

2019 SENATE TRANSPORTATION COMMITTEE

SB 2268

2019 SENATE STANDING COMMITTEE MINUTES

Transportation Committee
Lewis and Clark Room, State Capitol

SB 2268
1/25/2019
31476

- Subcommittee
 Conference Committee

Committee Clerk: Liz Stenehjem

Explanation or reason for introduction of bill/resolution:

A bill relating to public finance authority definitions, debt service repayments, and a corridors of commerce program and fund; relating to borrowing and lending authority and reserve funds; to provide a bond issuance limitation; and to provide an appropriation.

Minutes:

9 Attachments

Chairman Rust: Brought committee back to order. Opened hearing for SB 2268.

Senator Patten, District 39: See **Attachment #1** for testimony.

Chairman Rust: I believe you have some testimony from one of the other sponsors?

Senator Patten: See **Attachment #2** for testimony from Senator Bekkedahl.

Chairman Rust: This "Corridors of Commerce" is kind of a new concept for us in the state of North Dakota is it not?

Senator Patten: Yes, it is. At the state level it is.

Chairman Rust: We have other corridors, as I remember. I think we established some last session, two years ago. Kind of maybe to look forward to autonomous cars, so I know there have been some other corridors that have been designated. But this is a little bit of a new concept, and my understanding is that it is to do exactly what the name says, maybe a little heavier concentration on interstate commerce, is that correct?

Senator Patten: The goal is to be able to connect with other states. The roads that should be targeted should have value at a cross state boundary as far as commerce goes.

Senator Clemens: The public finance authority lending money to an agency like the Department of Transportation, would that be the first time or has this been a practice that's been done in the past?

Senator Patten: I think we have DOT and the Bank of North Dakota here that could answer that question.

Chairman Rust: I think if you look at this, bill anything that is not underlined or crossed out is current law. So if you look on page on1, when it talks about lending and borrowing powers, that's current law. The addition would be on page 2 part 3, because that's underlined. But again, I think the remainder of that is predominantly in current law. So it isn't something that we're reinventing for this bill.

Senator Patten: I do believe that bonding language is being used in Senator Wardner's infrastructure bill, SB 2275. Similar language.

Cal Klewin, Executive Director, Theodore Roosevelt Expressway Association: See **Attachment #3** for testimony.

Daniel Stenberg, Executive Director, McKenzie County Job Development Authority: See **Attachment #4** For testimony.

Steve Salwei, P.E. – Transportation Programs Director, North Dakota Department of Transportation (NDDOT): See **Attachment #5** for testimony.

Chairman Rust: What does "IRI" stand for?

Mr. Salwei: International Roughness Index. It's a measure of smoothness of the roadways. The higher the number the rougher the roadway. That's a standard used across the United States to measure the smoothness of the roadways.

Chairman Rust: Talk is, that it is possible during the Trump administration that maybe the one thing he might be able to get accomplished with a divided congress, is something dealing with infrastructure. Is there an advantage to probably have some funding available so that if that were to happen? You know sometimes they talk about shovel ready projects, or projects that are ready to go. Is it an advantage to probably have some funding available to jump on that and maybe get ahead of the line so-to-speak?

Mr. Salwei: The funds that you're referring to are commonly referred to as INFRA grants. Now the grants require that you have a match component to them. We as a department have not fared very well with these INFRA grants recently. Part of the reason, we believe is we may not have been putting enough local match into the application. If you recall, the President's infrastructure bill was talking about trillions of dollars. However, it was also talking about changing it from 80/20, which is our normal funding mechanism, to a 20/80. So these grants would give you some of the money, but you have to have your own local money to match these, to move them forward. One of the challenges for the department is, under our normal funding mechanisms we don't have the additional match money to apply for some of these grants. What this bill would do, is it would give us the ability to put match money towards some of those INFRA grants and apply for and hopefully received some of those in the future.

Senator Patten: Some of us know that the bridge across the Little Missouri will be bid out this spring. Can you touch a little bit on that, and explain what the bridge will consist of and so forth?

Mr. Salwei: Environmental Document pending, if or when the environment document is approved and we receive our ROD (Record of Decision) we will bid out that project this spring. We are hopeful that we'll be able to do that probably in the April timeframe. I'm not exactly sure how the government shutdown is impacting the approval of that Environmental Document. However, we are moving forward. As soon as it's approved we do plan on bidding the project. You all had given us some money for infrastructure projects in western North Dakota from the previous biennium we held some of those funds over to fund the Long X Bridge. What we plan to do is use those state infrastructure dollars to replace that structure with a four-lane. Currently it's a truss structure that has height restrictions and of course width restrictions. We plan to put a "normal" bridge in, not a truss structure; so you don't have to worry about the over-height restrictions anymore. We plan on putting that in as a four-lane facility. So eventually when there's dollars available to four-lane the rest of Highway 85 we'll just come up to the bridge, and go from the bridge south. I hope I was able to answer your questions.

Senator Patten: We did meet with Governor Burgum regarding this, and he had a question about whether there was going to be a protected bike lane in conjunction with the bridge being made 4-lane, that would assist anybody wanting to travel on the Maah Daah Hey Trail. Could you address that? I was uncertain about where that ended up.

Mr. Salwei: I don't have the specifics of that piece. I can get that for you, if there is a bike lane attached to the bridge, but I do not know at this moment. I'm not involved with those details.

Chairman Rust: One of the things that I think would be a concern and maybe another plus for this bill would be, say you have a four-lane bridge and have two-lane roads leading to it both from the north and the south. If I'm not mistaken, one of the concepts here would be, if you can get this approved; you could probably be working on this simultaneously so that you would probably have 4-lane from Watford City to the bridge. The bridge is 4-lane so that might help flow of traffic a little bit, is that kind of a concept?

Mr. Salwei: The Environmental Document that is currently almost complete goes from where the 4-lane ended at Watford City down to I-94 by Dickinson. So we will have environmental clearance for the entire corridor. We are moving forward with the Long X Bridge because that was one of the very key infrastructure challenges that we had out there, with oversized, over weight vehicles making it through that structure. We currently don't have funding identified for any of the other segments of the corridor. However, as long as we continue to move forward, that Environmental Document remains intact. So the long range plan was to clear environmentally a 4-lane corridor from Watford City to I-94, which we are very close to having completed.

Senator Dwyer: We all see the map you have with your testimony with the green showing the potential corridors of commerce. Then in the bill it says a highway project is not eligible

for funding if it's included in the State Transportation Improvement Program (STIP). Could you explain that?

Mr. Salwei: I believe that intent of that piece was to not take a project that is currently being planned for with federal dollars and substituting these dollars for that project. I will add that may cause us a little bit of issues, problems I guess in the future. I believe that's what the intent was. However, at times we may need to supplement or include some federal dollars in a project, to supplement the state funds. I think we could work through that, it would be cleaner if it wasn't in there, but I believe we probably can work through that.

Senator Dwyer: What would be a possible range of federal dollars we could apply for if this program was approved?

Mr. Salwei: Any infrastructure type of a project is eligible. The dollar value ranges greatly. However, the larger the project the more challenges you face. As a smaller state if we apply for \$1 billion, the chances of us getting that are probably pretty slim. If we size it down to where, in my views we get a couple bread crumbs; which is a lot of money for North Dakota it's not a whole lot of money for other states, I believe we have a better chance. However, to apply for a \$20-\$50 million grant would not be out of the question.

Senator Patten: To follow up to Senator Dwyer's question; I'm going to read through the entire section 4 there. A highway project is not eligible for funding under this section if the project is included in the state transportation improvement program. Next is the caveat. However, after selection for funding under this section, a highway project remains eligible for other state and federal funding that may be available from the department. I remember us talking this as we looked at that and the intent was to keep the buckets separate so that we're not competing with other STIP projects. Once it's been identified, then the second sentence of that would allow us to be able to use the federal grants in the project. When I read through it I thought it read a little awkwardly, but after the discussion we felt that it did address potential concerns. However, I'm open to a cleaner way of saying that if there's a way of doing it.

Mr. Salwei: One of the challenges with the INFRA grants on the federal side is, in order to apply for the grants they do have to be in the STIP. They also talk about shovel ready projects. Well, "shovel ready" means you have to have the Environmental Document completed. So as we look at the corridors or commerce across the state, the example a lot of you are using is Highway 85 and that one we have the Environmental Document completed on. As you move into other corridors, we do not. So in order to get a project shovel ready we have to be working on that environmental document and the dollars we have available to do that are federal funding, so we can get some of those started. Depending upon the complexity of the project, we could be talking four or five years out. In order to use federal dollars, it has to be in the STIP. There's where I'm referring back to we can probably work around it, but it would be cleaner if that piece wasn't there. Because we need to work on the environmental documents and get those approved, to get the project shovel ready to apply for INFRA grants.

Ron Ness, Executive Director, North Dakota Petroleum Council: When I look at this bill I think the Senator from District 39 has brought us something that is potentially visionary. If you think about 50,000 oversize/overweight trucks a year going from Belfield to Watford City, frankly I think this needs to become an even bigger priority than we're putting it on. I would say this is legendary, it's maybe not legacy because I think that's something you ought to think about. There's a whole wall full of lists of bills that are going to come out of the Legacy Fund and there's going to be a big huge fight and if you put this in amongst them it's going to be in or out. We're talking about 40-70-90 years of activity and growth in that particular region of North Dakota. So, if we didn't have I-29 could you imagine routing everything through Mayville or Larimore? That's what we're talking about here, and the amount of growth we're going to see out there. So, this is a big deal and certainly where we want to see a big chunk of these revenues go towards. I would not put all my eggs in the legacy basket, because I think there's going to be a lot of consternation about using that for road funding or water funding or things that already have dedicated funds. But, there are a lot of other opportunities out there and a lot of other buckets utilizing the bank and other things. But I'd like to see this moved up on the, not the future, future list, but this needs to happen. This is a critical piece of North Dakota infrastructure. To us it's no different than the Dakota Access Pipeline, which has been a game changer. This is a game changer for commerce, it's a game changer for communities and most important it's a game changer for life. Because we all no inadequate roads cause accidents and accidents are traumatic.

(35:45) Vawnita Best, Director, Community Development, City of Watford City: See Attachment #6 for testimony.

Terry Traynor, Director, North Dakota Association of Counties: As you all know township roads lead to county roads, all county roads lead to state highways, that's our transportation network. We're all in this together. As the prime sponsor explain, there really is a package of legislation together really. We think it is a package. From county government, we want good state highways, good highways that provide for the commerce of North Dakota. Because it doesn't do any good if we improve that county road and it ends up on a bad state highway, or in worse case from the county's perspective the highway doesn't get used because it isn't in good shape and we see that more and more traffic is on the county roads. We need a network, we need it together and for that reason, county commissioners, counties of North Dakota support this bill.

(39:14) Arik Spencer, President and CEO, Greater North Dakota Chamber: I would like to concur with what some of the earlier speakers said about the collection of bills this year to address transportation funding. We have a number of proposals to infuse additional resources into local road systems, it's badly needed. This though is a piece that helps address infrastructure on a statewide basis which is also critically needed for our state's economy to move forward. Annually in North Dakota over \$100 billion in freight crosses our transportation system. Over 230,000 full-time jobs across all sectors directly depend on our state's transportation network. So I can't underscore the importance of investing in our transportation system at all levels. We like this because it does fill a gap on the state-wide level which in large part has been lacking this session.

Mr. Salwei: You had asked about the bike path on the Long X Bridge and I just got clarification, it is not included in the plans.

Chairman Rust: Shared testimony from **Mike Gerhart, Executive Vice President, North Dakota Motor Carriers Association**, see **Attachment #7** for testimony.

Karlene Fine, Executive Director, North Dakota State Industrial Commission: Explained amendments that are needed in bill see **Attachment #8** for amendments in context of bill.

Senator Dwyer: Could you explain one more time the changes on page 5?

Ms Fine: It would be lines 16, 18 and 19. Taking out the reference specific to the Legacy Fund earnings, because the way the earnings of the Legacy Fund work is they are deposited into the general fund. So they actually will be coming from the general fund.

Senator Patten: You mentioned taxable versus non-taxable bonds. We had heard previously during discussions that if you use oil tax revenue as your source of repayment that the bond is actually a taxable bond. Are you telling us that by removing this language then we could potentially move this to a non-taxable and saving up to maybe $\frac{1}{2}$ or $\frac{3}{4}$ a percent in interest costs?

Ms Fine: There would be savings if it's done on a tax exempt basis. I can't guarantee that it would become tax exempt. That is the structure of finance and then the bond council comes in and looks at it. They will then make a determination whether it could be taxable or tax exempt. This is our best look at it right now. We think if this gets into the code that it will assist us in getting that determination made.

Ms Fine: See **Attachment #9** for information.

Senator Patten: When it comes to bonding the more restrictive you are on the repayment source, that will tend to lower the bond rating.

Ms Fine: Continued going through **Attachment #9**.

Chairman Rust: I suppose if you want to build a road you have two choices, pay for it or bond it. What's the advantage to bonding?

Ms Fine: Construction cost I would say was one of the primary things. If you pay for it as you go, costs are going to go up. I haven't very often seen where construction costs go down, but you're saving those costs if you keep delaying. The costs would be higher. Sometimes it's advantageous to go out to the capital market, get some; not the 2% level or anything like that, but go out when the interest rates are good and capture it and leverage your dollar so that you could do it that way.

Senator Dwyer: Are both 2214 and 2275 also included in the Executive budget?

Ms Fine: Yes.

Senator Dwyer: 2275 had it just as it's laid out?

Senator Dwyer: Are there any other amendments the bill might need?

Ms Fine: At this time these are the only amendments we have identified.

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Transportation Committee
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31480

- Subcommittee
 Conference Committee

Committee Clerk: Liz Stenehjem

Explanation or reason for introduction of bill/resolution:

A bill relating to public finance authority definitions, debt service repayments, and a corridors of commerce program and fund; relating to borrowing and lending authority and reserve funds; to provide a bond issuance limitation; and to provide an appropriation.

Minutes:

No Attachments

Senator Dwyer: As you know Senator Patten and I worked on drafting this corridors of commerce together and we have this Section 4 in there. Would there be any negative consequences if we took that out? Page 6 lines 18-21.

Senator Patten: I don't have any specific objection to taking it out, my concern was what are any unintended consequences of taking it out? You know, the language is there for a reason. Would that open up this fund for the roads that we didn't intend to be included in the corridors of commerce concept? I don't want to mix our buckets of money is what I'm saying, that's probably the more critical thing.

Steve Salwei, P.E. – Transportation Programs Director, North Dakota Department of Transportation (NDDOT): I understand what the intent is. My only challenge with that is the leveraging of funds and trying to leverage these funds to be able to apply for some of those federal grants. As we met earlier, I had explained we are going to run out if the ability to apply for those grants. Because, right now we're trying to leverage the state pot of money that was given to us for infrastructure in western North Dakota. Which was given to us a biennium or two ago. As soon as we do the Long X bridge that pot of money is going to be gone. We lose the ability to leverage. We try to utilize as many federal grants as possible. So this would be a perfect area to leverage those grants. That's the only piece that causes me a little bit of concern. Can we work around it? Yeah, we can probably be creative and work around it, but I believe it would be clearer if it wasn't there.

Senator Patten: I want it to be as smooth as possible and as easy as possible to access any federal grants that are available. My only concern really was that we didn't get any merging of this fund with anything else as far as demand. In other words, the Corridor of Commerce roads should be very specific in their nature.

Mr. Salwei: I believe as we look through other criteria, I believe it will weed out the types of situations you are concerned about. Because there are other criteria that still have to be met under the bill.

Senator Dwyer: We patterned this after Minnesota and I'm assuming that there might be some reason that Minnesota would want this is that we don't. What I really want to understand is, so if there's a pot of money for Corridors of Commerce and a pot of money for STIP, you could apply for federal grants you could leverage monies and apply for federal grants under both pots of money separately?

Mr. Salwei: In order to apply for the federal grant, it has to be in the STIP.

Senator Dwyer: Any grant?

Mr. Salwei: Any federal grant, yes. That is one of the requirements, that it has to be in the STIF. I believe Minnesota use these dollars solely without leveraging any other dollars. There lies the thought process. We could probably be creative and work through it, but I do believe it would probably be cleaner if that piece wasn't there just for the leveraging piece of it and getting it in the STIP

Senator Bakke: At the beginning they were only talking about highway 85, then we got this map which is obviously more than just highway 85. So when we talk about the Corridor of Commerce are we talking about all of these?

Senator Patten: The concept of the Corridor of Commerce was to have the law itself be enduring. Then when you have a project that fits the criteria, then you put the funding into the law that's already there. So 5-years, 10-years, 20-years down the road you still have that concept or that law sitting there for use. This is probably a little expansive for what I think this bill proposes, because it has all the interstates on there, it's already has the 4-lane highways on there.

Chairman Rust: I think the hope is that highway 85 rises to the top. As he said though, it's going beyond that to other roads in the future.

Senator Dwyer: So in order to leverage federal money, a road proposal has to be in the STIP? So if we say it's not eligible if it's in the STIP; I'm with Senator Patten in not wanting to do anything that would hurt this Corridors of Commerce program. But, if we say it's not eligible if it's in the STIP and the only way you can leverage federal money is if it is in the STIP, it seems like we almost have to get rid of it.

Senator Patten: The second line there says it's not in the STIP until it's been designated in this program, is that right?

Senator Dwyer: Yes. But if it has to be in the STIP to leverage federal funding, and we say it can't be in the STIP, then we're hurting ourselves.

Mr. Salwei: In order to qualify for the grant, it has to be what they call shovel ready. Shovel ready is you have to be almost through the environmental document. Those can take years

in some cases to get through. So we would have to identify it as a Corridor of Commerce project way out, then we would have to set it up for federal dollars to work through the environmental document; which may take three or four years. Then we would have to go into the design which could take three years. So we could be pushing some of these out six maybe seven years. There lies my challenge with the STIP piece of it.

Chairman Rust: If I'm hearing you right, you're saying it would be a lot cleaner to get rid of it.

Mr. Salwei: I believe it would be.

Senator Patten: I agree there, it's probably more of a timing reason than anything else, because you have to be so far ahead of it with that. I just wanted to think my way through this.

Senator Dwyer: If you took this Section 4 out, is there anything that would jeopardize highway 85 rising to the top?

Mr. Salwei: I don't believe so. I look at this and the intent and I don't believe so.

Brief committee discussion about getting amendments drawn up.

Chairman Rust: Closed meeting on SB 2268.

2019 SENATE STANDING COMMITTEE MINUTES

Transportation Committee
Lewis and Clark Room, State Capitol

SB 2268
1/31/2019
31893

- Subcommittee
 Conference Committee

Committee Clerk: Liz Stenehjem

Explanation or reason for introduction of bill/resolution:

A bill relating to public finance authority definitions, debt service repayments, and a corridors of commerce program and fund; relating to borrowing and lending authority and reserve funds; to provide a bond issuance limitation; and to provide an appropriation.

Minutes:

2 Attachments

Senator Patten: We have split the amendments into two different amendments. If you recall, we had a proposal that was from Karlene Fine that brought in some language related to the bonding. Based on I think their attorney recommendations they made some modifications in the bonding language. The key part about the two areas they modified was it removed the legacy fund as a source of repayment and they substituted the general fund. There are a couple of reasons for that, one key reason, from what we understand is that if you target legacy fund earnings there is a higher possibility that you will end up with a taxable bond. A taxable bond is a higher interest rate than a tax exempt bond, so by moving it over to the general fund, it isn't black and white but it is a much better chance that it will be determined to be a tax exempt bond and if it's tax exempt then we would end up with a lower interest rate on the \$100,000,000 bond. The other reason is based on hallway conversations that when you start targeting the legacy fund earnings there's a greater chance of some push-back from certain legislators, they feel uncomfortable with that. The third thing I was told is do it in the general fund and let the appropriations committee determine the ability and capacity for us to be able to handle that source of repayment. Therefore, I would move a **DO PASS** on amendment **19.1097.02001 (Attachment #1)**.

Senator Fors: I second the motion.

