood-damaged home, up to twenty percent of the loan proceeds disbursed under this program may be used for debt service.

debt retirement, or other credit obligations. For every loan made from the fund to a homeowner to rebuild or replace that individual's flood-damaged home, principal and interest payments must be deferred for the first twenty-four months of the loan. There is no deferral of principal and interest payments for a loan for nonowner-occupied property.

3. A resident homeowner or owner of nonowner-occupied property is eligible for a loan under this section only if the home or property is located in an area affected by river flooding in the state due to ice jams in the winter and spring of 2019. To qualify for a loan under this section, the owner of nonowner-occupied property must have been the owner at the time of the flooding event, and the number of rental dwelling units in the property rebuilt under this section must remain the same as before the flooding event. A loan to the owner of nonowner-occupied property must be secured by the property for which the loan is made.
4. An application for a loan from the fund must be made to the Bank or originating financial institution, and, upon approval, a loan must be made from the fund in accordance with this section. An application for a loan to a homeowner or for a loan for nonowner-occupied property under this section may not be accepted after September 30, 2020.
5. Repayments to the rebuilders home loan fund must be transferred annually to replenish the Bank's current earnings and undivided profits which were transferred to the rebuilders home loan fund. If, subsequent to receiving a loan from the fund, the property for which the loan was made is purchased for flood mitigation purposes or otherwise sold, the balance of the loan and any interest accrued on the loan must be repaid to the fund upon the closing of the sale. If the borrower provides financial evidence satisfactory to the Bank to show that the borrower does not have the financial ability to repay the loan in full upon sale of the property, after the sale of the property the Bank may allow the borrower to continue to make payments based on the loan terms.
6. The Bank may deduct, from interest payments received on loans, a service fee for administering the fund for the Bank and originating financial institutions. The Bank shall contract with a certified public accounting firm to audit the fund as necessary. The cost of the audit, and any other actual costs incurred by the Bank on behalf of the fund, must be paid by the fund."

Page 8, after line 16, insert:

"SECTION 23. EMERGENCY. Sections 13 and 16 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment transfers \$3.75 million from the principal payments under the rebuilders loan program, which are designated to replenish the Bank's profits, to a newly created rebuilders home loan program. Under the rebuilders home loan program, individuals affected by river flooding caused by ice jams are eligible to receive a loan of up to \$75,000 with a 1 percent interest rate and a 20-year term for eligible costs associated with home repairs.

April 24, 2019

HB1014

at A

19.0202.02010
Title.
Fiscal No. 4

Prepared by the Legislative Council staff for
Conference Committee
April 24, 2019

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

That the Senate recede from its amendments as printed on pages 1763-1779 of the House Journal and pages 1454-1470 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, line 2, after the second "commission" insert "; to create and enact a new section to chapter 6-09 of the North Dakota Century Code, relating to a rebuilders home loan program"

Page 1, line 3, after "reenact" insert "section 54-17-40 and"

Page 1, line 4, after "Code" insert "and section 7 of House Bill No. 1435, as approved by the sixty-sixth legislative assembly"

Page 1, line 4, after "to" insert "the housing incentive fund,"

Page 1, line 5, after "fund" insert ", and a transfer to the statewide interoperable radio network fund"

Page 1, line 5, replace "and" with "to provide for a contingent transfer;"

Page 1, line 6, after "exemption" insert "; to provide for a report; to provide for a study; to provide a statement of legislative intent; and to declare an emergency"

Page 1, remove lines 18 through 24

Page 2, replace line 1 with:

"Salaries and wages	\$22,014,084	\$1,570,366	\$23,584,450
Operating expenses	5,305,888	794,339	6,100,227
Capital assets	0	5,000,000	5,000,000
Grants - bond payments	13,210,484	(2,701,717)	10,508,767
Contingencies	<u>221,737</u>	<u>7,807</u>	<u>229,544</u>
Total all funds	\$40,752,193	\$4,670,795	\$45,422,988
Less estimated income	<u>15,343,206</u>	<u>2,650,584</u>	<u>17,993,790</u>
Total general fund	\$25,408,987	\$2,020,211	\$27,429,198"

Page 2, replace lines 7 through 9 with:

"Bank of North Dakota operations	\$58,489,204	\$4,358,595	\$62,847,799
Capital assets	<u>810,000</u>	<u>700,000</u>	<u>1,510,000</u>
Total special funds	\$59,299,204	\$5,058,595	\$64,357,799"

Page 2, replace lines 15 through 19 with:

"Salaries and wages	\$7,892,056	\$616,959	\$8,509,015
Operating expenses	4,743,355	602,921	5,346,276
Grants	31,794,828	1,671,772	33,466,600
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$44,530,239	\$2,891,652	\$47,421,891"

Page 2, replace lines 25 through 30 with:

"Salaries and wages	\$39,308,519	\$7,139,305	\$46,447,824
Operating expenses	28,195,000	1,642,000	29,837,000
Contingencies	500,000	0	500,000
Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
Total special funds	\$68,213,519	\$8,781,305	\$76,994,824
Full-time equivalent positions	153.00	3.00	156.00"

Page 3, replace lines 4 through 6 with:

"Grand total general fund	\$25,408,987	\$9,540,211	\$34,949,198
Grand total special funds	<u>187,386,168</u>	<u>19,382,136</u>	<u>206,768,304</u>
Grand total all funds	\$212,795,155	\$28,922,347	\$241,717,502"

Page 3, replace lines 12 through 19 with:

"Litigation	\$1,000,000		\$0
Industrial water supply asset study	150,000		0
Soil remediation studies	5,000,000		0
Survey review	800,000		0
Temporary employees	0		175,000
Rare earth elements study	0		160,000
Fracturing sand study	0		110,000
Oil database software upgrade	<u>0</u>		<u>5,000,000</u>
Total all funds	\$6,950,000		\$5,445,000
Less estimated income	<u>6,950,000</u>		<u>5,270,000</u>
Total general fund	\$0		\$175,000"

Page 4, after line 15, insert:

"SECTION 5. APPROPRIATION - TRANSFER GENERAL FUND TO HIGH-LEVEL RADIOACTIVE WASTE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000, which the office of management and budget shall transfer to the high-level radioactive waste fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item.

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 \$7,500,000, which the office of management and budget shall transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021. The funding provided in this section is considered a one-time funding item."

Page 4, line 16, replace "APPROPRIATION" with "FUNDING"

Page 4, line 16, remove "FUNDING"

Page 4, line 26, replace "\$1,150,782" with "\$1,172,603"

Page 5, line 16, replace "\$3,000,000" with "\$4,000,000"

Page 5, line 18, remove "biennium beginning"

Page 5, line 19, replace "July 1, 2019," with "period beginning with the effective date of this Act"

Page 5, line 19, after the period insert "The Bank may use up to \$1,000,000 of the funding provided in this section to expand the parameters for the agriculture partnership in

assisting community expansion program to assist farmers and livestock producers that suffered extraordinary losses related to river flooding in the state due to ice jams in the winter and spring of 2019 for the period beginning with the effective date of this Act and ending June 30, 2021."

Page 6, after line 3, insert:

"SECTION 15. TRANSFER - REBUILDERS LOAN PROGRAM PAYMENTS TO REBUILDERS HOME LOAN FUND. From the principal payments received under the rebuilders loan program established in section 6-09-46, which were designated to replenish the Bank of North Dakota's current earnings and undivided profits pursuant to section 3 of chapter 83 of the 2013 Session Laws, the Bank shall transfer the sum of \$3,750,000 to the rebuilders home loan fund during the period beginning with the effective date of this Act and ending June 30, 2021. Any funds not committed to loans by September 30, 2020, must be returned to the Bank's current earnings and undivided profits.

SECTION 16. CONTINGENT TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO INFRASTRUCTURE REVOLVING LOAN FUND. The office of management and budget shall transfer up to \$40,000,000 of any oil and gas tax revenues deposited in the strategic investment and improvements fund during the period August 1, 2017, through July 31, 2019, exceeding \$755,000,000, from the strategic investment and improvements fund to the infrastructure revolving loan fund established under section 6-09-49, during the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 6, after line 12, insert:

"SECTION 19. OIL AND GAS RESEARCH FUND - RECYCLING PRODUCED WATER STUDY - REPORT TO LEGISLATIVE MANAGEMENT. Pursuant to the continuing appropriation in section 57-51.1-07.3, the industrial commission shall use \$300,000, or so much of the sum as may be necessary, from the oil and gas research fund to contract with the sponsor of the proposal selected for the study. The industrial commission shall issue a request for proposals for a study regarding the recycling of water used in oil and gas operations, also known as produced water, from oil and gas-producing regions of North Dakota. The study must include the development or compilation of data regarding methods for the recycling of produced water specific to this state, and must examine the relevant, objective economic, regulatory, scientific, technological, and feasibility considerations. The contractor shall provide reports on the status of the study at the request of the legislative management during the 2019-20 interim and shall provide a final report to the legislative management by October 1, 2020.