Voice Vote Taken: Motion Carries

Senator Patten: The second proposed amendment comes from the Department of Transportation and it relates to page 6, line 18 that section 4 there. We are removing that section. When we first drafted this bill we actually modeled it after a Minnesota law that was similar. This language essentially says that highway projects are not eligible for funding under this section if they are already identified in the STIF (State Transportation Improvement Fund) but once we determine that it is eligible for this, then it becomes added

to the STIF. If you remember the Department of Transportation said that was awkward language for them to use. One of the reasons why was because in order to get through a construction project it takes several years and it made it easier to work with federal grants for funding if they were able to include it in the STIF earlier rather than later. So based on that recommendation from DOT and after extensive discussion here I would move a **DO PASS** on amendment **19.1097.02002 (Attachment #2)**.

Senator Clemens: I second the motion.

Voice Vote Taken: Motion Carries

General discussion about whether or not bill needs to be Rerefered to appropriations.

Senator Patten: I move a **DO PASS, AS AMENDED** and that the bill be **Rerefered to Appropriations**.

Senator Dwyer: I second the motion.

Roll Call Vote Taken: Passed 6-0-0

Carrier: Senator Patten

January 28, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2268

Page 2, line 17, after "lend" insert "or transfer"

Page 2, line 19, after the underscored period insert "Bonds issued for this purpose are payable in each biennium solely from amounts that the legislative assembly may appropriate for debt service for any biennium or from a reserve fund established for the bonds, and nothing in this section may 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 department of transportation 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 shall terminate and the bonds shall no longer be 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 department of transportation, 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."

Page 5, line 16, remove "**Legacy fund earnings**"

Page 5, line 18, remove "of moneys derived from the earnings of the legacy fund, as"

Page 5, line 19, remove "defined under section 21-10-12,"

Re-number accordingly

January 28, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2268

Page 6, line 18, remove "A highway project is not eligible for funding under this section if the project is included"

Page 6, remove lines 19 through 21

Page 6, line 22, remove "5."

Page 7, line 1, replace "6." with "5."

Renumber accordingly

January 31, 2019

AK
1801

PROPOSED AMENDMENTS TO SENATE BILL NO. 2268

Page 2, line 17, after "lend" insert "or transfer"

Page 2, line 19, after the underscored period insert "Bonds issued for this purpose are payable in each biennium solely from amounts the legislative assembly may appropriate for debt service for a 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 department of transportation or the state, and the full faith, credit, and taxing powers of the state are not pledged to the payment of the bonds. Upon the date appropriated funds and reserves are no longer sufficient to pay debt service on bonds, the obligation of the public finance authority, with respect to the bonds, terminates and the bonds are no longer outstanding. In addition to providing funds for transfers to the department of transportation, 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."

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Renumber accordingly

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO: 2268**

Senate Transportation Committee

Subcommittee

Amendment LC# or Description: 19.1097.02001

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 Senator Patten Seconded By Senator Fors

Senators	Yes	No	Senators	Yes	No
Senator Rust - Chairman			Senator Bakke		
Senator Clemens - Vice Chairman					
Senator Dwyer					
Senator Fors					
Senator Patten					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote Taken: Motion Carried

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO: 2268**

Senate Transportation Committee

Subcommittee

Amendment LC# or Description: 19.1097.02002

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 Senator Patten Seconded By Senator Clemens

Senators	Yes	No	Senators	Yes	No
Senator Rust - Chairman			Senator Bakke		
Senator Clemens - Vice Chairman					
Senator Dwyer					
Senator Fors					
Senator Patten					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote Taken: Motion Carried

REPORT OF STANDING COMMITTEE

SB 2268: **Transportation Committee (Sen. Rust, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2268 was placed on the Sixth order on the calendar.

Page 2, line 17, after "lend" insert "or transfer"

Page 2, line 19, after the underscored period insert "Bonds issued for this purpose are payable in each biennium solely from amounts the legislative assembly may appropriate for debt service for a 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 department of transportation or the state, and the full faith, credit, and taxing powers of the state are not pledged to the payment of the bonds. Upon the date appropriated funds and reserves are no longer sufficient to pay debt service on bonds, the obligation of the public finance authority, with respect to the bonds, terminates and the bonds are no longer outstanding. In addition to providing funds for transfers to the department of transportation, 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."

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Re-number accordingly

2019 SENATE APPROPRIATIONS

SB 2268

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2268
2/11/2019
JOB # 32500 & 32504

- Subcommittee
 Conference Committee

Committee Clerk Signature: Alice Delzer/ Marne Johnson

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact new sections in the NDCC relating to public finance authority definitions, debt service repayments, and a corridors of commerce program and fund; to amend and reenact sections of the NDCC, relating to borrowing and lending authority and reserve funds; to provide a bond issuance limitation; and to provide an appropriation.

Minutes:

1. Testimony of Senator Patten
2. DeAnn Ament submitted Christmas tree version of Engrossed SB 2268

Chairman Holmberg: Called the Committee to order on SB 2268. All committee members were present. Becky Deichert, OMB and Adam Mathiak, Legislative Council were also present.

Senator Dale Patten, District 39, testified in favor of SB 2268 and provided Attachment # 1. This bill comes from the Senate Transportation Committee and is known as the "Corridor of Commerce" bill. To take advantage of the economic power we are experiencing, we need a transportation system that is capable of handling high levels of freight, providing connectivity at interstate levels, and increasing the safety of the people who travel our highways. There are several infrastructure bills in the House and Senate. House Bill 1066, known as the Prairie Dog Bill, uses oil production tax to provide funding for projects. SB 2275 helps political subdivisions build critical infrastructure; both support SB 2268. This bill is patterned after the farm to market concept used by counties in our state, it will provide funding for state highways that are critical for commerce, these roads may not be designed for the overweight semi-loads, may lack appropriate turning lanes, and the shoulders are narrow. This bill will provide a framework for these roads by creating a funding mechanism for each project. The proposed funding is a bond of up to \$100 million with payments not to exceed \$16 million per biennium. Repayment is from the General Fund. Three points: this is supported by DOT; North Dakota's ability to acquire and utilize Federal Highway grant dollars is contingent on having projects ready to go and have serious funding commitment; and the roads are a safety issue. **(1:20-5.00)**

Chairman Holmberg: Is this different than the GARVEE Bonds? Is there a relationship at all?

Senator Patten: I would have to defer; the GARVEE Bonds were prior to my service here.

Senator Sorvaag: So it's basically the way it is set up, it is up to the DOT as far as the criteria anywhere in the state, is that the intent?

Senator Patten: The bill language has criteria identified in it that they can use to prioritize the roads. It does not designate any highways specifically. They have a map of the roads that show which ones they think would be qualifying roads.

Senator Sorvaag: It is statewide? He was told yes.

Senator Gary Lee: You indicated that DOT is supportive of this. Are they changing their prioritization?

Senator Patten: With this separate funding mechanism, this would be a new priority list that they would work off of that would be based on criteria in the law. It would not be in competition with other road projects.

Senator Gary Lee: They only have so much time and resources. Do they have the resources to make that happen, or are these the resources that could allow that to happen?

Senator Patten: I believe these are the resources that would allow this to happen. They are enthusiastic about the ability to utilize this.

Chairman Holmberg: In anticipation of this bill, did the Department ask for additional appropriations in their budget for personnel?

Senator Patten: I am not aware of any additional appropriations.

Senator Dever: Historically, DOT has been a special fund agency funded through gas taxes. We deviated that to make improvements on Highway 85, including 4 laning some areas, including super 2's. This is asking that going forward, we continue to fund from the General Fund these project based in here. The bonds would be paid back from the General Fund?

Senator Patten: It was based on advise that we use the general funds for repayment. One of the indications of the ability to get tax exempt bonds depends on the source of repayment. There is a difference in interest rate between tax exempt bonds and taxable bonds. By using the General Fund, we have a higher likelihood of being able to acquire a tax exempt bond, using that as a source of repayment that if we were to identify some other payment streams. It would be a savings to the state. We stand available to any recommendations this committee could make regarding appropriation and the money source.

Senator Dever: It seems to me when we discussed the other bonding bill, we were told by the Industrial Commission we had capacity for \$35 million of debt service, that would support approximately \$200 million in additional debt, of which that was \$151 million. I am not sure if this applies. I believe that was constitutional restrictions.

Adam Mathiak, Legislative Council: The sales tax provisions and the century code provisions related to the sales tax limitation on the repayment is more for the building authority bonds. These would be considered a different type of bond, these are intended to be structured more as a revenue type bond, which is not subject to that limitation imposed on the sales taxes, so this would be a separate consideration.

Chairman Holmberg: The difference between this and the traditional GARVEE bonds is that they are issued based on anticipated federal highway money coming into the state. So it's similar, but different.

V. Chairman Wanzek: How do you determine how the funds will be allocated? Is it first come, first serve on applying for projects?

Senator Patten: That would be up to DOT. There are a set of criteria in the bill that relate to high traffic, high freight loads, oversize/overweight, safety, commerce level activities, energy or ag, processing and manufacturing, those were the criteria we put together in conjunction with the DOT, and it's their job to prioritize and ultimately our job to provide the funds through the mechanism this bill provides.

Senator Mathern: What if there was a situation of a specific company needing a lane, or a widening of a road in this commerce corridor, is there a way for that company to participate in that cost, because it's specific to that company or would it all be general funds even doing that lane for that specific company on that public road?

Senator Patten: There would be nothing in this law to prevent them from participating, but there is also nothing in there that instructs participation by private companies for adding private dollars into a public highway project.

Senator Robinson: I support the bill. Thank you for the proposal before us. It does beg a question, at some point we are going to have to bite the bullet and increase the tax on gas. We're not keeping up, none of us like taxes, we like state roads. We are trying to find a way not to have to address that situation. I think it's inevitable, I think it's here now. At some point I hope we have the courage to say enough is enough, let's deal with the issue. We wouldn't notice 4 cents on gas at all, it's up and down all over the ball park. We would have better roads if we made that decision.

DeAnn Ament, Executive Director, North Dakota Public Finance Authority, testified in favor OF SB 2268 and provided Attachment # 2, the Christmas tree version of Engrossed SB 2268. These would be appropriation bonds, building authority is appropriation bonds as well, but they subjected that section to the limitation of the sales tax, there is nothing to say that these appropriation bonds have to have a cap, that was something that was done for the building authority. I have a couple of amendments, (the Christmas tree version of the bill) to make sure the bill functions the way it's intended. The items in red are deletions, and the items in blue are additions, there are 3 pages that are impacted. The first is on page 1, to delete the reference to public finance authority definitions as there are no changes to the definitions themselves. On page 6, line 8 there is an addition to include identifying that bond proceeds would be included in this funds. Page 7, section 7, referring to the appropriation that is just providing so that there is the transfer from the General Fund to the public finance

authority so that they bond payments can be made. Yes, we've talked about \$16 million in a biennium, because these bonds won't be issued on July 1st 2019, we've calculated that the total \$16 won't be needed the first biennium, hence the different dollar amount. Those are the requested amendments.

Chairman Holmberg: Were these amendments discussed at the policy committee level, or are these amendments after the bill came through the policy committee?

DeAnn Ament: These did not go before the policy committee. These were recommendations from bond council, who would be responsible for issuing an opinion, so we could issue these bonds. These are comments to make sure the money goes where it needs to go and there is repayment for the bonds that are issued.

Arik Spencer, President/CEO Greater North Dakota Chamber (GNDC), testified in favor of SB 2268: One of the things we like is that there are deep transportation needs across our state. I think Upper Great Plains projected that over a 15-year period, over a \$15 billion gap between existing funding sources and the needs will occur. Between this and the Prairie Dog Bill alone, that provides an additional \$300 million per biennium to address those needs. The reason we care, is that annually over \$100 billion of freight is moved across our state. Additionally, over 230,000 people across all sectors are directly dependent on our states transportation network. We like this a lot. This is a big idea, with big impacts in terms of moving freight safely across our state. We urge you give it strong consideration.

Chairman Holmberg: Are you troubled by borrowing?

Arik Spencer: Although we don't love borrowing, this is a way to provide an additional \$100 million a biennium for our infrastructure needs. In this case, we think it's appropriate for the state to consider this.

Chairman Holmberg: (19.54) One of things we found when we did the surge funding 4 years ago was that one of the unintended consequences was that a mile of road, because of the ability of the industry to provide the construction, a mile of road costs more. Is this a concern for you?

Arik Spencer: I would take a different view. I would think that this will help competition in the state. Hopefully drive costs down a little. I believe that Mr. Hanson, with the Associated General Contractors is here and can speak more to that. I believe recent bids have been very competitive. I would hope that it would drive cost down. Last session the legislature did pass a bill to allow public private partnerships when it comes to cost sharing on a segment of roadway. If the private company wants to participate and have a turnoff to their facility, the DOT already had the ability to do that today.

Senator Robinson: Would your organization support a gas tax?

Arik Spencer: I pose that to our policy committee, we don't have a position on that. We clearly say that transportation is our number 2 policy bill goal. It is a huge issue for business, it's a much tougher question to say, how do we pay for it? I imagine that is something we would strongly consider. The US Chamber has advocated for \$0.25 per gallon gas tax

increase at the federal level. The American Trucking Association has advocated for a \$0.20 gas tax increase at the federal level over a period of time. I imagine we would closely look at those things, although I can't commit to what our organizations position is today.

Senator Robinson: I think it's going to take organizations like yours and others getting behind this proposal, and really prioritizing it, not on paper but in reality. What kind of state do we want? It's going to take an investment. Do you agree?

Arik Spencer: I don't disagree. For better or worse, the Senate voted down a gas tax increase. Something about 81% of our roads are dependent on federal aid. That's a much higher percentage than any other state. This is a way to help lessen our dependence on federal revenue and that will provide cost savings when DOT tries to do different things when it comes to environmental reviews and all those things that drive up the cost of a project.

Steve Salwei, Program Director, NDDOT: I thought I'd give a short explanation on the bill. This bill would create a corridor of commerce program within the DOT to address some of the unfunded needs for some of our highest priority corridors. As you know a good transportation system is the backbone of our economy. If we want to compete in the global market, we must be able to get our goods to market. This last spring, we held a transportation funding symposium, as part of that we show that over the next 20 years, we had an estimated need of around \$24.6 billion. With an estimated revenue of around \$10 billion. We have a \$14.6 billion shortfall. What this bill would do is allow up to \$100 million of bonding authority to address some of the critical needs across the state. It also gives the DOT the ability to leverage federal funding. Right now, our normal budget does not have any dollars to match any grants that may be available from the federal government. We could use this \$100 million to leverage some of the grant funds that are available through the federal side and possibly take this \$100 million and turn it into up to \$200 million.

V. Chairman Wanzek: I'm thinking of a project like the Spirit Wood Area, county road 62, a lot of corns comes up that road to the ethanol plant, and if we ever build the soybean plant, that would add additional trucks going in that direction. Is that the kind of project you are envisioning would be a 'corridor of commerce'?

Steve Salwei: That is a good point. When we approached this we originally took the thought process of putting it on state highways. The road you are referring to is a county system. I don't know if we have the ability to use these dollars, the way it's currently written, onto a non-state highway system. We can put federal dollars into those, but I don't believe we have the authority to put state dollars onto a non-state system. It's not to say that couldn't be changed if that's the way you want that to happen. Another question that came up is, is it across the state, (He described a map, but did not submit it to the committee) that we are intending to address highways all across the state.

Senator Grabinger: We are talking about some of the special projects, there are some of us who want passing lanes for safety on Highway 281 and 52 North from Buchanan to Carrington. Could this money be used to put in passing lanes for safety?

Steve Salwei: Absolutely. This type of program could be used to install those passing lanes. We have been getting a lot of comments about passing lanes on that particular corridor,

along with other corridors in the state; we are doing our best to work some of those into the program as funding becomes available. Currently, we are trying to incorporate the first segment from West 2, all the way up to the Canadian border portal as the first project. However, given the funding constraints, that one is at least 4-5 years out before we can work that into our program.

Russ Hanson, Director, Association of General Contractors, (AGC): The cost during the surge funding, you are correct, the cost did go up; that was largely due to \$80 oil. Those costs and labor. While the cost did go up, the competition was very keen at that time. With the slowdown it remains so. We don't believe the additional resources put into what is already out there in the DOT budget could be a cause for concern. Last Friday, the DOT had \$103 million bid letting, a very substantial bid letting, and apparent low bidders came in 2% under the engineer's estimate. We have a very eager, competitive environment.

Chairman Holmberg: Is there a concern in the industry for employees as they start ramping up?

Russ Hanson: Workforce is an issue for everybody. Even during the surge years, they ramped up, they took what means are necessary and they got it done. A lot of times it came down to paying more than they used to and that is reflected in the cost.

Chairman Holmberg: We will close the hearing on SB 2268.

A NEW JOB # 32504 WAS STARTED REGARDING SB 2268.

Chairman Holmberg: Opened further discussion on SB 2268. We had recommended amendments offered to make the bill flow, according to the bond attorneys, and you know we get information from them from time to time.

Senator Mathern: Moved the amendment. 2nd by Senator Grabinger. (This is the Christmas tree version of Engrossed SB 2268.)

Chairman Holmberg: We have a motion on the amendment. And it's just in the rainbow sheet, (called the Christmas Tree version of Engrossed SB 2268) but you have it, right, Adam? If this is approved, you could draft the amendments based upon what you have?

Adam Mathiak, Legislative Council: There might be a couple of things that aren't quite right, like the removal of the public finance authority definitions in section 1, that's amending the definition section in the public finance authority Chapter, it still needs to be in there, because that's what it's relating to, it's not necessarily in the title section, we removed that, because section 1 deals with the definitions, that's a definition that's being added. Then the other part, on the last page, the appropriation section, it wouldn't be a transfer, it would be an appropriation to the public finance authority. The only question is, it seems a little confusing to change it to a continuing appropriation from the fund, just because the bonding is a one-time thing.

Chairman Holmberg: So you know what to do if the committee tells you?

Adam Mathiak, Legislative Council: (02.32) Yes. And I guess the only question would be it seems a little confusing to change it to a continuing appropriation from the fund because the bonding is kind of a one-time thing. So I am not sure why there's the continuing appropriation granted for a one-time issuance of bonds, that's why we had done it as pursuant to the appropriation and then we provided the appropriation for them in the bill. It is kind of redundant to have Section 7 where we add the \$100M, and it guess they are removing it and changing it to continuing appropriation but it seems like it's a one-time thing. But if you want to go with that, we can work with that.

Chairman Holmberg: Why don't you work it out, and bring it back when you have it done, because you have certain form and style to follow. All in favor of the amendment say aye. It carried. Any other ideas or motions? Do we need to see the amendment or can we move it. It was agreed to wait to move on this bill until the amendment comes down. There was no vote on the SB 2268 at this time. The hearing was closed on SB 2268.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2268
2/14/2019
JOB 32761 (07:55)

- Subcommittee
 Conference Committee

Committee Clerk: Alice Delzer/ Meghan Pegel

Explanation or reason for introduction of bill/resolution:

A BILL for an Act regarding Public Finance Authority definitions (Do Pass as Amended).

Minutes:

1. Amendment # 19.1097.03001

Chairman Holmberg opened the hearing on SB 2268. All committee members were present. Alex Cronquist, Legislative Council and Becky J. Keller, OMB were also present.

Chairman Holmberg: There's a proposed amendment #19.1097.03001 (**see attachment #1**). This is the corridors of commerce fund. Senator Patten was here, and Senator Bekkedahl is one of the sponsors.

Senator Bekkedahl: This bill came in discussion with the DOT. As you know, the current director Tom Sorel is from Minnesota's DOT. This is a program that they used in Minnesota. It's an infusion of state funds for grants at the federal level. They used to call them tiger grants; now they call them infra grants. The traditional programs are 80% federal and 20% state. What's happening in those special grant programs, we typically will match the 20% state, and we're not getting the grants approved because other states and localities are using more match money under the federal and they're getting priority then in the grant status. They have no other monies to go for to do this because they're using all the match we give them for the federal match which goes into basically program maintenance right now. It's a state-wide program and totally up to DOT how they prioritize and where they use it. It will probably be for turning lanes, passing lanes and 4-lane configurations where they see commerce occurring where they need to react to the heavy traffic.

Chairman Holmberg: Would this bill allow them to promote and fund bump-outs in the cities? Would this allow them to continue that program, which it didn't improve the main streets in Grand Forks?

Senator Bekkedahl: It's my understanding that these are more designed for facility placements that have high traffic for manufacturing and energy and ag programs where there's a lot of transport of those commodities in and out of the state. I don't think that it would be used for that. The criteria are very specific on this.

Senator Bekkedahl: Moved Amendment # 19.1097.03001. 2nd by Senator Robinson.

A Voice Vote was called on the adoption of Amendment 19.1097.03001. Motion carries.

Senator Bekkedahl: Moved a Do Pass as Amended on 2068. 2nd by Senator Hogue.

(3:50) Senator Dever: It seems to me we're doing a lot of bonding this session. We're borrowing from the future. This shifts funding from gas taxes to general fund for the DOT. We've done some of that including bypasses around Watford City and Williston and those were all important and necessitated cash infusions. I supported those, but I'm concerned on where we're headed here in getting carried away with all the dollars that we're putting into binding future legislative sessions to fund them.

Chairman Holmberg: The bridge was the other bond we've done in Bismarck.

Senator Dever: I think primarily with federal money though.

Chairman Holmberg: They were in anticipation of federal money coming in. Call the roll on a Do Pass as Amended on SB 2268.

A Roll Call vote was taken. Yea: 13 Nay: 1 Absent:0. Motion carries.

The bill goes back to Transportation where Senator Patten will carry the bill.

The hearing was closed on SB 2268. **(5:41)**

(There was further discussion on this job regarding other bills, but no action taken.)

Introduced by

Senators Patten, Bekkedahl, Wardner

Representatives Kempenich, Lefor, Zubke

1 A BILL for an Act to create and enact a new subdivision to subsection 5 of section 6-09.4-03, a
2 new section to chapter 6-09.4, and a new section to chapter 24-01 of the North Dakota Century
3 Code, relating to **public finance authority definitions**, debt service repayments, and a corridors of
4 commerce program and fund; to amend and reenact sections 6-09.4-06 and 6-09.4-10 of the
5 North Dakota Century Code, relating to borrowing and lending authority and reserve funds; to
6 provide a bond issuance limitation; and to provide an appropriation.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1.** A new subdivision to subsection 5 of section 6-09.4-03 of the North Dakota
9 Century Code is created and enacted as follows:

10 The department of transportation for purposes of the corridors of commerce
11 program.

12 **SECTION 2. AMENDMENT.** Section 6-09.4-06 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **6-09.4-06. Lending and borrowing powers generally.**

15 1. The public finance authority may lend money to political subdivisions or other
16 contracting parties through the purchase or holding of municipal securities which, in
17 the opinion of the attorney general, are properly eligible for purchase or holding by the
18 public finance authority under this chapter or chapter 40-57 and for purposes of the
19 public finance authority's capital financing program the principal amount of any one
20 issue does not exceed five hundred thousand dollars. However, the public finance
21 authority may lend money to political subdivisions through the purchase of securities
22 issued by the political subdivisions through the capital financing program without
23 regard to the principal amount of the bonds issued, if the industrial commission
24 approves a resolution that authorizes the public finance authority to purchase the

1 securities. The capital financing program authorizing resolution must state that the
2 industrial commission has determined that private bond markets will not be responsive
3 to the needs of the issuing political subdivision concerning the securities or, if it
4 appears that the securities can be sold through private bond markets without the
5 involvement of the public finance authority, the authorizing resolution must state
6 reasons for the public finance authority's involvement in the bond issue. The public
7 finance authority may hold such municipal securities for any length of time it finds to
8 be necessary. The public finance authority, for the purposes authorized by this chapter
9 or chapter 40-57, may issue its bonds payable solely from the revenues available to
10 the public finance authority which are authorized or pledged for payment of public
11 finance authority obligations, and to otherwise assist political subdivisions or other
12 contracting parties as provided in this chapter or chapter 40-57.

13 2. The public finance authority may lend money to the Bank of North Dakota under terms
14 and conditions requiring the Bank to use the proceeds to make loans for agricultural
15 improvements that qualify for assistance under the revolving loan fund program
16 established by chapter 61-28.2.

17 3. The public finance authority may lend or transfer money to the department of
18 transportation under the terms and conditions requiring the department to use the
19 proceeds for the corridors of commerce program. Bonds issued for this purpose are
20 payable in each biennium solely from amounts the legislative assembly may
21 appropriate for debt service for a biennium or from a reserve fund established for the
22 bonds. This section may not be construed to require the state to appropriate funds
23 sufficient to make debt service payments with respect to the bonds or replenish a
24 related reserve fund. The bonds are not a debt of the department of transportation or
25 the state, and the full faith, credit, and taxing powers of the state are not pledged to
26 the payment of the bonds. Upon the date appropriated funds and reserves are no
27 longer sufficient to pay debt service on bonds, the obligation of the public finance
28 authority, with respect to the bonds, terminates and the bonds are no longer
29 outstanding. In addition to providing funds for transfers to the department of
30 transportation, the public finance authority may use the bond proceeds to pay the
31 costs of issuance of the bonds and establish a reserve fund for the bonds.

1 4. Bonds of the public finance authority issued under this chapter or chapter 40-57 are
2 not in any way a debt or liability of the state and do not constitute a loan of the credit of
3 the state or create any debt or debts, liability or liabilities, on behalf of the state, or
4 constitute a pledge of the faith and credit of the state, but all such bonds are payable
5 solely from revenues pledged or available for their payment as authorized in this
6 chapter. Each bond must contain on its face a statement to the effect that the public
7 finance authority is obligated to pay such principal or interest, and redemption
8 premium, if any, and that neither the faith and credit nor the taxing power of the state
9 is pledged to the payment of the principal of or the interest on such bonds. Specific
10 funds pledged to fulfill the public finance authority's obligations are obligations of the
11 public finance authority.

12 5. All expenses incurred in carrying out the purposes of this chapter or chapter 40-57 are
13 payable solely from revenues or funds provided or to be provided under this chapter or
14 chapter 40-57 and nothing in this chapter may be construed to authorize the public
15 finance authority to incur any indebtedness or liability on behalf of or payable by the
16 state.

17 **SECTION 3. AMENDMENT.** Section 6-09.4-10 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **6-09.4-10. Reserve fund.**

20 1. The public finance authority shall establish and maintain a reserve fund in which there
21 must be deposited all moneys appropriated by the state for the purpose of the fund, all
22 proceeds of bonds required to be deposited therein by terms of any contract between
23 the public finance authority and its bondholders or any resolution of the public finance
24 authority with respect to the proceeds of bonds, any other moneys or funds of the
25 public finance authority which it determines to deposit therein, any contractual right to
26 the receipt of moneys by the public finance authority for the purpose of the fund,
27 including a letter of credit or similar instrument, and any other moneys made available
28 to the public finance authority only for the purposes of the fund from any other source
29 or sources. Moneys in the reserve fund must be held and applied solely to the
30 payment of the interest on and the principal of bonds and sinking fund payments as
31 the same become due and payable and for the retirement of bonds, including payment

1 of any redemption premium required to be paid when any bonds are redeemed or
2 retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if
3 the withdrawal would reduce the amount in the reserve fund to an amount less than
4 the required debt service reserve, except for payment of interest then due and payable
5 on bonds and the principal of bonds then maturing and payable and sinking fund
6 payments and for the retirement of bonds in accordance with the terms of any contract
7 between the public finance authority and its bondholders and for the payments on
8 account of which interest or principal or sinking fund payments or retirement of bonds,
9 other moneys of the public finance authority are not then available in accordance with
10 the terms of the contract. The required debt service reserve must be an aggregate
11 amount equal to at least the largest amount of money required by the terms of all
12 contracts between the public finance authority and its bondholders to be raised in the
13 then current or any succeeding calendar year for the payment of interest on and
14 maturing principal of outstanding bonds, and sinking fund payments required by the
15 terms of any contracts to sinking funds established for the payment or redemption of
16 the bonds.

17 2. If the establishment of the reserve fund for an issue or the maintenance of an existing
18 reserve fund at a required level under this section would necessitate the investment of
19 all or any portion of a new reserve fund or all or any portion of an existing reserve fund
20 at a restricted yield, because to not restrict the yield may cause the bonds to be
21 taxable under the Internal Revenue Code, then at the discretion of the public finance
22 authority no reserve fund need be established prior to the issuance of bonds or the
23 reserve fund need not be funded to the levels required by other subsections of this
24 section or an existing reserve fund may be reduced.

25 3. No bonds may be issued by the public finance authority unless there is in the reserve
26 fund the required debt service reserve for all bonds then issued and outstanding and
27 the bonds to be issued. Nothing in this chapter prevents or precludes the public
28 finance authority from satisfying the foregoing requirement by depositing so much of
29 the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve
30 the required debt service reserve. The public finance authority may at anytime issue
31 its bonds or notes for the purpose of providing any amount necessary to increase the

1 amount in the reserve fund to the required debt service reserve, or to meet such
2 higher or additional reserve as may be fixed by the public finance authority with
3 respect to such fund.

4 4. In order to assure the maintenance of the required debt service reserve, there shall be
5 appropriated by the legislative assembly and paid to the public finance authority for
6 deposit in the reserve fund, such sum, if any, as shall be certified by the industrial
7 commission as necessary to restore the reserve fund to an amount equal to the
8 required debt service reserve. However, the commission may approve a resolution for
9 the issuance of bonds, as provided by section 6-09.4-06, which states in substance
10 that this subsection is not applicable to the required debt service reserve for bonds
11 issued under that resolution.

12 5. If the maturity of a series of bonds of the public finance authority is three years or less
13 from the date of issuance of the bonds, the public finance authority may determine that
14 no reserve fund need be established for that respective series of bonds. If such a
15 determination is made, holders of that respective series of bonds may have no interest
16 in or claim on existing reserve funds established for the security of the holders of
17 previously issued public finance authority bonds, and may have no interest in or claim
18 on reserve funds established for the holders of subsequent issues of bonds of the
19 public finance authority.

20 6. The industrial commission may determine that this section is inapplicable in whole or
21 in part for bonds issued under sections as follows:

22 a. Under section 6-09.4-06;

23 b. Under section 6-09.4-24; or ~~under~~

24 c. Under the public finance authority's state revolving fund program.

25 **SECTION 4.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
26 and enacted as follows:

27 **Debt service requirements - Corridors of commerce program.**

28 Each biennium, the public finance authority shall request from the legislative assembly an
29 appropriation from the general fund to meet the debt service requirements for evidences of
30 indebtedness issued by the authority for the corridors of commerce program.

1 **SECTION 5.** A new section to chapter 24-01 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Corridors of commerce program - Corridors of commerce fund.**

4 1. The department shall administer a corridors of commerce program for constructing,
5 reconstructing, improving, and maintaining highways that improve freight
6 transportation and facilitate commerce.

7 2. The corridors of commerce fund is a special fund in the state treasury administered by
8 the department. The fund consists of all moneys deposited into the fund, including bond
9 proceeds issued by public finance authority for purposes of the corridors of commerce
10 fund. Moneys in the fund are appropriated to the department on a continuing basis
11 Pursuant to legislative appropriations, the department shall use moneys in the fund for
12 eligible highway projects in accordance with provisions of this section.

13 3. To be eligible for funding under this section:

14 a. Any construction work associated with the project must begin within three years
15 after the department selects the project for funding, unless the department grants
16 an exemption; and

17 b. The highway project must meet at least one of the following criteria:

18 (1) The project is a segment of highway with the following characteristics:

17 (a) The existing segment is not a divided highway;

18 (b) At least one end of the segment connects to an expressway or
19 freeway; and

20 (c) The segment will connect to a proposed or existing interchange;

21 (2) The project will ease the movement of freight traffic;

22 (3) The project will improve safety on the highway;

23 (4) The project will allow oversized or overweight vehicles to use the highway
24 after completion;

25 (5) The project will provide increased connectivity between areas of significant
26 commerce; or

27 (6) The highway is or will be designated as national high priority corridor of
28 connectivity.

29 4. When evaluating eligible projects for funding under this section, the department shall
30 score each eligible project, make the scores available to the public, and consider:

- 1 a. The return on investment;
- 2 b. Measurable improvements in commerce and economic competitiveness;
- 3 c. Efficiency in traffic flow based on average daily traffic counts, commercial vehicle
- 4 miles traveled, and travel times;
- 5 d. Safety improvements;
- 6 e. Connections to regional trade centers or other modes of transportation; and
- 7 f. Community support for the project.
- 8 5. The funding provided to an eligible highway project may be used to plan, construct,
- 9 replace, improve, or maintain the highway.

10 **SECTION 6. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE LIMITATION.** Pursuant
11 to the bonding authority under section 6-09.4-06, the public finance authority may issue up to
12 \$100,000,000 of evidences of indebtedness, but not in an amount that would cause the
13 repayments to exceed \$16,000,000 per biennium, for the purpose of the corridors of commerce
14 program during the biennium beginning July 1, 2019, and ending June 30, 2021. The term of
15 any evidences of indebtedness issued under this section may not exceed thirty years.

16 **SECTION 7. APPROPRIATION.** ~~There is appropriated out of any moneys in the corridors of~~
17 ~~commerce fund in the state treasury, not otherwise appropriated, the sum of \$100,000,000, or~~
18 ~~so much of the sum as may be necessary, to the department of transportation for eligible~~
19 ~~highway projects under the corridors of commerce program, for the biennium beginning July 1,~~
20 ~~2019, and ending June 30, 2021. The Office of Management and Budget shall transfer~~
21 ~~\$4,000,000 from the state's general fund, not otherwise appropriated, to the North Dakota Public~~
22 ~~Finance Authority for the term beginning July 1, 2019 and ending June 30, 2021 for debt service~~
23 ~~requirements related to Corridors of Commerce.~~

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2268

Page 1, line 6, after the semicolon insert "to provide an exemption;"

Page 6, line 8, after the underscored period insert "The fund consists of all money deposited in the fund, including bond proceeds issued by the public finance authority for purposes of the fund."

Page 7, line 15, after "**APPROPRIATION**" insert "- **EXEMPTION**"

Page 7, line 19, after the period insert "The funding provided under this section is not subject to section 54-44.1-11."

SECTION 8. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$4,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with bonds issued to support the corridors of commerce fund, for the biennium beginning July 1, 2019, and ending June 30, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment clarifies the deposits in the corridors of commerce fund, provides an exemption for the appropriation to the Department of Transportation, and appropriates \$4,000,000 from the general fund to the Public Finance Authority related to debt repayments.

Date: 2-11-19
 Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2268**

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: Christmas Tree Version of Engrossed SB 2268

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 Mathern Seconded By Grabinger

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
 not carried*

Date: 2-14-2019

Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2268**

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 19.1097.03001

- 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 Bekkedahl Seconded By Robinson

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:

*Vote
vote
it carried*

Date: 2-14-2019

Roll Call Vote #: 2

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2268**

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 Bekkedahl Seconded By Hogue

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) 13 No 1

Absent 0

Floor Assignment Patten Transportation

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

REPORT OF STANDING COMMITTEE

SB 2268, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2268 was placed on the Sixth order on the calendar.

Page 1, line 6, after the semicolon insert "to provide an exemption;"

Page 6, line 8, after the underscored period insert "The fund consists of all money deposited in the fund, including bond proceeds issued by the public finance authority for purposes of the fund."

Page 7, line 15, after "**APPROPRIATION**" insert "**- EXEMPTION**"

Page 7, line 19, after the period insert "The funding provided under this section is not subject to section 54-44.1-11."

SECTION 8. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$4,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with bonds issued to support the corridors of commerce fund, for the biennium beginning July 1, 2019, and ending June 30, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment clarifies the deposits in the corridors of commerce fund, provides an exemption for the appropriation to the Department of Transportation, and appropriates \$4,000,000 from the general fund to the Public Finance Authority related to debt repayments.

2019 HOUSE APPROPRIATIONS

SB 2268

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2268
3/11/2019
33534

- Subcommittee
 Conference Committee

Committee Clerk: Risa Bergquist

Explanation or reason for introduction of bill/resolution:

Relating to public finance authority definitions, debt service repayments, and a corridor of commerce program and fund; Relating to borrowing and lending authority and reserve funds; to provide a bond issuance limitation; to provide an exemption.

Minutes:

Attachments 1-6

Chairman Delzer: Called the meeting to order for SB 2268. Committee members you can see we have a lot of requests for any money that we have and now we are getting requests for money we don't have.

0:40-5:00 Senator Dale Patten, Watford City, District 39: I am here to present SB 2268. (see attachment 1)

Chairman Delzer: If we are looking at 4 billion plus going back to political subs and you are here to ask for more? Why would we want to put that much out there for their things and then bond for the things we need?

Senator Patten: I am looking at this part as a high need right now, I think it is appropriate to do some bonding at the state level.

Chairman Delzer: In the 80's we got ourselves in trouble and that took 10-15 years to get out of that. Paragraph 3 on page 2 of the bill, who would ever buy that? It says it's subject to legislative appropriation and if we don't appropriate it the bond terminates, whoever buys it would be stuck.

Senator Patten: The language came from the Bank of North Dakota, obviously you'll need to appropriate ever biennium for what you are going to be spending. Once the bond is out there I would think that the legislature would have future plans for that.

Chairman Delzer: Then this should be considered a general obligation bond, the same as anything else and limit our bonding to what is available under our statute for obligation bonds.

Representative Monson: You eluded that we are leaving federal dollars on the table, where did you get that?

Senator Patten: The lower number are no longer qualifying for those federal dollars, so of the requests are going up to that 60-70% state funds or even higher in some cases before you get any federal dollars.

Representative Nathe: Do you have the dollar amount in the amount of needs for commerce?

Senator Patten: We could use highway 85 as an example, the 4 lane bridge across the Little Missouri is somewhere in the neighborhood of 39 million and that should be constructed this year and that will take two years to build and one year to tear down the old bridge.

Chairman Delzer: It'll take two years to build it and we have 110 carryover in the DOT budget already and you say the cost is 39? Are we two years ahead of time on this and I'd much rather try to fund this with cash when the time is right.

Senator Patten: The timelines when it comes to gathering easements, issuing the bonds and all those things, it'll take up to two years to get that part done.

10:45 Representative Brandenburg: There was 503 million put out there for Highway 85 and in the meantime the money was being used for other roads. Some of that was intended for the 4 lane road has got moved to other areas that needed to be done.

Senator Patten: I think the intent is for all areas of the state to be able to use that.

Representative Beadle: How did you come up with the 100-million-dollar figure? That doesn't touch the amount you'll need.

Senator Patten: I agree it's not the amount we need but we felt that was a reasonable number to get a couple of projects. The first stretch of hwy 85 from Watford City down to the north unit bridge is about 105 million.

Chairman Delzer: On the federal money is limited to how much is available and when it went out of the house we put 13 million of the general fund just to make sure that we would match. Looking at some of the bills that have come over from the senate I think that 13 million could go away and we still would have it matched.

Representative Beadle: Did you have any conversations with DOT? Do they not currently have that project high up on the priority list?

Senator Patten: I would have DOT answer that.

Chairman Delzer: Are you aware of any other places other than 85 that are 4 lanes? Going north or south? Canada and all the way down to Mexico?

Senator Patten: Cal Klewin is here to answer questions, I think you are referring to the Ports to Plains project and the Teddy Roosevelt Expressway is part of that and he would be better to answer those questions.

15:50-16:20 Representative Zubke: I just want to say that I support this, I drive this route every weekend. We are going to be spending money on this highway one way or the other it just depends on if you want to look forward or backward.

16:35-19:25 Steve Salwei, Transportation Programs Director of the DOT: (see attachment 2)

Chairman Delzer: In the upcoming biennium where would you use this money?

Mr. Salwei: Any of the areas on the map would qualify for this. Highway 85 probably would rank as one of the highways that would qualify. We haven't gone through and identified which projects would move forward.