SECTION 20. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Rebuilders home loan program - Rebuilders home loan fund - Continuing appropriation - Requirements.

1. There is created in the state treasury the rebuilders home loan fund administered by the Bank of North Dakota. The fund consists of all moneys transferred to the fund by the legislative assembly. All moneys in the fund are appropriated to the Bank on a continuing basis for the rebuilders home loan program.

2. The Bank shall develop policies to implement this section. The Bank shall make or participate in loans to North Dakota residents affected by river flooding in the state due to ice jams in the winter and spring of 2019. Loans are available for rebuilding the resident's flood-damaged home or rebuilding nonowner-occupied property. A loan from the fund must have the interest rate fixed at one percent per year for no more than twenty years. A loan made to a homeowner or owner of nonowner-occupied property under this section may not exceed the lesser of seventy-five thousand dollars or the actual amount of documented damage not paid by flood insurance. For purposes of this section, "nonowner-occupied property" means property consisting of one or more rental dwelling units, none of which is occupied by the owner, and does not include hotel or motel accommodations or any other commercial property. For a resident rebuilding the resident's flood-damaged home, up to twenty percent of the loan proceeds disbursed under this program may be used for debt service, debt retirement, or other credit obligations. For every loan made from the fund to a homeowner to rebuild or replace that individual's flood-damaged home, principal and interest payments must be deferred for the first twenty-four months of the loan. There is no deferral of principal and interest payments for a loan for nonowner-occupied property.
3. A resident homeowner or owner of nonowner-occupied property is eligible for a loan under this section only if the home or property is located in an area affected by river flooding in the state due to ice jams in the winter and spring of 2019. To qualify for a loan under this section, the owner of nonowner-occupied property must have been the owner at the time of the flooding event, and the number of rental dwelling units in the property rebuilt under this section must remain the same as before the flooding event. A loan to the owner of nonowner-occupied property must be secured by the property for which the loan is made.
4. An application for a loan from the fund must be made to the Bank or originating financial institution, and, upon approval, a loan must be made from the fund in accordance with this section. An application for a loan to a homeowner or for a loan for nonowner-occupied property under this section may not be accepted after September 30, 2020.
5. Repayments to the rebuilders home loan fund must be transferred annually to replenish the Bank's current earnings and undivided profits which were transferred to the rebuilders home loan fund. If, subsequent to receiving a loan from the fund, the property for which the loan was made is purchased for flood mitigation purposes or otherwise sold, the balance of the loan and any interest accrued on the loan must be repaid to the fund upon the closing of the sale. If the borrower provides financial evidence satisfactory to the Bank to show that the borrower does not have the financial ability to repay the loan in full upon sale of the property, after the sale of the property the Bank may allow the borrower to continue to make payments based on the loan terms.
6. The Bank may deduct, from interest payments received on loans, a service fee for administering the fund for the Bank and originating financial institutions. The Bank shall contract with a certified public accounting firm to audit the fund as necessary. The cost of the audit, and any other actual costs incurred by the Bank on behalf of the fund, must be paid by the fund.

SECTION 21. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. 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.
 - a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least ~~twenty~~ ~~five~~ ~~fifteen~~ percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage.
 - b. 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.
 - c. 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.
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.
6. 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.
7. ~~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.~~
8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.
- 9-8. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. ~~The report must include the following:~~
 - a. ~~The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and~~
 - b. ~~A listing of projects approved and the number of units within those projects that provide housing for essential service workers."~~

Page 6, after line 26, insert:

"SECTION 23. AMENDMENT. Section 7 of House Bill No. 1435, as approved by the sixty-sixth legislative assembly, is amended and reenacted as follows:

SECTION 7. TRANSFER - BANK OF NORTH DAKOTA PROFITS - STATEWIDE INTEROPERABLE RADIO NETWORK FUND. ~~The~~After other moneys in the statewide interoperable radio network fund, the transfer of \$20,000,000 from the strategic investment and improvements fund, and the \$80,000,000 line of credit have been used, the industrial commission shall transfer the sum of \$20,000,000 from the current earnings and accumulated undivided profits of the Bank of North Dakota to the statewide interoperable radio network fund, during the period beginning with the effective date of this Act, and ending June 30, 2021."