Chairman Delzer: Why where you not opposed to some of the political sub money? Why are you supporting bonding for our responsibilities when we've already given so much to political subs?

Mr. Salwei: The political subs have needs as well as we do and they also need funding, so we do support the ability for them to be able to fund some of their needs even if our needs aren't fully funded.

Representative Brandenburg: There are some road projects under federal, are there some that North Dakota would qualify for? Is there something more that we need to do to match funds?

Mr. Salwei: We are talking about the infer grants, those grants are out there as special moneys that are over and above the dollars that are given to the state. In order to apply for those dollars, you have to show that you have match money available. In our budget we have enough money to match our regular federal aid dollars, however if you want to apply for some of the infer grants we need additional dollars.

Chairman Delzer: How long have they been available?

Mr. Salwei: They have been around for a number of years. We have put in for some of these grants, we have tried to leverage the state oil infrastructure dollars that were given to us.

Chairman Delzer: Did you get any of that money?

Mr. Salwei: No we didn't, we've been putting in for a higher percentage but if you look at the president's proposal he was talking about a multi trillion-dollar program coming out, instead of the 80/20 that is our normal federal formula dollars he was flipping it around as a 20/80.

24:00 Representative Boe: Did you discuss how you are going to make up the 14.6 billion dollars' short fall?

Mr. Salwei: We are trying to educate of this is what we are seeing as a total need. This isn't just for roads it's maintenance, snow removal, salt, sand, facilities, it's all a need. We try to educate and bring forth what we foreseen in the future. We are saying this is our short fall for the next 20 years and part of this is what do the citizens of the state want and what are they willing to pay for?

25:25 Representative Beadle: Federal funding the 17% of our 107 thousand miles are eligible for federal funds, they also told us that we were matching 100% of the federal funds, why didn't this come up during the discussion about your budget?

Mr. Salwei: It's hard to budget for discretionary grant dollars when we apply for them we are not guaranteed we are going to get them. Right now we are still applying for these grants because we are leveraging the state oil infrastructure dollars that were given to us, once those dollars are gone we will no longer have the ability to apply for those grants.

Chairman Delzer: But you applied and haven't gotten any? We had 500 million dollars out there.

Mr. Salwei: We were able to get two, the intermodal up in Minot and the raising of the BNSF Railroad tracks along Devil's Lake because of the rising waters.

Chairman Delzer: And we matched those immediately once we got that funding. I don't think this is going to make a big difference in that.

Mr. Salwei: It would give us the ability to try to leverage.

Representative J. Nelson: Where does Highway 85 fit into the traditional funding mechanism?

Mr. Salwei: Currently it isn't in our 4-year list of projects, if we would put 104 million dollars into one project we would have very few projects across the state.

Chairman Delzer: You've got 60 million available, is there any restrictions from using that money to try to get federal money?

Mr. Salwei: You are right there is about 100 million out there but we are trying to get those dollars out there this spring and fall.

Chairman Delzer: And the Long X is two years out?

Mr. Salwei: We plan to bid in the next couple months, it'll take to years for construction and then another year for the demolition of the old one and the new bridge is a four lane bridge.

30:00 Representative Brandenburg: It was supposed to be enough 3 sessions ago and I know other roads have been done since then, what happened to all that money that was supposed to go to the fund for this project?

Mr. Salwei: I don't know that those dollars were ever enough to cover all the way from Belfield to Williston, we 4 lanes from Watford City to Williston, we funding the environmental document to complete the environmental from Belfield to Watford City, that also was recently completed.

Chairman Delzer: Have you done the supper 2 down to Belfield?

Mr. Salwei: There is not anything there.

Representative Monson: If this passed, is it your intention to leverage federal funds, but if there were no federal funds then you would just use this money?

Mr. Salwei: Yes, that would be the plan.

Representative Beadle: Has there been other analyst done by DOT in regards to the public safety that would warrant this being higher on the priority list?

Mr. Salwei: We haven't done any safety analyst.

Representative J. Nelson: What would be the priority list? How would highway 85 jump the list?

Mr. Salwei: All of the projects would have to be looked at.

35:10-36:45 Cal Klewin, Executive Director of the Theodore Roosevelt Expressway Association, (see attachment 3)

Chairman Delzer: You are talking highway 85? Or 385? What highway are you talking about?

Mr. Klewin: The Theodore Roosevelt Expressway is from Rapid City on I-90 to Belle Fourche and then 85 north.

Chairman Delzer: That's four lanes?

Mr. Klewin: Yes, that is four lanes to the Nebraska boarder and I do know that Nebraska just got an infer grant for 18 million for the Heartland Expressway for improvements so I know it is out there.

39:55-40:30 Mike Krumwiede, American Council of Engineering Companies: (see attachment 4)

40:40-41:30 Art Thompson, North Dakota Concrete Council: I just want to stand in support for this bill, one of the major concerns we have is the fact that the national average for federal funding for state DOT projects is 42½% in North Dakota it is 81% and there is significant resilience on that federal funding going on in Washington.

Representative Kempenich: How are the other states come up with the differences?

Mr. Thompson: I would have to defer to DOT on how we get 81% and the average is 42%.

Chairman Delzer: Further testimony in support? Any opposition?

43:00- Robert Harms, Member of the Legacy Fund Founders Committee (see attachment 5) I was one of the original members that help create the Legacy Fund, I'm not opposed to either SB 2282 or SB 2268, but we are concerned about the funding mechanism. I handed out to you our policy guidelines and I ask you to look at them as you are considering the Legacy Fund. In the 80's after we passed measure 6 our spending went up by 38% general fund the next time around and then most recently 2014/2015 down turn where we had oil down to 25 dollars a barrel. The current proposal before the legislature is 20% coming from the extraction tax and gross production tax. That doesn't include all the related income tax. The current budget depending on how it ends up has 20-30% of the ongoing general fund coming out of two sources; gross production tax and extraction tax, all we just ask that you are mindful of the legacy fund.

Chairman Delzer: I think we feel similar; we'd like to have the cash before we spend it. Questions by the committee? Seeing none we will close this hearing.

Attachment 6 was passed out but nobody testified.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2268
3/21/2019
34134

- Subcommittee
 Conference Committee

Committee Clerk: Risa Bergquist

Explanation or reason for introduction of bill/resolution:

Relating to public finance authority definitions, debt service repayments, and a corridor of commerce program and fund; Relating to borrowing and lending authority and reserve funds; to provide a bond issuance limitation; to provide an exemption.

Minutes:

1:25 Chairman Delzer: Called the meeting to order for Sb 2268, this is the bill deals with corridors of commerce and bonding authority. This would put 100 million dollars of bonding out there in the future and it would cost us 13 ½ million a biennium for 10 biennia. (Reviewed amendment 19.1097.04001) What the amendment does is it takes everything out except section 5 of the bill. Page 1 line 1 remove a new subdivision to subsection 5 of section 6-09.4-03 a. Line 2 removes new section to chapter 6-09.4 and. There is still in there a new section to chapter 24-01 of the ND Century Code relating to, it removes public finance authority, debt service repayments and the word and, so you would have relating to a corridors of commerce program and fund, to amend and reenacted sections 6-09.4-06 and 6-09.4-10 of the, then it removes line 5. Line 6 it removes to provide a bond issuance, limitation and to provide an exemption and to provide and appropriation. The title would read *A bill for an act to create and enact a new section of Chapter 24-01 in the ND Century Code relating to a corridors of commerce program and fund.* Questions by the committee on that?

4:10 Page 1, removes lines 8-24, page 2-4 removes 1-31, page 5 removes lines 1-30. Page 6 line 8 remove including bond. Line 9 removes proceeds issued by the public finance authority for purposes of the fund. Page 7 removes lines 10-26. This is taking all the bounding authority out and leaves the langue for the corridors of commerce. My understanding it they want that there so they can apply for federal grants and see if they can get them. As long as the bonding is out I can live with the language.

7:15 Representative Kempenich: I think the idea is to keep this alive to try to get the grant part of it. The problems is DOT, the last 10 years everything west of Bismarck has been all state money, they get very little federal money on state roads other than maintenance. Truthfully this is where the golden goose is laying the eggs.

Chairman Delzer: There's a reason we did all the state money was so that we didn't have to go through the federal regulations. It had nothing to do with not wanting to use federal money out there. It made it must quicker and easier to do the work that needed to be done out there.

Representative Kempenich: It did speed up the process, this is something that still needs to be addressed.

Chairman Delzer: Have we received those grants in the past, what does this amendment do extra for the department that they didn't already have authority for?

Representative Kempenich: It gives them a priority as far as what the state is looking at. We are going to spend 39 million dollars on a 4 land bridge now but it still an issue of using it. I don't think they are going to try to put the bonding back in there.

Chairman Delzer: We also have to be aware that yes highway 85 fits in it but it's not the only one out there for DOT.

Representative Kempenich: I think that is part of the conversation too.

Chairman Delzer: Questions on the amendment?

Representative Kempenich: I'll make a motion to Adopt the Amendment 19.1097.04001.

Representative Schatz: Second

Representative Brandenburg: There's no question that highway 85 is the most dangerous highway in the state but this bridge just got permitted in the last couple of weeks. That's what's bringing this more attention and why the langue need to be here.

Chairman Delzer: Any further discussion? **Seeding none, Voice vote, All in Favor, Motion Carries.**

Chairman Delzer: Any further amendments?

Representative Kempenich: I'll make a Do Pass as Amended

Representative Schatz: Second

Chairman Delzer: Any further discussion? Seeing none we will call the roll.

A Roll Call vote was taken. Yea: 18 Nay: 0 Absent: 3

Motion Carries, Representative Schatz will carry the bill.

Chairman Delzer: With that we will close the meeting on SB 2268.

DE 3/22/19

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2268

- Page 1, line 1, remove "a new subdivision to subsection 5 of section 6-09.4-03, a"
- Page 1, line 2, remove "new section to chapter 6-09.4, and"
- Page 1, line 3, remove "public finance authority definitions, debt service repayments, and"
- Page 1, line 4, remove "; to amend and reenact sections 6-09.4-06 and 6-09.4-10 of the"
- Page 1, remove line 5
- Page 1, line 6, remove "provide a bond issuance limitation; to provide an exemption; and to provide an appropriation"
- Page 1, remove lines 8 through 24
- Page 2, remove lines 1 through 31
- Page 3, remove lines 1 through 31
- Page 4, remove lines 1 through 31
- Page 5, remove lines 1 through 30
- Page 6, line 8, remove ", including bond"
- Page 6, line 9, remove "proceeds issued by the public finance authority for purposes of the fund"
- Page 7, remove lines 10 through 26
- Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes provisions relating to bonding authority for the corridors of commerce program.

Date: 3/21/2019
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2268**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 19.1097.04001

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 Schatz

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: 3/21/2019
 Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2268**

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 Kempenich Seconded By Representative Schatz

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	A	
Representative Meier	X				
Representative Monson	A				
Representative Nathe	A				
Representative J. Nelson	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	X				

Total (Yes) 18 No 0

Absent 3

Floor Assignment Representative Schatz

Motion Carries

REPORT OF STANDING COMMITTEE

SB 2268, as reengrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (18 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Reengrossed SB 2268 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "a new subdivision to subsection 5 of section 6-09.4-03, a"

Page 1, line 2, remove "new section to chapter 6-09.4, and"

Page 1, line 3, remove "public finance authority definitions, debt service repayments, and"

Page 1, line 4, remove "; to amend and reenact sections 6-09.4-06 and 6-09.4-10 of the"

Page 1, remove line 5

Page 1, line 6, remove "provide a bond issuance limitation; to provide an exemption; and to provide an appropriation"

Page 1, remove lines 8 through 24

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 31

Page 5, remove lines 1 through 30

Page 6, line 8, remove ", including bond"

Page 6, line 9, remove "proceeds issued by the public finance authority for purposes of the fund"

Page 7, remove lines 10 through 26

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes provisions relating to bonding authority for the corridors of commerce program.

2019 TESTIMONY

SB 2268

Senate Bill 2268
Senate Transportation Committee
Testimony by Senator Dale Patten

Chairman Rust and members of the Transportation Committee, for the record I am Senator Dale Patten and am here to introduce Senate Bill 2268 known as the Corridor of Commerce Bill.

North Dakota has, over the past 15 years, become identified as an economic powerhouse at a national level. We are highly rated in most national surveys and reports for our business environment, tax structure, economic activity, and contributions to the commerce of our nation.

Our Ag and energy sectors are the economic engines that drives the success our state has experienced and are further supported by our manufacturing and tourist industries.

In order to take full advantage of the commerce we are experiencing we need a transportation system that is capable of handling high levels of freight, provides connectivity at an interstate level, and increases the level of safety for the people of North Dakota who travel on our highways.

Right now we have several infrastructure bills working their way through the House and Senate.

I am going to talk about two of them before I go into SB 2268.

House Bill 1066, known as the Prairie Dog Bill, uses the oil production tax to provide funding to our counties, cities and airports throughout the state. This bill provides funds that will help reduce the burden on property owners across the state by assisting with a broad range of infrastructure projects.

SB 2275 is also a bill that helps our various political subdivisions build and rebuild their critical infrastructure using long-term low interest loans through the use of bonding and an interest subsidy from the Legacy Fund. Senator Wardner introduced this bill to Finance and Tax this week.

So now I am going to testify on SB 2268.

This bill is complementary to HB 1066 and SB 2275 and does not conflict with them.

This "Corridor of Commerce" bill is patterned after the farm to market concept utilized by the counties in our state. Just as our county commissioners have identified those roads that are important to our Ag community to conduct business at the county level this bill will identify and provide funding for the state highways that are critical for commerce at both a state and interstate level.

These highways are two lane roads that due to the nature of the industries they support, have a much higher level of over-weight over-size semi loads, they may lack appropriate turning lanes, the shoulders are narrow, and the traffic mix has a higher percent of freight haulers compared to passenger vehicles than do other state highways.

These are our "Corridors of Commerce".

The platform of the bill will provide a framework that can be used for these roads across the state by plugging a funding mechanism for each project or group of projects.

The funding that is in 2268 consists issuing a bond of up to \$100 million with payments not to exceed \$16 million per biennium or \$8 million per year. This is based on an amortization of 20 years. Repayment would come from Legacy Fund earnings.

One of the best candidate roads for funding under this bill should it become law is Highway 85. The goal is to have this state highway four laned in a three stage process:

1. Watford City to the Long X Bridge - Estimated to cost \$104.5 million
2. Long X Bridge to Highway 200 - Estimated to cost \$170 million
3. Highway 200 to Belfield - Estimated to cost \$165 million

There will be further testimony regarding the ability to leverage the bond proceeds and access additional federal funds to support ND projects.

Thank you for listening and I request you forward this bill to the full senate with a do pass recommendation.

I am open to any questions you may have.

Senate Transportation Committee

January 25, 2019

Honorable Senator David Rust, Chairman

Senate Bill 2268

Testimony by Senator Brad Bekkedahl

Chairman Rust and Committee members,

I have had the honor and privilege of representing my community and western North Dakota on highway improvement projects for over 20 years. In our region, due to the Bakken oil boom, past State Legislatures have responded to safety issue improvements with significant oil tax revenue funding to the Department of Transportation. In fact, the entire State has benefitted from revenue expansion for these DOT improvements. With the reduction in State revenues and expenditures in the current biennium, there has been no extra funding to address current systems for safety and expanded traffic needs. Senate Bill 2268 is designed to do just that. It provides significant funding to a new program category for the DOT called "Corridors for Commerce". The criteria emphasize commerce and acknowledges the importance of robust transportation systems to expand and diversify our economy.

I urge the committee to recommend a DO PASS for Senate Bill 2268 and will stand now for any questions you may have.



January 25, 2019

Chairman, Rust
Members of the Senate Transportation Committee

Good morning. I am Cal Klewin Executive Director of the **Theodore Roosevelt Expressway Association (TREA)**.

The **Theodore Roosevelt Expressway** (Highway 85) is a Federally-Designated High Priority Corridor on the National Highway System. It runs from Rapid City, SD, to Canada through western North Dakota to the Port of Raymond in Montana. On the southern end, it connects to the Heartland Expressway, which connects Rapid City, SD, to Denver, CO. The Heartland Expressway then links to the Ports-to-Plains Trade Corridor, which connects Denver, CO, to Laredo, TX. These three corridors are collectively known as the Ports-to-Plains Alliance

A major U.S. trading region generating \$259 billion (2015) in trade with Canada and Mexico, more than 24.48% of the total U.S. – North American trade by all modes of transportation. By truck the region accounts for 25.27% of U.S. – North American trade; more than \$179.9 billion moved by truck

The **Theodore Roosevelt Expressway**--separately and as part of the Ports-to-Plains Alliance--is critical to the economy and quality of life of North Dakota, of the Great Plains region, and of the Nation. The TRE serves as a major North South corridor for North Dakota's energy, agriculture, tourism and manufacturing economic sectors.

I know this Committee is fully aware of the immediate transportation infrastructure needs in our state. The Theodore Roosevelt Expressway Association supports long term sustainable state transportation funding for NDDOT. On the Federal level TREA and the Ports to Plains Alliance supports a long term Federal Transportation Bill.

Today, you have Senate Bill 2268 before you. SB 2268 can offer funding to help modernize North Dakota's surface transportation system. SB 2268 can contribute to the current and future prosperity of North Dakota and our Nation with a safe and efficient transportation system for industry, business and the traveling public.

Therefore, the Theodore Roosevelt Expressway Association and the Ports to Plains Alliance supports Senate Bill 2268.

That concludes my testimony, I will try to answer any questions you may have.

Thank You,

Cal Klewin

Executive Director

Theodore Roosevelt Expressway Association

582268 #3
1/25/19 pg2



Theodore Roosevelt EXPRESSWAY



U.S. Highway 85

A high priority corridor on the national highway system

Improvement Through Partnering in North Dakota

From 2014-2018 the North Dakota Highway Patrol has reported oversized truck permits issued for U.S. Highway 85 at a yearly average of 54,000 overwidth, overheight and /or overweight vehicles on the road.

Daily non-truck traffic significantly increased north and south of the Long X Bridge. This increase was due to oil and gas development and agriculture production. All of the growth has been accommodated on a rural, two-lane highway.



Long X Bridge



Photos courtesy of Cal Klewin, Executive Director of the Theodore Roosevelt Expressway Association.

Oversize/Overweight Permit Comparison

Year	U.S. 2 4-lane	U.S. 83 4-lane	I-29 4-lane	I-94 4-lane	U.S. 52 4-lane	U.S. 85 2-lane
2014		22,128	32,300			78,367
2015		15,438	25,460			57,637
2016		13,378	25,068			44,484
2017		11,452	25,332		15,664	45,540
2018	56,203	13,655	25,840	48,503	17,129	51,168

Information provided by North Dakota Highway Patrol.



U.S. Highway 85 (Theodore Roosevelt Expressway) and U.S. Highway 12 Bowman, ND 11-30-18.



Ports-to-Plains Alliance

The Ports-to-Plains Corridor



Background

The 2,300-mile Ports-to-Plains Alliance Corridor (the "P-to-P Corridor") is a rural highway of national significance, extending from Mexico to Canada through nine states in America's Heartland. It delivers the food, fuel and fiber that secure the quality of life of America's great cities.