Page 7, line 8, replace "\$14,000,000" with "\$16,000,000"

Page 7, line 11, replace "\$4,000,000" with "\$6,000,000"

Page 7, line 13, replace "a pilot project" with "pilot projects"

Page 7, line 14, replace "project" with "projects"

Page 8, after line 16, insert:

"SECTION 29. HEDGING STRATEGIES STUDY - BANK OF NORTH DAKOTA - REPORT TO LEGISLATIVE ASSEMBLY. During the 2019-20 interim, the Bank of North Dakota shall conduct a study on the use of various hedging strategies to protect the state from volatile swings in oil prices. Before January 15, 2021, the Bank of North Dakota shall report the results of its study to the appropriations committees of the sixty-seventh legislative assembly.

SECTION 30. LEGISLATIVE INTENT - LIGNITE RESEARCH FUND - LIGNITE LITIGATION. It is the intent of the sixty-sixth legislative assembly that at least \$500,000 of the funding in section 28 of this Act and any funding deposited in the lignite research fund related to successful litigation is available from the lignite research fund to be used to pay fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources.

SECTION 31. EMERGENCY. Sections 11, 15, and 20 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
Office of Management and Budget						
Total all funds	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Industrial Commission						
Total all funds	\$40,752,193	\$45,027,118	\$395,870	\$45,422,988	\$45,442,988	(\$20,000)
Less estimated income	15,343,206	17,987,425	6,365	17,993,790	18,013,790	(20,000)
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198	\$27,429,198	\$0
FTE	110.25	112.25	0.00	112.25	112.25	0.00
Bank of North Dakota						
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799	\$64,357,799	\$0
Less estimated income	59,299,204	64,164,235	193,564	64,357,799	64,357,799	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50	181.50	0.00
Housing Finance Agency						
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891	\$47,421,891	\$0
Less estimated income	44,530,239	47,374,675	47,216	47,421,891	47,421,891	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00	44.00	0.00
Mill and Elevator						
Total all funds	\$68,213,519	\$76,839,812	\$155,012	\$76,994,824	\$77,124,895	(\$130,071)
Less estimated income	68,213,519	76,839,812	155,012	76,994,824	77,124,895	(130,071)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	153.00	155.00	1.00	156.00	157.00	(1.00)
Bill total						
Total all funds	\$212,795,155	\$233,405,840	\$8,311,662	\$241,717,502	\$254,367,573	(\$12,650,071)
Less estimated income	187,386,168	206,366,147	402,157	206,768,304	206,918,375	(150,071)
General fund	\$25,408,987	\$27,039,693	\$7,909,505	\$34,949,198	\$47,449,198	(\$12,500,000)

4-24-19

HB 1014

out A

FTE 488.75 492.75 1.00 493.75 494.75 (1.00)

House Bill No. 1014 - Office of Management and Budget - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
High-level radioactive waste fund			\$20,000	\$20,000	\$20,000	
Housing incentive fund			7,500,000	7,500,000	20,000,000	(\$12,500,000)
Total all funds	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$7,520,000	\$7,520,000	\$20,020,000	(\$12,500,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department 110 - Office of Management and Budget - Detail of Conference Committee Changes

	Transfer to High-Level Radioactive Waste Fund ¹	Transfer to Housing Incentive Fund ²	Total Conference Committee Changes
High-level radioactive waste fund	\$20,000		\$20,000
Housing incentive fund		\$7,500,000	7,500,000
Total all funds	\$20,000	\$7,500,000	\$7,520,000
Less estimated income	0	0	0
General fund	\$20,000	\$7,500,000	\$7,520,000
FTE	0.00	0.00	0.00

¹ One-time funding of \$20,000 is added from the general fund for a transfer to the high-level radioactive waste fund, the same as the Senate version. The House did not include this transfer.

² One-time funding of \$7.5 million is added from the general fund for a transfer to the housing incentive fund, a decrease of \$12.5 million from the Senate version. The House did not transfer funding for the housing incentive fund.