U.S. Highway 85 in North Dakota



McKenzie County Job Development Authority

201 5th St NW, Ste 600, Watford City ND 58854 – 701-444-7419

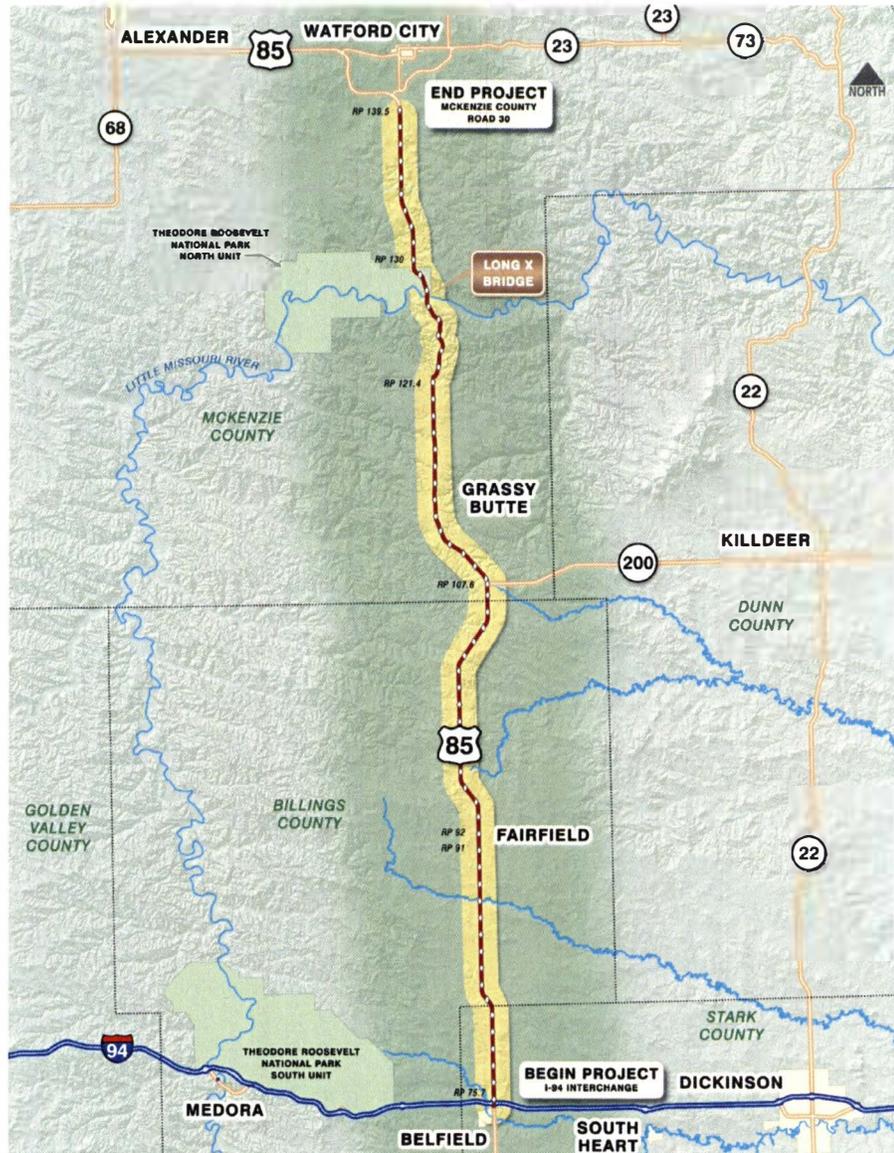
SB2268 #74
1/25/19 pg 1

9:00am, January 25, 2019; Lewis & Clark Room; Recommend **DO PASS SB2268**

Chairman Rust and members of the Senate Transportation Committee:

My name is Daniel Stenberg. I am the executive director of the McKenzie County Job Development Authority. Our board is made up of business and government leaders from throughout McKenzie County. I'm testifying in support of SB2268. Our interest in the bill is most specifically tied to Hwy 85 that runs through our county. For economic and safety reasons, we feel the road needs to be four-lane between Watford City and Belfield.

Economic: Over 97% of respondents to *Area Development's* 2010 Corporate Survey considered highway accessibility to be very important or important for site selection criteria.¹ Over 94% of the **oil production** of our state is from the four core oil counties of McKenzie (39.6%); Mountrail (19.3%); Dunn (19.0%); and Williams (16.3%). Be it supplies or production for the industry, one of the main road that connects these counties to I-94 is the two-lane Hwy 85. **Agriculture** has been our predominant industry for the majority of our county's existence. Hwy 85 is important for transporting grain, supplies, livestock and people of our agriculture industry. Prior to the recent increase in oil development, two lanes for Hwy 85 were sufficient, but growth has come and now we need adequate highways to meet our industry's needs.



ND DOT

Public safety: As the current permit data show, Hwy 85 has more oversized/overweight traffic than either of our interstate highways. Especially as our petroleum industry is still expanding, having a divided 4 lane road will make this much safer for all who travel on it.

¹ www.areadevelopment.com/logisticsInfrastructure/November2011/site-slection-factors-highway-access-55542277.shtml

SENATE TRANSPORTATION COMMITTEE
January 25, 2019 – 9:00 a.m. – Lewis & Clark Room

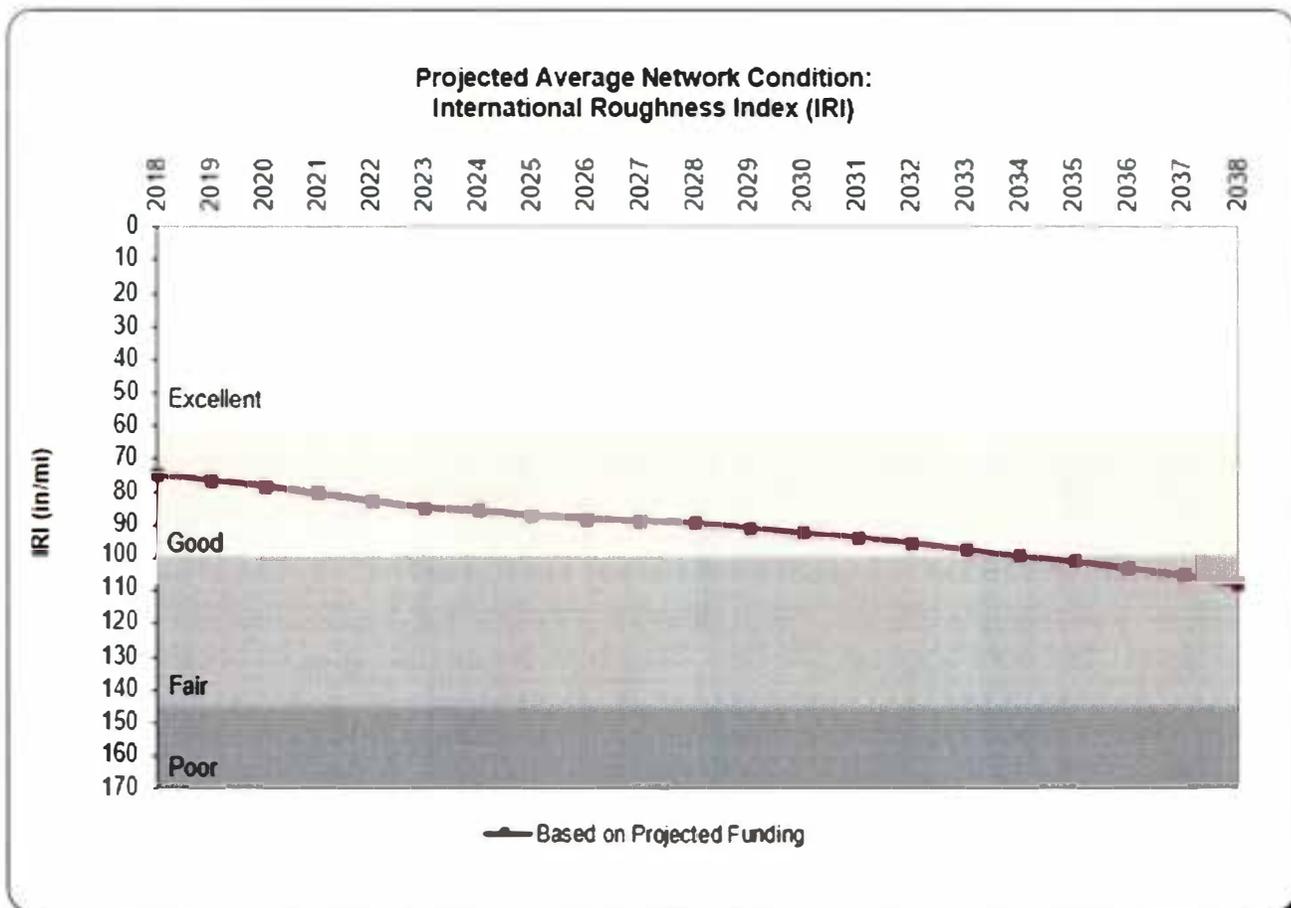
North Dakota Department of Transportation (NDDOT)
Steve Salwei, P.E. – Transportation Programs Director

SB 2268

Mr. Chairman, members of the committee. I'm Steve Salwei, and I serve as the Transportation Programs Director for the North Dakota Department of Transportation (DOT). I'm here today to support Senate Bill 2268.

This bill would create a Corridors of Commerce Program within the NDDOT to address some of the unfunded needs on some of our highest priority corridors. As you all know, a good transportation system is the backbone of the economy. If you want to compete in a global market, we must be able to get our goods to market in the most efficient manner as possible.

Last spring the DOT held a Transportation Funding Symposium. As part of that, we showed that over the next 20 years, we are estimating that we are going to have needs in the neighborhood of around \$24.6 Billion with Revenues estimated at around \$10 Billion, a \$14.6 Billion Dollar Shortfall. The chart as shown on your handout shows what is going to happen to the system under our current funding mechanism.



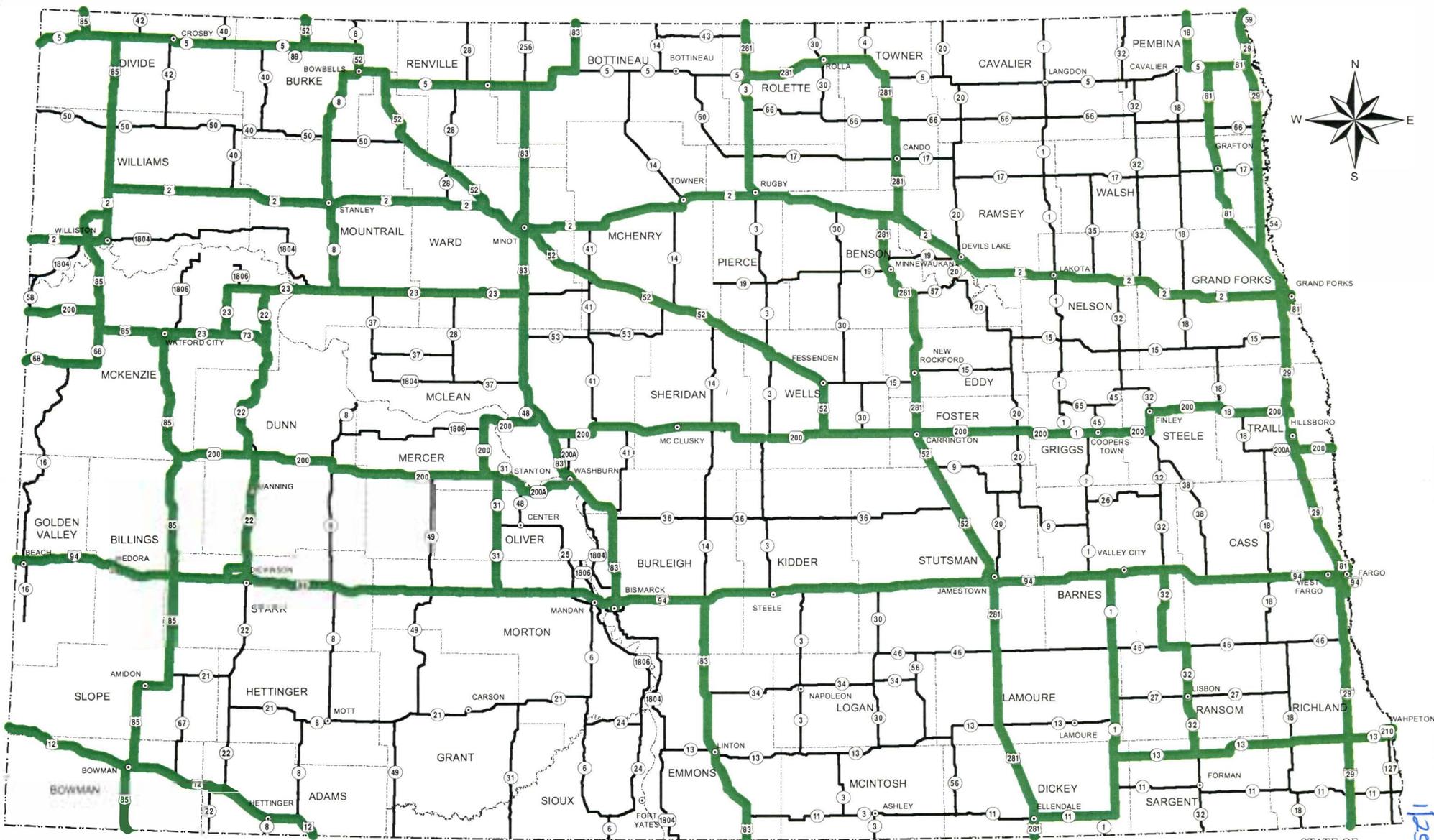
As you can see, the average IRI will go from an average of around 75 today to about 110 by 2038. So what does this mean? It means that our system is going to be deteriorating from a Good condition (where the average system is today) to a Fair condition, with some roadways being in poor condition.

You are probably wondering how we got here. The DOT is funded primarily with Federal Funding from the Federal Highway Administration and the State Highway Tax Distribution fund. Over the last 13 years, Federal Funding has remained relatively flat with a slight increase the last few years. This increase is due to a 2% inflationary factor that was included in the last highway bill. In the same timeframe, inflation has increased our costs where a dollar only buys about 46% of what it did back in 2005.

This bill allows up to \$100 Million Dollars of Bonding Authority to address some of the critical needs in the proposed Corridors of Commerce Program. (See the attached map for locations of proposed Corridors of Commerce). These funds will also give the department the ability apply for and leverage the Federal Infrastructure for Rebuilding America (INFRA) grant opportunities that are available for critical infrastructure needs. This is a good start to addressing the long-term funding needs of the State's Transportation System.

Mr. Chairman, that concludes my testimony and I will be happy to answer any questions the committee may have.

PROPOSED CORRIDORS OF COMMERCE



Notice of Disclaimer
 The North Dakota Department of Transportation (NDDOT) makes this map available on an "as is" basis as a public service. Under no circumstances does NDDOT warrant or certify the information to be free of errors or deficiencies of any kind. NDDOT specifically disclaims all warranties, express or implied, including but not limited to the warranties of merchantability and fitness for a particular purpose.

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STATE OF
 NORTH DAKOTA

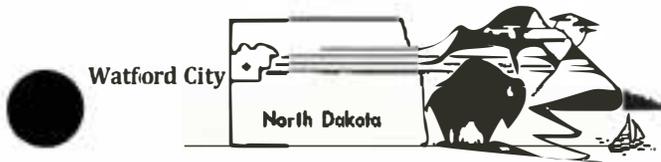
NORTH DAKOTA DEPARTMENT OF TRANSPORTATION
 PLANNING / ASSET MANAGEMENT DIVISION

U.S. DEPARTMENT OF TRANSPORTATION
 FEDERAL HIGHWAY ADMINISTRATION

2019

SB 2268 #5
 1/25/19
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City of Watford City

213 2nd St. NE | P.O. Box 494

Watford City, ND 58854

Ph. 701-444-2533

Fax 701-444-3004

www.cityofwatfordcity.com

1/25/2019

9:00 AM – Lewis and Clark Room

Urge a DO PASS Recommendation for SB 2268

Chairman Rust and members of Senate Transportation,

Thank you for the opportunity to support SB 2268 and the proposed corridors of commerce program and fund. My name is Vawnita Best, Community Development Director for the city of Watford City.

On Wednesday the North Dakota Petroleum Council and the Western Dakota Energy Association released the results of the *North Dakota Oil and Gas Tax Revenue Study*. Over the last five years, approximately 56% of North Dakota's oil production came from McKenzie and Williams Counties. With 50% of all North Dakota tax collections coming from oil and gas taxes, **28% of North Dakota's current revenue is coming from commerce serviced by a ground transportation route from I-94 into the heart of the Bakken that is woefully inadequate**. Goods and services enter North Dakota's economic engine through this current bottleneck and logistical challenge known as the 'HWY 85 corridor from Belfield to Watford City'.

To increase the competitive index of the Bakken, goods and services and people must be **safely** and **efficiently moved** in and out of McKenzie and Williams Counties through this corridor. The corridors of commerce program would allow the state of North Dakota to invest in this world-class asset and secure future returns through this investment.

Mr. Chairman and committee, thank you again for the opportunity to share our support for SB 2268 with you. Are there any questions?

Vawnita Best
Community Development Director
City of Watford City
(701) 580-7253

**TESTIMONY
SENATE BILL 2268
SENATE TRANSPORTATION COMMITTEE
JANUARY 25, 2019**

Mr. Chairman and members of the Senate Transportation committee my name is Mike Gerhart, Executive Vice President of the North Dakota Motor Carriers Association. The North Dakota Motor Carriers Association supports Senate Bill 2268.

Senate Bill 2268 provides NDDOT the ability to maintain and improve highways which will allow for efficient movement of commerce across our state. Forty-six percent of North Dakota communities depend exclusively on trucks to move their goods. Infrastructure that is maintained and improved when needed enhances traffic safety and is vital to North Dakota's economy. Senate Bill 2268 is important to the trucking industry and the citizens of North Dakota.

I ask that you give SB 2268 favorable consideration and a DO PASS recommendation.

Sixty-sixth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2268

Introduced by

Senators Patten, Bekkedahl, Wardner

Representatives Kempenich, Lefor, Zubke

1 A BILL for an Act to create and enact a new subdivision to subsection 5 of section 6-09.4-03, a
2 new section to chapter 6-09.4, and a new section to chapter 24-01 of the North Dakota Century
3 Code, relating to public finance authority definitions, debt service repayments, and a corridors of
4 commerce program and fund; to amend and reenact sections 6-09.4-06 and 6-09.4-10 of the
5 North Dakota Century Code, relating to borrowing and lending authority and reserve funds; to
6 provide a bond issuance limitation; and to provide an appropriation.

7 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

8 **SECTION 1.** A new subdivision to subsection 5 of section 6-09.4-03 of the North Dakota
9 Century Code is created and enacted as follows:

10 The department of transportation for purposes of the corridors of commerce
11 program.

12 **SECTION 2. AMENDMENT.** Section 6-09.4-06 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 6-09.4-06. Lending and borrowing powers generally.

15 1. The public finance authority may lend money to political subdivisions or other
16 contracting parties through the purchase or holding of municipal securities which, in
17 the opinion of the attorney general, are properly eligible for purchase or holding by the
18 public finance authority under this chapter or chapter 40-57 and for purposes of the
19 public finance authority's capital financing program the principal amount of any one
20 issue does not exceed five hundred thousand dollars. However, the public finance
21 authority may lend money to political subdivisions through the purchase of securities
22 issued by the political subdivisions through the capital financing program without
23 regard to the principal amount of the bonds issued, if the industrial commission
24 approves a resolution that authorizes the public finance authority to purchase the

1 securities. The capital financing program authorizing resolution must state that the
2 industrial commission has determined that private bond markets will not be responsive
3 to the needs of the issuing political subdivision concerning the securities or, if it
4 appears that the securities can be sold through private bond markets without the
5 involvement of the public finance authority, the authorizing resolution must state
6 reasons for the public finance authority's involvement in the bond issue. The public
7 finance authority may hold such municipal securities for any length of time it finds to
8 be necessary. The public finance authority, for the purposes authorized by this chapter
9 or chapter 40-57, may issue its bonds payable solely from the revenues available to
10 the public finance authority which are authorized or pledged for payment of public
11 finance authority obligations, and to otherwise assist political subdivisions or other
12 contracting parties as provided in this chapter or chapter 40-57.

13 2. The public finance authority may lend money to the Bank of North Dakota under terms
14 and conditions requiring the Bank to use the proceeds to make loans for
15 agricultural improvements that qualify for assistance under the revolving loan fund
16 program established by chapter 61-28.2.

17 3. The public finance authority may lend or transfer money to the department of
18 transportation under the terms and conditions requiring the department to use the
19 proceeds for the corridors of commerce program. Bonds issued for this purpose are
20 payable in each biennium solely from amounts that the legislative assembly may
21 appropriate for debt service for any biennium or from a reserve fund established for the
22 bonds and nothing in this section shall be construed to require the state to appropriate
23 funds sufficient to make debt service payments with respect to the bonds or replenish a
24 related reserve fund. The bonds are not a debt of the department of transportation or
25 the state and the full faith, credit and taxing powers of the state are not pledged to the
26 payment of the bonds and the obligation of the public finance authority with respect to
27 the bonds shall terminate and the bonds shall no longer be outstanding as of the date
28 appropriated funds and reserves are not sufficient to pay debt service on the bonds. In
29 addition to providing funds to transfer to the department of transportation, proceeds of
30 the bonds may be used by the public finance authority to pay the costs of issuance of
31 the bonds and establish a reserve fund for the bonds.

32 4. Bonds of the public finance authority issued under this chapter or chapter 40-57 are

33 not in any way a debt or liability of the state and do not constitute a loan of the credit of
34 the state or create any debt or debts, liability or liabilities, on behalf of the state, or
35 constitute a pledge of the faith and credit of the state, but all such bonds are payable
36 solely from revenues pledged or available for their payment as authorized in this
37 chapter. Each bond must contain on its face a statement to the effect that the public
38 finance authority is obligated to pay such principal or interest, and redemption
39 premium, if any, and that neither the faith and credit nor the taxing power of the state
40 is pledged to the payment of the principal of or the interest on such bonds. Specific
41 funds pledged to fulfill the public finance authority's obligations are obligations of the
42 public finance authority.

1 5. All expenses incurred in carrying out the purposes of this chapter or chapter 40-57 are
2 payable solely from revenues or funds provided or to be provided under this chapter or
3 chapter 40-57 and nothing in this chapter may be construed to authorize the public
4 finance authority to incur any indebtedness or liability on behalf of or payable by the
5 state.

6 **SECTION 3. AMENDMENT.** Section 6-09.4-10 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **6-09.4-10. Reserve fund.**

9 1. The public finance authority shall establish and maintain a reserve fund in which there
10 must be deposited all moneys appropriated by the state for the purpose of the fund, all
11 proceeds of bonds required to be deposited therein by terms of any contract between
12 the public finance authority and its bondholders or any resolution of the public finance
13 authority with respect to the proceeds of bonds, any other moneys or funds of the
14 public finance authority which it determines to deposit therein, any contractual right to
15 the receipt of moneys by the public finance authority for the purpose of the fund,
16 including a letter of credit or similar instrument, and any other moneys made available
17 to the public finance authority only for the purposes of the fund from any other source
18 or sources. Moneys in the reserve fund must be held and applied solely to the
19 payment of the interest on and the principal of bonds and sinking fund payments as
20 the same become due and payable and for the retirement of bonds, including payment
21 of any redemption premium required to be paid when any bonds are redeemed or
22 retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if
23 the withdrawal would reduce the amount in the reserve fund to an amount less than

Sixty-sixth
Legislative Assembly

24 the required debt service reserve, except for payment of interest then due and payable
25 on bonds and the principal of bonds then maturing and payable and sinking fund
26 payments and for the retirement of bonds in accordance with the terms of any contract
27 between the public finance authority and its bondholders and for the payments on
28 account of which interest or principal or sinking fund payments or retirement of bonds,
29 other moneys of the public finance authority are not then available in accordance with
30 the terms of the contract. The required debt service reserve must be an aggregate
31 amount equal to at least the largest amount of money required by the terms of all
1 contracts between the public finance authority and its bondholders to be raised in the
2 then current or any succeeding calendar year for the payment of interest on and
3 maturing principal of outstanding bonds, and sinking fund payments required by the
4 terms of any contracts to sinking funds established for the payment or redemption of
5 the bonds.

6 2. If the establishment of the reserve fund for an issue or the maintenance of an existing
7 reserve fund at a required level under this section would necessitate the investment of
8 all or any portion of a new reserve fund or all or any portion of an existing reserve fund
9 at a restricted yield, because to not restrict the yield may cause the bonds to be
10 taxable under the Internal Revenue Code, then at the discretion of the public finance
11 authority no reserve fund need be established prior to the issuance of bonds or the
12 reserve fund need not be funded to the levels required by other subsections of this
13 section or an existing reserve fund may be reduced.

14 3. No bonds may be issued by the public finance authority unless there is in the reserve
15 fund the required debt service reserve for all bonds then issued and outstanding and
16 the bonds to be issued. Nothing in this chapter prevents or precludes the public
17 finance authority from satisfying the foregoing requirement by depositing so much of
18 the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve
19 the required debt service reserve. The public finance authority may at any time issue
20 its bonds or notes for the purpose of providing any amount necessary to increase the
21 amount in the reserve fund to the required debt service reserve, or to meet such
22 higher or additional reserve as may be fixed by the public finance authority with
23 respect to such fund.

24 4. In order to assure the maintenance of the required debt service reserve, there shall be
25 appropriated by the legislative assembly and paid to the public finance authority for

Sixty-sixth
Legislative Assembly

26 deposit in the reserve fund, such sum, if any, as shall be certified by the industrial
27 commission as necessary to restore the reserve fund to an amount equal to the
28 required debt service reserve. However, the commission may approve a resolution for
29 the issuance of bonds, as provided by section 6-09.4-06, which states in substance
30 that this subsection is not applicable to the required debt service reserve for bonds
31 issued under that resolution.

1 5. If the maturity of a series of bonds of the public finance authority is three years or less
2 from the date of issuance of the bonds, the public finance authority may determine that
3 no reserve fund need be established for that respective series of bonds. If such a
4 determination is made, holders of that respective series of bonds may have no interest
5 in or claim on existing reserve funds established for the security of the holders of
6 previously issued public finance authority bonds, and may have no interest in or claim
7 on reserve funds established for the holders of subsequent issues of bonds of the
8 public finance authority.

9 6. The industrial commission may determine that this section is inapplicable in whole or
10 in part for bonds issued under sections as follows:

- 11 a. Under section 6-09.4-06;
- 12 b. Under section 6-09.4-24; or under
- 13 c. Under the public finance authority's state revolving fund program.

14 **SECTION 4.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
15 and enacted as follows:

16 **Debt service requirements - Corridors of commerce program - Legacy fund earnings.**

17 Each biennium, the public finance authority shall request from the legislative assembly an
18 appropriation from the general fund of moneys derived from the earnings of the legacy fund, as
19 defined under section 21-10-12, to meet the debt service requirements for evidences of
20 indebtedness issued by the authority for the corridors of commerce program.

21 **SECTION 5.** A new section to chapter 24-01 of the North Dakota Century Code is created
22 and enacted as follows:

23 **Corridors of commerce program - Corridors of commerce fund.**

24 1. The department shall administer a corridors of commerce program for constructing,
25 reconstructing, improving, and maintaining highways that improve freight
26 transportation and facilitate commerce.

27 2. The corridors of commerce fund is a special fund in the state treasury administered by

28 the department. Pursuant to legislative appropriations, the department shall use
29 moneys in the fund for eligible highway projects in accordance with provisions of this
30 section.

31 3. To be eligible for funding under this section:

1 a. Any construction work associated with the project must begin within three years
2 after the department selects the project for funding, unless the department grants
3 an exemption; and

4 b. The highway project must meet at least one of the following criteria:

5 (1) The project is a segment of highway with the following characteristics:

6 (a) The existing segment is not a divided highway;

7 (b) At least one end of the segment connects to an expressway or
8 freeway; and

9 (c) The segment will connect to a proposed or existing interchange;

10 (2) The project will ease the movement of freight traffic;

11 (3) The project will improve safety on the highway;

12 (4) The project will allow oversized or overweight vehicles to use the highway
13 after completion;

14 (5) The project will provide increased connectivity between areas of significant
15 commerce; or

16 (6) The highway is or will be designated as national high priority corridor of
17 connectivity.

18 4. A highway project is not eligible for funding under this section if the project is included
19 in the state transportation improvement program. However, after selection for funding
20 under this section, a highway project remains eligible for other state and federal
21 funding that may be available from the department.

22 5. When evaluating eligible projects for funding under this section, the department shall
23 score each eligible project, make the scores available to the public, and consider:

24 a. The return on investment;

25 b. Measurable improvements in commerce and economic competitiveness;

26 c. Efficiency in traffic flow based on average daily traffic counts, commercial vehicle
27 miles traveled, and travel times;

28 d. Safety improvements;

29 e. Connections to regional trade centers or other modes of transportation; and

Sixty-sixth
Legislative Assembly

30 f. Community support for the project.

1 6. The funding provided to an eligible highway project may be used to plan, construct,
2 replace, improve, or maintain the highway.

3 **SECTION 6. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE LIMITATION.** Pursuant
4 to the bonding authority under section 6-09.4-06, the public finance authority may issue up to
5 \$100,000,000 of evidences of indebtedness, but not in an amount that would cause the
6 repayments to exceed \$16,000,000 per biennium, for the purpose of the corridors of commerce
7 program during the biennium beginning July 1, 2019, and ending June 30, 2021. The term of
8 any evidences of indebtedness issued under this section may not exceed thirty years.

9 **SECTION 7. APPROPRIATION.** There is appropriated out of any moneys in the corridors of
10 commerce fund in the state treasury, not otherwise appropriated, the sum of \$100,000,000, or
11 so much of the sum as may be necessary, to the department of transportation for eligible
12 highway projects under the corridors of commerce program, for the biennium beginning July 1,
13 2019, and ending June 30, 2021.

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

Revenue Bonds

- Revenue Pledge
- Specifically Defined Revenue Source
- No Property Taxing Power
- Covenants to Ensure Revenue Sufficiency
- Not Subject to Appropriation

Appropriation (Lease) Bonds

- Special Obligation Pledge
- All legally Available Revenues
- No Taxing Power
- 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	270,552,548
Total			\$1,791,172,548

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-

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

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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
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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)	% of Personal Income	ND Equivalent (in \$000s)	As a % of State GDP	ND Equivalent (in \$000s)
North Dakota	Aa1*	\$133	\$100,763	0.2%	\$100,763	0.19%	\$100,763
Minnesota	Aa1	\$1,430	\$1,083,392	2.8%	\$1,410,682	2.35%	\$1,246,279
South Dakota	Aaa*	\$694	\$525,786	1.5%	\$755,723	1.25%	\$662,914
Wisconsin	Aa1	\$1,660	\$1,257,643	3.6%	\$1,813,734	3.07%	\$1,628,118
Montana	Aa1	\$177	\$134,098	0.4%	\$201,526	0.40%	\$212,133
Indiana	Aaa*	\$295	\$223,497	0.7%	\$352,671	0.57%	\$302,289
Iowa	Aaa*	\$219	\$165,918	0.5%	\$251,908	0.37%	\$196,223
Idaho	Aa1*	\$482	\$365,171	1.2%	\$604,578	1.21%	\$641,701
Median of All States		\$987	\$747,768	2.3%	\$1,158,775	2.57%	\$1,362,952

* 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

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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.



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2019-2021 Proposed Bonding

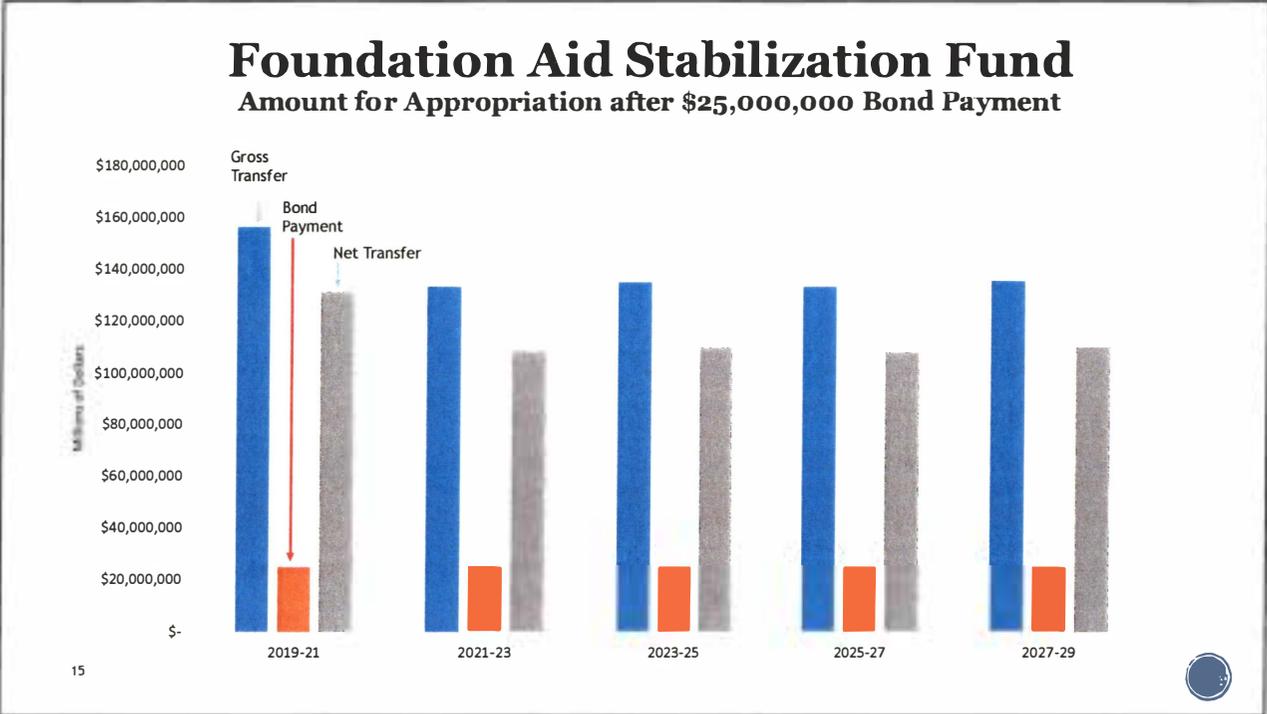
Bill	SB 2268	SB 2297
Program Name	Corridors of Commerce	North Dakota Building Authority
Amount of Bonding	\$100,000,000	\$151,700,000
Biennial Debt Service Maximum	\$16,000,000	Not Specified (legislative limit of 10% of \$.01 sales tax)
Repayment Source	General Fund monies derived from Legacy Fund Earnings	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

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Utilization of Legacy Fund Earnings \$55m Bond Payment Per Biennium



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Additional Bonding Information

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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 CPEB 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 \$5.86 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



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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.

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

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

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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

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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.



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.



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

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Contact Information

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January 28, 2019

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1/31/19 Pg1

PROPOSED AMENDMENTS TO SENATE BILL NO. 2268

Page 2, line 17, after "lend" insert "or transfer"

Page 2, line 19, after the underscored period insert "Bonds issued for this purpose are payable in each biennium solely from amounts that the legislative assembly may appropriate for debt service for any biennium or from a reserve fund established for the bonds, and nothing in this section may 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 department of transportation 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 shall terminate and the bonds shall no longer be 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 department of transportation, 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."

Page 5, line 16, remove "- Legacy fund earnings"

Page 5, line 18, remove "of moneys derived from the earnings of the legacy fund, as"

Page 5, line 19, remove "defined under section 21-10-12,"

Re-number accordingly

January 28, 2019

SB 2268 #2
1/31/19 pg1

PROPOSED AMENDMENTS TO SENATE BILL NO. 2268

Page 6, line 18, remove "A highway project is not eligible for funding under this section if the project is included"

Page 6, remove lines 19 through 21

Page 6, line 22, remove "5."

Page 7, line 1, replace "6." with "5."

Renumber accordingly

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SENATE BILL 2268
Senate Transportation Committee
Testimony before Senate Appropriations Committee
Senator Patten

Chairman Holmberg, members of the committee, Senate bill 2268 comes to you from the Senate transportation Committee and is known as the "Corridor of Commerce" bill.

North Dakota has, over the past 15 years, become identified as an economic powerhouse at a national level. We are highly rated in most national surveys and reports for our business environment, tax structure, economic activity, and contributions to the commerce of our nation.

Our Ag and energy sectors are the economic engines that drives the success our state has experienced and are further supported by our manufacturing and tourist industries.

To take full advantage of the commerce we are experiencing we need a transportation system that is capable of handling high levels of freight, provides connectivity at an interstate level, and increases the level of safety for the people of North Dakota who travel on our highways.

Right now, we have several infrastructure bills working their way through the House and Senate.

I am going to talk about two of them before I go into SB 2268.

House Bill 1066, known as the Prairie Dog Bill, uses the oil production tax to provide funding to our counties, cities and airports throughout the state. This bill provides funds that will help reduce the burden on property owners across the state by assisting with a broad range of infrastructure projects.

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SB 2275 is also a bill that helps our various political subdivisions build and rebuild their critical infrastructure using long-term low interest loans using bonding and an interest subsidy from the Legacy Fund.

So now I am going to talk about SB 2268.

This bill is complementary to HB 1066 and SB 2275 and does not conflict with them.

This "Corridor of Commerce" bill is patterned after the Farm to Market concept utilized by the counties in our state. Just as our county commissioners have identified those roads that are important to our Ag community to conduct business at the county level, this bill will identify and provide funding for the state highways that are critical for commerce at both a state and interstate level.

These highways are roads that due to the nature of the industries they support, have a much higher level of over-weight over-size semi loads, they may lack appropriate turning lanes, the shoulders are narrow, and the traffic mix has a higher percent of freight haulers compared to passenger vehicles than do other state highways. For these reasons these types of roads are less safe to travel than other roads in our state.

These are our "Corridors of Commerce".

The platform of the bill will provide a framework that can be used for these roads across the state by plugging a funding mechanism for each project or group of projects.

The proposed funding that is in 2268 consists of issuing a bond of up to \$100 million with payments not to exceed \$16 million per biennium or \$8 million per year. This is based on an amortization of 20 years. Repayment would come from the general fund.

If this bill becomes law, funding for projects can be added as the projects are prioritized and the dollars are available.

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Three final points:

- This bill is supported by ND Department of Transportation.
- North Dakota's ability to acquire and utilize Federal Highway grant dollars is contingent on having projects that are ready to go and have a serious state funding commitment. According to NDDOT 20% state matching funds is no longer sufficient to compete for the federal grants. Having a much higher level of state committed funds will greatly increase the ability to qualify for federal money.
- Finally, I want to come back to the safety issue. If these highways are the arteries of our economy, we need to make them safe for our citizens to travel on them. This bill will help us achieve the safety the residents of our state are expecting.

Thank you for your time and I stand for questions.

SB 2268
H 2 P1
2-11-19

Introduced by

Senators Patten, Bekkedahl, Wardner

Representatives Kempenich, Lefor, Zubke

1 A BILL for an Act to create and enact a new subdivision to subsection 5 of section 6-09.4-03, a
2 new section to chapter 6-09.4, and a new section to chapter 24-01 of the North Dakota Century
3 Code, relating to **public finance authority definitions**, debt service repayments, and a corridors of
4 commerce program and fund; to amend and reenact sections 6-09.4-06 and 6-09.4-10 of the
5 North Dakota Century Code, relating to borrowing and lending authority and reserve funds; to
6 provide a bond issuance limitation; and to provide an appropriation.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1.** A new subdivision to subsection 5 of section 6-09.4-03 of the North Dakota
9 Century Code is created and enacted as follows:

10 The department of transportation for purposes of the corridors of commerce
11 program.

12 **SECTION 2. AMENDMENT.** Section 6-09.4-06 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **6-09.4-06. Lending and borrowing powers generally.**

15 1. The public finance authority may lend money to political subdivisions or other
16 contracting parties through the purchase or holding of municipal securities which, in
17 the opinion of the attorney general, are properly eligible for purchase or holding by the
18 public finance authority under this chapter or chapter 40-57 and for purposes of the
19 public finance authority's capital financing program the principal amount of any one
20 issue does not exceed five hundred thousand dollars. However, the public finance
21 authority may lend money to political subdivisions through the purchase of securities
22 issued by the political subdivisions through the capital financing program without
23 regard to the principal amount of the bonds issued, if the industrial commission
24 approves a resolution that authorizes the public finance authority to purchase the

1 securities. The capital financing program authorizing resolution must state that the
2 industrial commission has determined that private bond markets will not be responsive
3 to the needs of the issuing political subdivision concerning the securities or, if it
4 appears that the securities can be sold through private bond markets without the
5 involvement of the public finance authority, the authorizing resolution must state
6 reasons for the public finance authority's involvement in the bond issue. The public
7 finance authority may hold such municipal securities for any length of time it finds to
8 be necessary. The public finance authority, for the purposes authorized by this chapter
9 or chapter 40-57, may issue its bonds payable solely from the revenues available to
10 the public finance authority which are authorized or pledged for payment of public
11 finance authority obligations, and to otherwise assist political subdivisions or other
12 contracting parties as provided in this chapter or chapter 40-57.