A section is added providing for a contingent transfer of up to \$40 million of oil and gas tax revenue deposited in the strategic investment and improvements fund in excess of approximately \$10 million more than the legislative estimate for the 2017-19 biennium to the infrastructure revolving loan fund.

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	\$22,014,084	\$23,296,820	\$287,630	\$23,584,450	\$23,584,450	
Operating expenses	5,305,888	5,991,987	108,240	6,100,227	6,120,227	(\$20,000)
Capital assets		5,000,000		5,000,000	5,000,000	
Grants - Bond payments	13,210,484	10,508,767		10,508,767	10,508,767	
Contingencies	221,737	229,544		229,544	229,544	
Total all funds	\$40,752,193	\$45,027,118	\$395,870	\$45,422,988	\$45,442,988	(\$20,000)
Less estimated income	15,343,206	17,987,425	6,365	17,993,790	18,013,790	(20,000)
General fund	\$25,408,987	\$27,039,693	\$389,505	\$27,429,198	\$27,429,198	\$0
FTE	110.25	112.25	0.00	112.25	112.25	0.00

Department 405 - Industrial Commission - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases ¹	Adjusts Funding for Operating Expenses ²	Adds Funding for Temporary Employees ³	Total Conference Committee Changes
Salaries and wages	\$112,630		\$175,000	\$287,630
Operating expenses		\$108,240		108,240
Capital assets				
Grants - Bond payments				
Contingencies				
Total all funds	\$112,630	\$108,240	\$175,000	\$395,870
Less estimated income	6,365	0	0	6,365
General fund	\$106,265	\$108,240	\$175,000	\$389,505
FTE	0.00	0.00	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding is added for operating expenses associated with 2 contingent FTE positions that were authorized in the 2017-19 biennium and will continue in the 2019-21 biennium since the contingency was met, the same as the Senate version.

³ One-time funding of \$175,000 from the general fund is added to hire temporary employees to record historical information to provide guidance to current and future employees, the same as the Senate version. The House did not include this funding.

This amendment also reflects the following items related to the Industrial Commission:

- Does not include one-time funding of \$20,000 from the high-level radioactive waste fund added by the Senate. The funding is available pursuant to continuing appropriation authority.
- Does not include an appropriation of \$26 million from the general fund during the 2017-19 biennium and an exemption allowing the funding to continue in the 2019-21 biennium to repay bonds issued by the Public Finance Authority, which were added by the Senate.
- Adjusts the transfer for administrative costs to provide a total transfer of \$1,172,603, the same as the Senate version. The House provided for a transfer of \$1,150,782.
- Identifies \$300,000 from the oil and gas research fund for a study regarding the recycling of produced water and requires a report to the legislative management.
- Increases oil and gas tax revenue allocations to the oil and gas research fund for the 2019-21 biennium by \$6 million, from \$10 million to \$16 million for contracting with the Energy and Environmental Research Center for pilot projects relating to underground storage of produced natural gas. The House increased the allocations by \$4 million, and the Senate increased the allocations by \$8 million for this purpose.
- Does not include provisions added by the Senate relating to the Public Finance Authority's authorization to issue bonds to support the infrastructure revolving loan fund and resources trust fund.
- Does not include provisions added by the Senate to clarify the authority of counties to access loans from the infrastructure revolving loan fund.
- Does not include authorization for the Public Finance Authority to issue up to \$500 million of bonds to support the infrastructure revolving loan fund and the resources trust fund with a term of 30 years and authorizes bond anticipation notes. The Senate added the authorization for bonds.
- Does not include a section added by the Senate identifying \$20,000 from the high-level radioactive waste fund for reimbursing travel and other expenses of the high-level radioactive waste advisory council.
- Does not include sections added by the Senate authorizing counties to use property taxes levied for capital projects for county road projects and allowing counties to borrow for up to 20 years when taxes are insufficient to meet the needs of the county, an increase from the current limit of 5 years.
- Provides legislative intent related to funding for lignite litigation expenses from the lignite research fund. The Senate version included the legislative intent for lignite litigation, but the House did not.