13 2. The public finance authority may lend money to the Bank of North Dakota under terms
14 and conditions requiring the Bank to use the proceeds to make loans for agricultural
15 improvements that qualify for assistance under the revolving loan fund program
16 established by chapter 61-28.2.

17 3. The public finance authority may lend or transfer money to the department of
18 transportation under the terms and conditions requiring the department to use the
19 proceeds for the corridors of commerce program. Bonds issued for this purpose are
20 payable in each biennium solely from amounts the legislative assembly may
21 appropriate for debt service for a biennium or from a reserve fund established for the
22 bonds. This section may not be construed to require the state to appropriate funds
23 sufficient to make debt service payments with respect to the bonds or replenish a
24 related reserve fund. The bonds are not a debt of the department of transportation or
25 the state, and the full faith, credit, and taxing powers of the state are not pledged to
26 the payment of the bonds. Upon the date appropriated funds and reserves are no
27 longer sufficient to pay debt service on bonds, the obligation of the public finance
28 authority, with respect to the bonds, terminates and the bonds are no longer
29 outstanding. In addition to providing funds for transfers to the department of
30 transportation, the public finance authority may use the bond proceeds to pay the
31 costs of issuance of the bonds and establish a reserve fund for the bonds.

1 4. Bonds of the public finance authority issued under this chapter or chapter 40-57 are
2 not in any way a debt or liability of the state and do not constitute a loan of the credit of
3 the state or create any debt or debts, liability or liabilities, on behalf of the state, or
4 constitute a pledge of the faith and credit of the state, but all such bonds are payable
5 solely from revenues pledged or available for their payment as authorized in this
6 chapter. Each bond must contain on its face a statement to the effect that the public
7 finance authority is obligated to pay such principal or interest, and redemption
8 premium, if any, and that neither the faith and credit nor the taxing power of the state
9 is pledged to the payment of the principal of or the interest on such bonds. Specific
10 funds pledged to fulfill the public finance authority's obligations are obligations of the
11 public finance authority.

12 5. All expenses incurred in carrying out the purposes of this chapter or chapter 40-57 are
13 payable solely from revenues or funds provided or to be provided under this chapter or
14 chapter 40-57 and nothing in this chapter may be construed to authorize the public
15 finance authority to incur any indebtedness or liability on behalf of or payable by the
16 state.

17 **SECTION 3. AMENDMENT.** Section 6-09.4-10 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **6-09.4-10. Reserve fund.**

20 1. The public finance authority shall establish and maintain a reserve fund in which there
21 must be deposited all moneys appropriated by the state for the purpose of the fund, all
22 proceeds of bonds required to be deposited therein by terms of any contract between
23 the public finance authority and its bondholders or any resolution of the public finance
24 authority with respect to the proceeds of bonds, any other moneys or funds of the
25 public finance authority which it determines to deposit therein, any contractual right to
26 the receipt of moneys by the public finance authority for the purpose of the fund,
27 including a letter of credit or similar instrument, and any other moneys made available
28 to the public finance authority only for the purposes of the fund from any other source
29 or sources. Moneys in the reserve fund must be held and applied solely to the
30 payment of the interest on and the principal of bonds and sinking fund payments as
31 the same become due and payable and for the retirement of bonds, including payment

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- 1 of any redemption premium required to be paid when any bonds are redeemed or
2 retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if
3 the withdrawal would reduce the amount in the reserve fund to an amount less than
4 the required debt service reserve, except for payment of interest then due and payable
5 on bonds and the principal of bonds then maturing and payable and sinking fund
6 payments and for the retirement of bonds in accordance with the terms of any contract
7 between the public finance authority and its bondholders and for the payments on
8 account of which interest or principal or sinking fund payments or retirement of bonds,
9 other moneys of the public finance authority are not then available in accordance with
10 the terms of the contract. The required debt service reserve must be an aggregate
11 amount equal to at least the largest amount of money required by the terms of all
12 contracts between the public finance authority and its bondholders to be raised in the
13 then current or any succeeding calendar year for the payment of interest on and
14 maturing principal of outstanding bonds, and sinking fund payments required by the
15 terms of any contracts to sinking funds established for the payment or redemption of
16 the bonds.
- 17 2. If the establishment of the reserve fund for an issue or the maintenance of an existing
18 reserve fund at a required level under this section would necessitate the investment of
19 all or any portion of a new reserve fund or all or any portion of an existing reserve fund
20 at a restricted yield, because to not restrict the yield may cause the bonds to be
21 taxable under the Internal Revenue Code, then at the discretion of the public finance
22 authority no reserve fund need be established prior to the issuance of bonds or the
23 reserve fund need not be funded to the levels required by other subsections of this
24 section or an existing reserve fund may be reduced.
- 25 3. No bonds may be issued by the public finance authority unless there is in the reserve
26 fund the required debt service reserve for all bonds then issued and outstanding and
27 the bonds to be issued. Nothing in this chapter prevents or precludes the public
28 finance authority from satisfying the foregoing requirement by depositing so much of
29 the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve
30 the required debt service reserve. The public finance authority may at anytime issue
31 its bonds or notes for the purpose of providing any amount necessary to increase the

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1 amount in the reserve fund to the required debt service reserve, or to meet such
2 higher or additional reserve as may be fixed by the public finance authority with
3 respect to such fund.

4 4. In order to assure the maintenance of the required debt service reserve, there shall be
5 appropriated by the legislative assembly and paid to the public finance authority for
6 deposit in the reserve fund, such sum, if any, as shall be certified by the industrial
7 commission as necessary to restore the reserve fund to an amount equal to the
8 required debt service reserve. However, the commission may approve a resolution for
9 the issuance of bonds, as provided by section 6-09.4-06, which states in substance
10 that this subsection is not applicable to the required debt service reserve for bonds
11 issued under that resolution.

12 5. If the maturity of a series of bonds of the public finance authority is three years or less
13 from the date of issuance of the bonds, the public finance authority may determine that
14 no reserve fund need be established for that respective series of bonds. If such a
15 determination is made, holders of that respective series of bonds may have no interest
16 in or claim on existing reserve funds established for the security of the holders of
17 previously issued public finance authority bonds, and may have no interest in or claim
18 on reserve funds established for the holders of subsequent issues of bonds of the
19 public finance authority.

20 6. The industrial commission may determine that this section is inapplicable in whole or
21 in part for bonds issued under sections as follows:

22 a. Under section 6-09.4-06;

23 b. Under section 6-09.4-24; or ~~under~~

24 c. Under the public finance authority's state revolving fund program.

25 **SECTION 4.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
26 and enacted as follows:

27 **Debt service requirements - Corridors of commerce program.**

28 Each biennium, the public finance authority shall request from the legislative assembly an
29 appropriation from the general fund to meet the debt service requirements for evidences of
30 indebtedness issued by the authority for the corridors of commerce program.

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- 1 a. The return on investment;
- 2 b. Measurable improvements in commerce and economic competitiveness;
- 3 c. Efficiency in traffic flow based on average daily traffic counts, commercial vehicle #2
- 4 miles traveled, and travel times; PM
- 5 d. Safety improvements;
- 6 e. Connections to regional trade centers or other modes of transportation; and
- 7 f. Community support for the project.
- 8 5. The funding provided to an eligible highway project may be used to plan, construct,
- 9 replace, improve, or maintain the highway.

10 **SECTION 6. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE LIMITATION.** Pursuant
11 to the bonding authority under section 6-09.4-06, the public finance authority may issue up to
12 \$100,000,000 of evidences of indebtedness, but not in an amount that would cause the
13 repayments to exceed \$16,000,000 per biennium, for the purpose of the corridors of commerce
14 program during the biennium beginning July 1, 2019, and ending June 30, 2021. The term of
15 any evidences of indebtedness issued under this section may not exceed thirty years.

16 **SECTION 7. APPROPRIATION.** ~~There is appropriated out of any moneys in the corridors of~~
17 ~~commerce fund in the state treasury, not otherwise appropriated, the sum of \$100,000,000, or~~
18 ~~so much of the sum as may be necessary, to the department of transportation for eligible~~
19 ~~highway projects under the corridors of commerce program, for the biennium beginning July 1,~~
20 ~~2019, and ending June 30, 2021. The Office of Management and Budget shall transfer~~
21 ~~\$4,000,000 from the state's general fund, not otherwise appropriated, to the North Dakota Public~~
22 ~~Finance Authority for the term beginning July 1, 2019 and ending June 30, 2021 for debt service~~
23 ~~requirements related to Corridors of Commerce.~~

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P1

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2268

Page 1, line 6, after the semicolon insert "to provide an exemption;"

Page 6, line 8, after the underscored period insert "The fund consists of all money deposited in the fund, including bond proceeds issued by the public finance authority for purposes of fund."

Page 7, line 15, after "APPROPRIATION" insert "- EXEMPTION"

Page 7, line 19, after the period insert "The funding provided under this section is not subject to section 54-44.1-11."

SECTION 8. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$4,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with bonds issued to support the corridors of commerce fund, for the biennium beginning July 1, 2019, and ending June 30, 2021."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment clarifies the deposits in the corridors of commerce fund, provides an exemption for the appropriation to the Department of Transportation, and appropriates \$4,000,000 from the general fund to the public finance authority related to debt repayments.

NORTH DAKOTA SENATE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Senator Dale Patten

District 39
P.O. Box 812
Watford City, ND 58854-0812
C: 701-570-4908
dpatten@nd.gov

COMMITTEES:
Finance and Taxation
Transportation

SENATE BILL 2268 Senate Transportation Committee Testimony before House Appropriations Committee

Chairman Delzer, members of the committee, my name is Dale Patten, Senator from Watford City in District 39. Senate bill 2268 is known as the "Corridor of Commerce" bill.

North Dakota has, over the past 15 years, become identified as an economic powerhouse at a national level. We are highly rated in most national surveys and reports for our business environment, tax structure, economic activity, and contributions to the commerce of our nation.

Our Ag and energy sectors are the economic engines that drives the success our state has experienced and are further supported by our manufacturing and tourist industries.

To take full advantage of the commerce we are experiencing we need a transportation system that is capable of handling high levels of freight, provides connectivity at an interstate level, and increases the level of safety for the people of North Dakota who travel on our highways.

This bill is complementary to HB 1066 known as the Prairie Dog bill and SB 2275, a bill that provides low interest loans for infrastructure development at the local level and does not conflict with them.

This "Corridor of Commerce" bill is patterned after the Farm to Market concept utilized by the counties in our state. Just as our county commissioners have identified those roads that are important to our Ag community to conduct business at the county level, this bill will identify and provide funding for the state highways that are critical for commerce at both a state and interstate level.

These highways are roads that due to the nature of the industries they support, have a much higher level of over-weight over-size semi loads, they may lack appropriate turning lanes, the shoulders are narrow, and the traffic mix has a higher percent of freight haulers compared to passenger vehicles than do other state highways. For these reasons these types of roads are less safe to travel than other roads in our state.

These are our "Corridors of Commerce".

The platform of the bill will provide a framework that can be used for these roads across the state by plugging a funding mechanism for each project or group of projects. I have been asked about this being the Highway 85 bill. While Highway 85 does an excellent job of fitting the criteria, the bill is designed to apply to highways across the entire state.

The proposed funding that is in 2268 consists of issuing a bond of up to \$100 million with payments not to exceed \$16 million per biennium or \$8 million per year. This is based on an amortization of 20 years. Repayment would come from the general fund.

I have a few comments regarding the bonding component. In my previous life I spent 33 years as a banker but more specifically a lender. I understand debt and its value and its risks. I believe that too little bonding can be very limiting and too much can be crippling. But there is a sweet spot where it can make a tremendous positive difference. I would find it very difficult in my banking career to identify a very successful business, farm, or ranch that didn't use the right level of debt at the right time to achieve this success.

North Dakota is a growing state. The right level of bonding can help us continue this growth and contribute to our success.

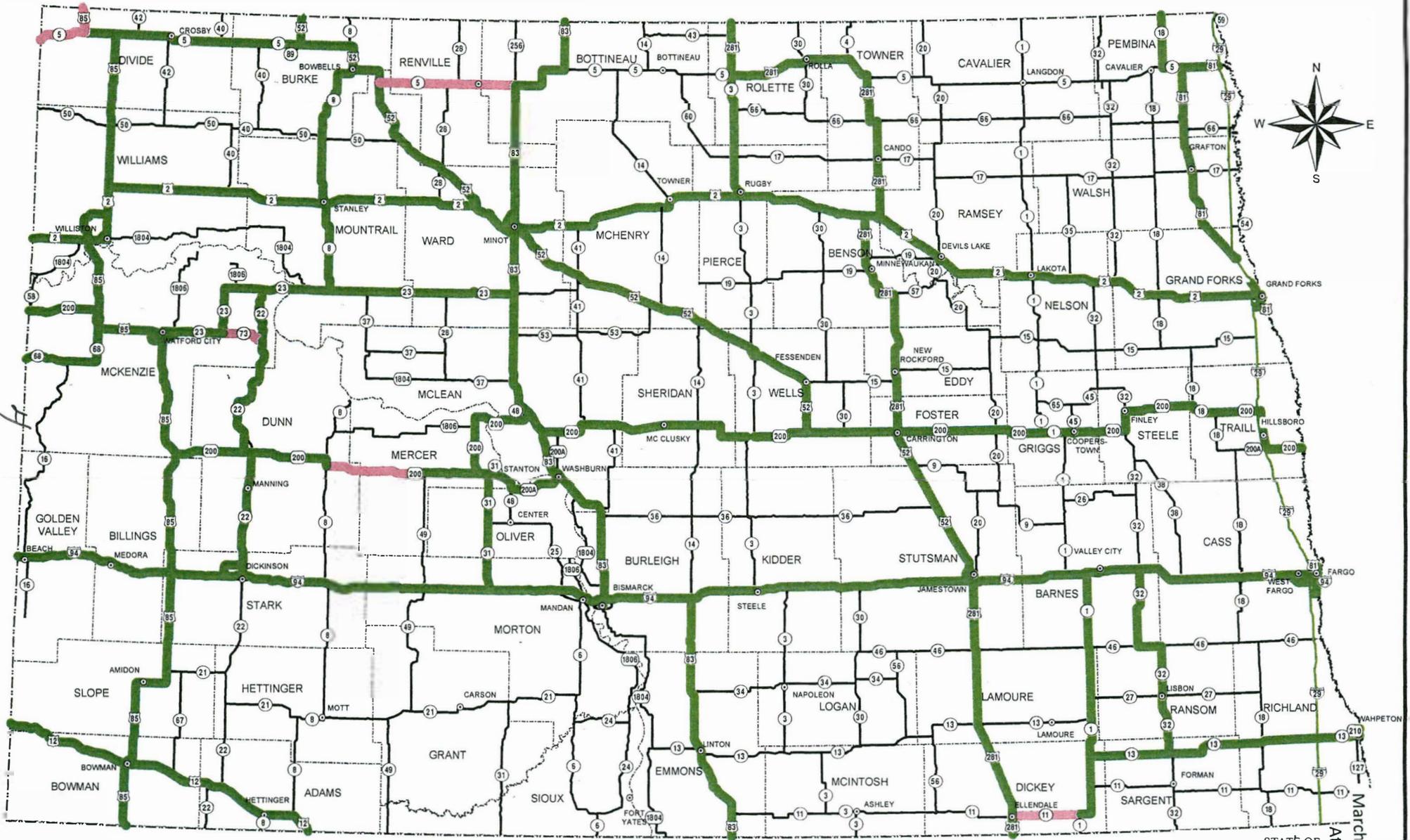
If this bill becomes law, funding for projects can be added as the projects are prioritized and the dollars are available.

Three final points:

- This bill is supported by ND Department of Transportation.
- North Dakota's ability to acquire and utilize Federal Highway grant dollars is contingent on having projects that are ready to go and have a serious state funding commitment. According to ND Department of Transportation 20% state matching funds is no longer enough to compete for the federal grants. Having a much higher level of state committed funds will greatly increase the ability to qualify for federal money.
- Finally, I want to come back to the safety issue. If these highways are the arteries of our economy, we need to make them safe for our citizens to travel on them. This bill will help us achieve the safety the residents of our state are expecting.

Thank you for your time and I stand for questions.

PROPOSED CORRIDORS OF COMMERCE



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Proposed Corridor of Commerce 
 Proposed Corridor of Commerce with Spring Load Restrictions 

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STATE OF NORTH DAKOTA
 NORTH DAKOTA DEPARTMENT OF TRANSPORTATION
 PLANNING / ASSET MANAGEMENT
 IN COOPERATION WITH THE U.S. DEPARTMENT OF TRANSPORTATION
 FEDERAL HIGHWAY ADMINISTRATION

Attachment
 March 11th 2019
 SB 2268

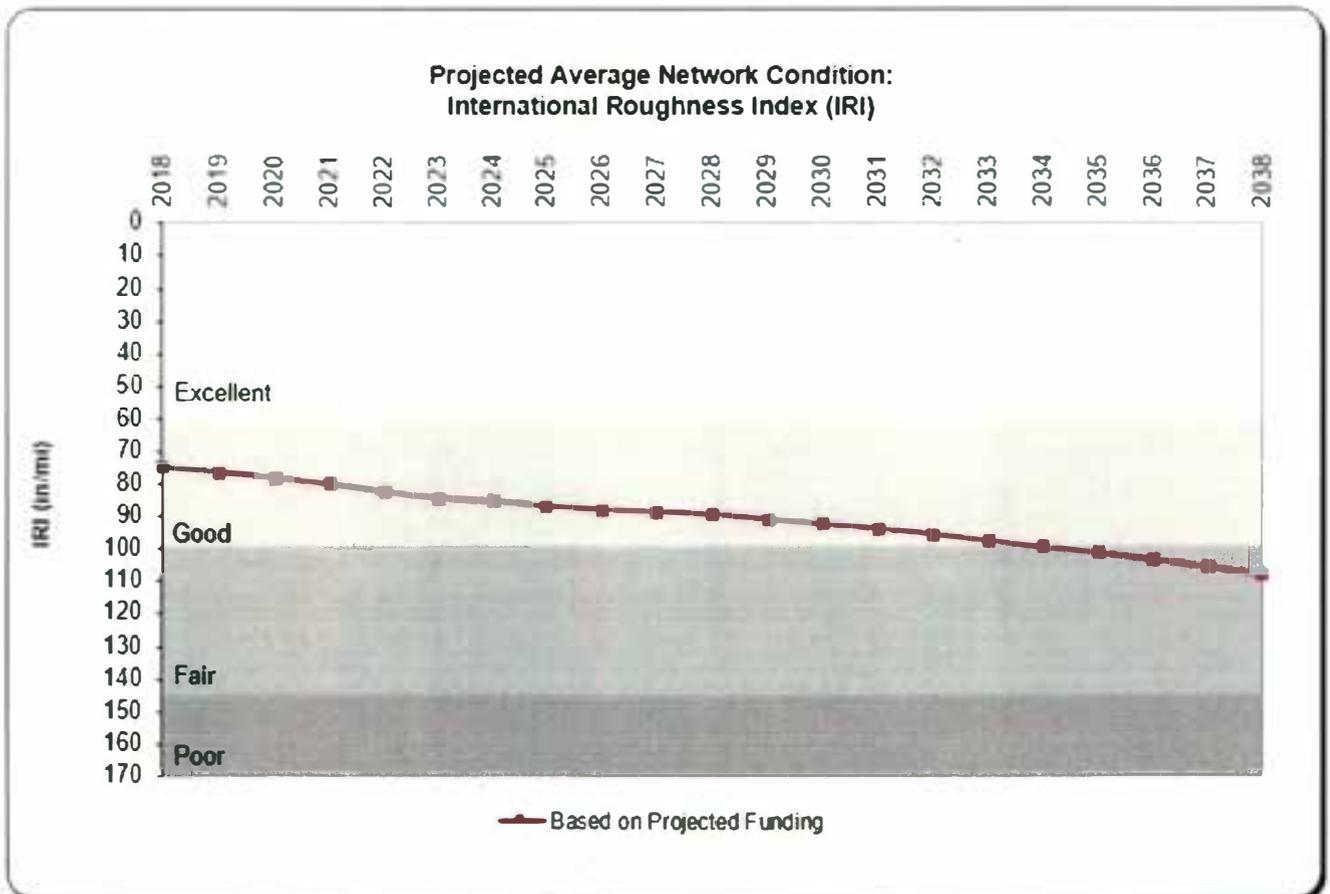
North Dakota Department of Transportation (NDDOT)
Steve Salwei, P.E. – Transportation Programs Director

SB 2268

Mr. Chairman, members of the committee. I'm Steve Salwei, and I serve as the Transportation Programs Director for the North Dakota Department of Transportation (DOT). I'm here today to support Senate Bill 2268.