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HB1015

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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	\$810,000	\$1,510,000		\$1,510,000	\$1,510,000	
Bank of North Dakota operations	58,489,204	62,654,235	\$193,564	62,847,799	62,847,799	
Total all funds	\$59,299,204	\$64,164,235	\$193,564	\$64,357,799	\$64,357,799	\$0
Less estimated income	59,299,204	64,164,235	193,564	64,357,799	64,357,799	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	181.50	181.50	0.00	181.50	181.50	0.00

Department 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases ¹	Total Conference Committee Changes
Capital assets		
Bank of North Dakota operations	\$193,564	\$193,564
Total all funds	\$193,564	\$193,564
Less estimated income	193,564	193,564
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also reflects the following items related to the Bank of North Dakota:

- Does not include authorization added by the Senate for the Bank to extend a line of credit up to \$100 million to the infrastructure revolving loan fund to support new loans from the fund prior to the issuance of bonds by the Public Finance Authority.
- Increases the transfer of Bank profits to the agriculture partnership in assisting community expansion by \$1 million, from \$3 million to \$4 million, and authorizes the Bank to use \$1 million to assist farmers impacted by a flooding event. An emergency clause is included related to the transfer. Both the House and the Senate provided \$3 million.
- Transfers \$3.75 million from the principal payments under the rebuilders loan program, which are designated to replenish the Bank's profits, to a newly created rebuilders home loan program. Under the rebuilders home loan program, individuals affected by a flooding event are eligible to receive a loan of up to \$75,000 with a 1 percent interest rate and a 20-year term for eligible costs associated with home repairs. An emergency clause is included related to the transfer and creation of the program. The House and Senate did not include the transfer or the new program.
- Does not include a section requiring the State Water Commission to transfer outstanding loans for water projects to the infrastructure revolving loan fund related to the repeal, effective July 1, 2021, of a revolving loan fund designated for water projects. The Senate added the transfer and repeal related to the revolving loan fund designated for water projects.
- Does not include provisions added by the Senate relating to the infrastructure revolving loan fund to allow additional entities, including institutions of higher education, to obtain low-interest loans for infrastructure projects, and to expand the types of eligible infrastructure projects.
- Adds a section to amend House Bill No. 1435 to clarify the transfer of Bank profits to the statewide interoperable radio network fund is after other funding sources have been used. The House and Senate did not include this section.
- Includes a section added by the Senate requiring the Bank to study hedging strategies related to the volatility of oil prices.

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	\$7,892,056	\$8,461,799	\$47,216	\$8,509,015	\$8,509,015	
Operating expenses	4,743,355	5,346,276		5,346,276	5,346,276	
Grants	31,794,828	33,466,600		33,466,600	33,466,600	
HFA contingencies	100,000	100,000		100,000	100,000	
Total all funds	\$44,530,239	\$47,374,675	\$47,216	\$47,421,891	\$47,421,891	\$0
Less estimated income	44,530,239	47,374,675	47,216	47,421,891	47,421,891	0
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	44.00	44.00	0.00	44.00	44.00	0.00

Department 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases ¹	Total Conference Committee Changes
Salaries and wages	\$47,216	\$47,216
Operating expenses		
Grants		
HFA contingencies		
Total all funds	\$47,216	\$47,216
Less estimated income	47,216	47,216
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

This amendment also includes a section added by the Senate to amend Section 54-17-40 relating to the housing incentive fund. The Senate amended the housing incentive fund to decrease the amount of funding designated for small communities and to remove the prioritization for essential service worker housing. The House did not amend the housing incentive fund.

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	\$39,308,519	\$46,292,812	\$155,012	\$46,447,824	\$46,577,895	(\$130,071)
Operating expenses	28,195,000	29,837,000		29,837,000	29,837,000	
Contingencies	500,000	500,000		500,000	500,000	
Agriculture promotion	210,000	210,000		210,000	210,000	
Total all funds	\$68,213,519	\$76,839,812	\$155,012	\$76,994,824	\$77,124,895	(\$130,071)
Less estimated income	68,213,519	76,839,812	155,012	76,994,824	77,124,895	(130,071)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	153.00	155.00	1.00	156.00	157.00	(1.00)

Department 475 - Mill and Elevator - Detail of Conference Committee Changes

	Adds FTE Positions ¹	Total Conference Committee Changes
Salaries and wages	\$155,012	\$155,012
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	\$155,012	\$155,012
Less estimated income	155,012	155,012
General fund	\$0	\$0
FTE	1.00	1.00

¹ Funding is added for 1 FTE food safety position (\$155,012) to provide a total of 3 new FTE positions. The Senate added 4 FTE positions, and the House added 2 FTE positions.

No other sections were added by the Conference Committee related to the Mill and Elevator Association.