This bill would create a Corridors of Commerce Program within the NDDOT to address some of the unfunded needs on some of our highest priority corridors. As you all know, a good transportation system is the backbone of the economy. If you want to compete in a global market, we must be able to get our goods to market in the most efficient manner as possible.

Last spring the DOT held a Transportation Funding Symposium. As part of that, we showed that over the next 20 years, we are estimating that we are going to have needs in the neighborhood of around \$24.6 Billion with Revenues estimated at around \$10 Billion, a \$14.6 Billion Dollar Shortfall. The chart as shown on your handout shows what is going to happen to the system under our current funding mechanism.



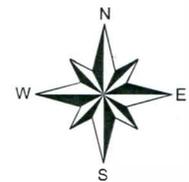
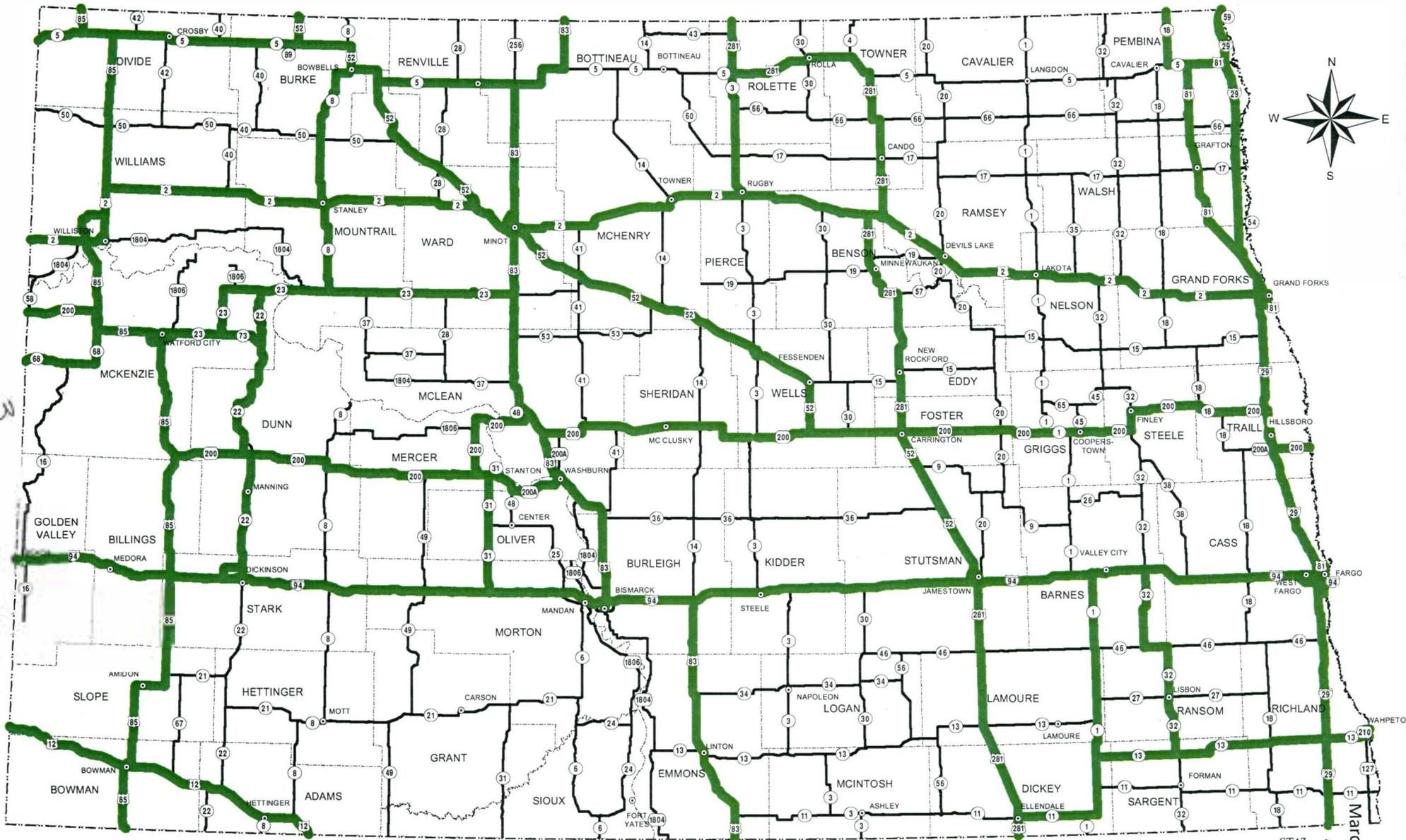
As you can see, the average IRI will go from an average of around 75 today to about 110 by 2038. So what does this mean? It means that our system is going to be deteriorating from a Good condition (where the average system is today) to a Fair condition, with some roadways being in poor condition.

You are probably wondering how we got here. The DOT is funded primarily with Federal Funding from the Federal Highway Administration and the State Highway Tax Distribution fund. Over the last 13 years, Federal Funding has remained relatively flat with a slight increase the last few years. This increase is due to a 2% inflationary factor that was included in the last highway bill. In the same timeframe, inflation has increased our costs where a dollar only buys about 46% of what it did back in 2005.

This bill allows up to \$100 Million Dollars of Bonding Authority to address some of the critical needs in the proposed Corridors of Commerce Program. (See the attached map for locations of proposed Corridors of Commerce). These funds will also give the department the ability apply for and leverage the Federal Infrastructure for Rebuilding America (INFRA) grant opportunities that are available for critical infrastructure needs. This is a good start to addressing the long-term funding needs of the State's Transportation System.

Mr. Chairman, that concludes my testimony and I will be happy to answer any questions the committee may have.

PROPOSED CORRIDORS OF COMMERCE



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 NORTH DAKOTA DEPARTMENT OF TRANSPORTATION
 PLANNING / ASSET MGMT
 U.S. DEPARTMENT OF TRANSPORTATION
 FEDERAL HIGHWAY ADMINISTRATION

Attachment
 March 11th 2019
 SB 2268



Chairman, Delzer
Members of the House Appropriations Committee
Good Afternoon.

I am Cal Klewin Executive Director of the **Theodore Roosevelt Expressway Association (TREA)**.

The **Theodore Roosevelt Expressway** a Federally-Designated High Priority Corridor on the National Highway System. It runs from Rapid City, SD, to Canada through western North Dakota to the Port of Raymond in Montana. On the southern end, it connects to the Heartland Expressway, which connects Rapid City, SD, to Denver, CO. The Heartland Expressway then links to the Ports-to-Plains Trade Corridor, which connects Denver, CO, to Laredo, TX. These three corridors are collectively known as the Ports-to-Plains Alliance.

The **Theodore Roosevelt Expressway**--separately and as part of the Ports-to-Plains Alliance--is critical to the economy and quality of life of North Dakota, of the Great Plains region, and the Nation. The TRE serves as a major North South corridor for North Dakota's energy, agriculture, tourism and manufacturing economic sectors.

I know this Committee is fully aware of the immediate transportation infrastructure needs in our state. The Theodore Roosevelt Expressway Association supports long term sustainable state transportation funding for NDDOT. On the Federal level TREA and the Ports to Plains Alliance supports a long term Federal Transportation Bill and working with Corridor Congressional delegations stressing the need for sufficient transportation funding.

Today, you have Senate Bill 2268 before you. SB 2268 can offer funding to help modernize North Dakota's surface transportation system. SB 2268 can contribute to the current and future prosperity of North Dakota and our Nation with a safe and efficient transportation system for industry, business and the traveling public.

Therefore, the Theodore Roosevelt Expressway Association and the Ports to Plains Alliance supports Senate Bill 2268.

That concludes my testimony, I will try to answer any questions you may have.

Thank You,

Cal Klewin Executive Director

Theodore Roosevelt Expressway Association





Theodore Roosevelt EXPRESSWAY



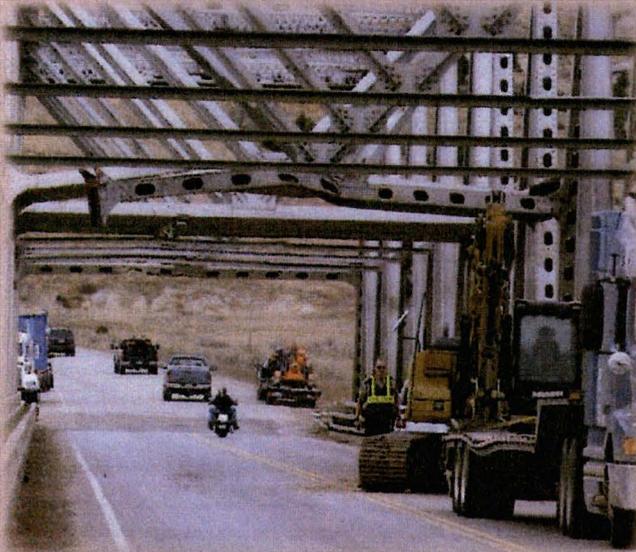
U.S. SB 2268
High. March 11th 2019
Attachment 3

A high priority corridor on the national highway system

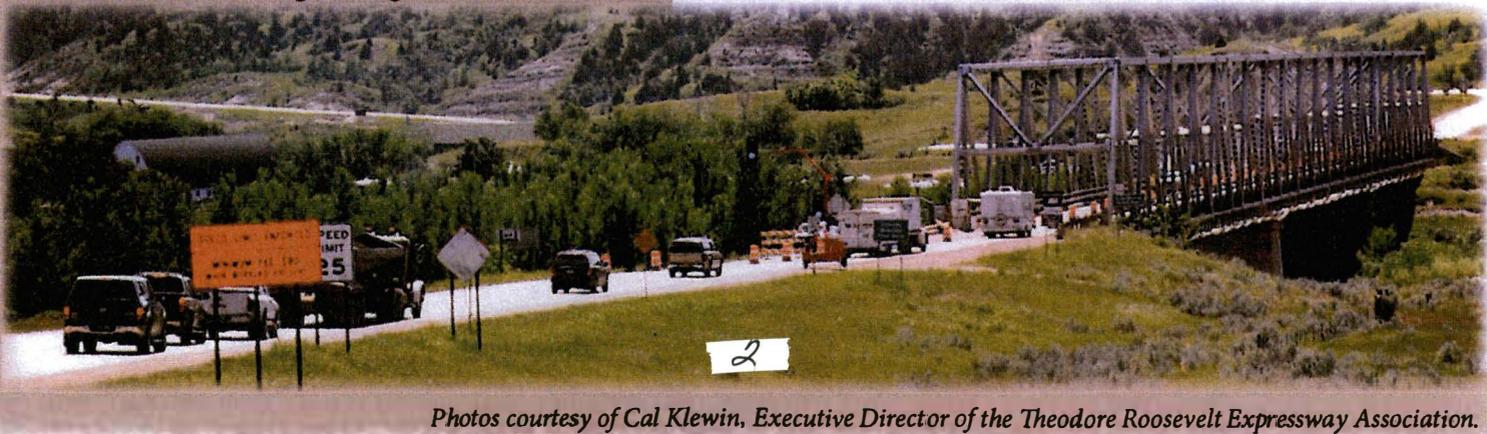
Improvement Through Partnering in North Dakota

From 2014-2018 the North Dakota Highway Patrol has reported oversized truck permits issued for U.S. Highway 85 at a yearly average of 54,000 overwidth, overheight and /or overweight vehicles on the road.

Daily non-truck traffic significantly increased north and south of the Long X Bridge. This increase was due to oil and gas development and agriculture production. All of the growth has been accommodated on a rural, two-lane highway.



Long X Bridge



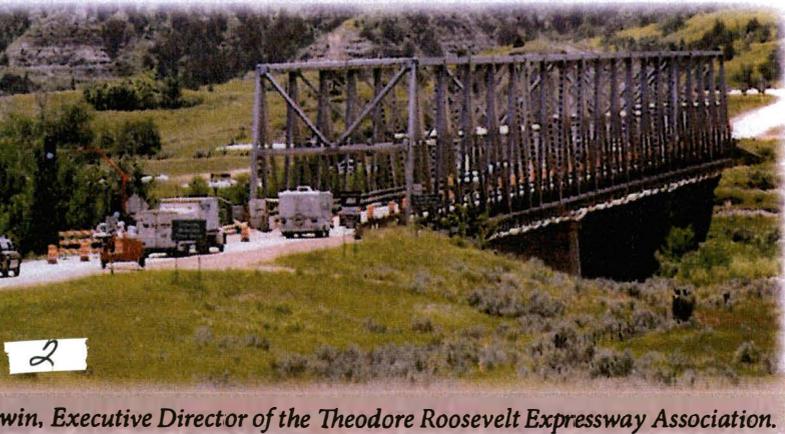
Oversize/Overweight Permit Comparison

Year	U.S. 2 4-lane	U.S. 83 4-lane	I-29 4-lane	I-94 4-lane	U.S. 52 4-lane	U.S. 85 2-lane
2014		22,128	32,300			78,367
2015		15,438	25,460			57,637
2016		13,378	25,068			44,484
2017		11,452	25,332		15,664	45,540
2018	56,203	13,655	25,840	48,503	17,129	51,168

Information provided by North Dakota Highway Patrol.



U.S. Highway 85 (Theodore Roosevelt Expressway) and U.S. Highway 12 Bowman, ND 11-30-18.



Ports-to-Plains Alliance

The Ports-to-Plains Corridor



Background

The 2,300-mile Ports-to-Plains Alliance Corridor (the "P-to-P Corridor") is a rural highway of national significance, extending from Mexico to Canada through nine states in America's Heartland. It delivers the food, fuel and fiber that secure the quality of life of America's great cities.



U.S. Highway 85 in North Dakota



House Appropriations Committee

Testimony in Support of SB 2268

Chairman Delzer and Members of the Committee, my name is Mike Krumwiede appearing on behalf of the American Council of Engineering Companies in support of SB 2268. The American Council of Engineering Companies of North Dakota (ACEC/ND) is a nonprofit, voluntary, self-governing organization which represents 29 member firms and nearly 1500 employees.

ACEC North Dakota has long recognized the importance of investing in our states critical infrastructure needs, including transportation, water, energy, buildings, airports, parks and communication systems. Beyond those, a well-maintained infrastructure is the backbone of all sectors in a healthy and vibrant economy.

With our growing and vibrant economy, a proportionate increase in demand for corridors of commerce goes hand-in-hand. With that, highway infrastructure must keep up and funding for those eligible projects should keep pace with those needs. We believe additional resources help grow a solid business environment by providing jobs in every field from health care to education. As a result, ACEC North Dakota advocates for predictable, sustainable, infrastructure support.

We further support this bill as it serves as another tool for the Department of Transportation to construct and maintain highways that improve freight transportation and facilitate commerce in North Dakota.

For these reasons we support SB 2268 and I'm happy to answer any questions as I am able.

North Dakota Legacy Fund

SB 2268
March 11th 2019
Attachment 5

The Legacy Fund Founders Committee intends to protect the vote of the people, maintain the integrity of the fund and allow the principal to grow—to preserve the one-time harvest of oil revenues.

In 2010, prior to the general election, members of the Legacy Fund Committee stated, *“The Legacy Fund would secure North Dakota’s financial future by providing a consistent state revenue stream for our children and grandchildren, long after the oil industry takes a downturn.”*

POLICY GUIDANCE:

- Don’t spend any principal ... except in case of a catastrophic event
- Don’t spend earnings until they are banked
 - \$200MM has been borrowed in current biennium
 - Postpone additional spending until next biennium
 - Reduce risk and mitigate volatility
- SAVE MOST of EARNINGS.....75%
 - Assemble DATA for projected Legacy Fund balance (high/low scenarios)
 - Require validated, independent DATA for spending
- Avoid permanent commitments of Legacy Fund earnings
 - Impedes fund growth
 - Reduces flexibility of fund
- Beneficiaries must have financial commitment (no “free money”)
- Spending should be based upon long-term strategic planning, not short-term spending demands

In recent history, North Dakota has seen wild swings of state revenues based upon oil production and prices (1980s and 2015), which required extreme adjustments in state spending. Oil revenues currently represent 20%* of proposed general fund spending. The Legacy Fund was created in part to mitigate against these wild swings in state revenues.

*Not including sales, personal and corporate income tax resulting from oil activity.

Members of the Legacy Fund Founders Committee

<i>*Robert Harms</i>	<i>State Treasurer, Kelly Schmidt</i>
<i>Daryl Lies, ND Farm Bureau</i>	<i>* Rep. Dave Weiler (ret.)</i>
<i>*Terry Fleck</i>	<i>*Tammy Ibach</i>
<i>*Dave McIver</i>	<i>Arik Spencer, GNDC</i>
<i>*Bill Shalhoob</i>	<i>*Sen. Connie Triplett (ret.)</i>
<i>*Kent Blickensderfer</i>	<i>*Ken Tupa</i>
<i>*Bruce Govig</i>	<i>*Ed Schafer</i>
<i>*Rep. Chris Griffen</i>	<i>*Sen. Rich Wardner</i>
<i>*Brad Bekkedahl</i>	<i>*Mayor Ward Koeser</i>
<i>*Jim Maxon</i>	<i>*Bob Graveline</i>
<i>*Pete Zimmerman</i>	

**Indicates original committee members 2009-10*

For more information contact: *Robert Harms, 701.471.0959*
Robert@harmsgroup.com

March 11, 2019
SB 2268
House Appropriations
Representative Jeff Delzer, Chairman

Chairman Delzer and members of the Committee. For the record, Blake Crosby, Executive Director of the North Dakota League of Cities. I am here in support of SB 2268 and will focus my short comments on the "Corridors of Commerce" portion of the bill, especially as funds provided in this bill could be used to complete the 4-laning of North Dakota Highway 85.

The need to make Highway 85, commonly known as the Theodore Roosevelt Expressway (TRE), into a divided 4 lane has existed for far too long and we need to get that done. I recently sent a letter to U. S. Secretary of Transportation Chao supporting the NDDOT request for 2019 INFRA (Infrastructure for Rebuilding America) grant emphasizing the economic impact of the TRE on not only the state but also the region. The State needs to share in the cost of that project and accessing the Public Financing Authority is the appropriate venue.

The TRE fits the definition of a "Corridor of Commerce" under any definition. Whether it be transportation of oil products, livestock to processor, farm-to-market, or tourists looking to enjoy our Badlands; the TRE carries a tremendous and varied traffic load. And, it is an economic driver that we need to capitalize on. We need to assure that the users of the TRE have an efficient, well-designed and reliable roadway.

I respectfully ask for a DO-PASS on SB 2268. I will try to answer any questions.