

2019 SENATE FINANCE AND TAXATION

SB 2275

2019 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2275

1/22/2019

Job #31231

Subcommittee

Conference Committee

Committee Clerk: Alicia Larsgaard

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 6-09.4-28 of the North Dakota Century Code, relating to the essential infrastructure revolving loan fund debt repayments; to amend and reenact section 6-09-49, subdivision c of subsection 5 of section 6-09.4-03, and sections 6-09.4-06 and 6-09.4-10 of the North Dakota Century Code, relating to the essential infrastructure revolving loan fund, public finance agency definitions, borrowing and lending authority, and reserve funds; to repeal section 61-02-78 of the North Dakota Century Code, relating to a revolving loan fund for water projects; to provide a transfer; to provide a continuing appropriation; to provide a bond issuance limitation; and to provide an effective date.

Minutes:

Attachments: 9

Chairman Cook: Called the hearing to order on SB 2275.

Senator Rich Wardner, District 37, Dickinson: Introduced SB 2275. See attachment #1. If we don't do some bonding, we are never going to have the cash to go out there and get it done. These needs are now. The longer we let them go, the more they are going to cost. This bill happens to be part three. There was prairie dog 1 which had to do with funding the oil country. There was prairie dog 2 which was funding none oil counties. This is prairie dog 3 that complimented both of them. This is part of the prairie dog bill which is over in the house. We have spent a lot of time trying to figure out how to do this. Many people have been involved in creating this. This bonding allows for the multiple generations to participate in repayment. When we talk about repayment, we talk about using the Legacy Fund to pay off the bonds. We want to attract people to our state. We have a work force shortage and we want them to have a decent place to live. We have to find a way to do this economically. These low interest loans will help that. The same is true for flood protection. What we need, is a water treatment plant north of Max, ND. We have to get that done before the administration changes and it gets held up again. We also have the Minot Flood Protection, Red River Valley Water Supply, and the Fargo Diversion. We do not have enough money coming in from the Resources Trust Fund to fund those things and take care of the other water systems as well. We are going to have to work together. The state can provide the resources to address these needs along with the locals. We did obligate \$200 million of that to be spent this biennium. I am hoping we are using some of it for this. When we get 30 years down the road, there will be a fund with close to a billion dollars to be used again and again.

Over time, the blue side will pay for itself. It is good for the citizens of this state that they can borrow this money at a low interest rate. We want to make sure this money is being used. If we need more, we could do this again in another biennium. There are a lot of people who want to borrow the money. I would rather borrow it because we do not have the money to give grants. Yesterday, we had three people from the east come see us about using the Legacy Fund. Two of them were sponsors of it and the other was very involved with it. They told us that no one should be using the principle. I feel that we need to do something with this money or someone is going to put this on the ballot and we could use this good thing. This is not just for non-oil entities. It is for everybody in the state of ND. It works for cities, counties, universities, and water districts.

Chairman Cook: Is there a cap on how much money a political sub can take?

Senator Wardner: Fifteen.

Blake Crosby, Executive Director of the North Dakota League of Cities: Testified in favor of the bill. See attachment #2. Ask yourself this question. Whose money is this? It is our money. It is North Dakota's money. Yes, we probably messed up a couple sessions ago when bond rates were very low by not bonding at that time. It is not intended to put all of this out there at once. The reason the Revolving Loan Fund didn't get completely utilized was partly my fault. We said it should go to new construction with new criteria. That criteria were too tight. We had to say we made a mistake and tweak it. After we did, the money was gone. I have cities that have storm sewers that are clay tile. It is disintegrating in the ground. We need to get it fixed. It isn't getting any cheaper even with the new technology. We can't continue to ask taxpayers to put it off and pick up that increased cost. Myself and another talked about bonding two sessions ago. We didn't get anywhere. That should've happened and now we have a change to fix it. I grew up in a small town with gravel streets and some of my classmates not having indoor plumbing. When cities started to grow, everyone wanted indoor water and plumbing. I would ask for a do pass and I will stand for questions.

Shaun Sipma, Mayor, Minot: Testified in favor of the bill. See attachment #3. One part that is always tough to dive into is what we can quantify earnings. As I look into the inflationary cost, those savings that are in flood insurance for those property owners, those projects take longer to complete. There are property values that are directly coordinated with the flood insurance rates through the entire core of the city. We talk about the aspect of having certainty in a community for health and economic development. That high water mark of where the water flood is above my head. Those are tough to quantify when we talk about earnings in black and white on paper.

Mason Sisk, Economic Development Association of North Dakota (EDND): Testified in favor of the bill. See attachment #4.

Merri Mooridian, Administrative Officer of Garrison Diversion Conservancy District: Testified in favor of the bill. See attachment #5. We would like to see this bill include all political subdivisions.

Jed Shivers, VO Finance and COO University of North Dakota, Grand Forks: Testified in favor of the bill. See attachment #6.

Michael Pieper, Associate VP Facilities University of North Dakota, Grand Forks: Testified in favor of the bill. See attachment #7. When a lot of people visit our campus, they think a lot of our streets, curbs, and gutters, would be a component of the city. Over half of our infrastructure is private. There are 11 miles of water lines, 8 miles of sewer lines, and this would be another tool to not have to jump from emergencies. With that, I will take questions.

Chairman Cook: Any further testimony in favor? Any testimony opposed? Any testimony neutral?

Kelvin Hullet, Bank of North Dakota: Testified neutrally for SB 2275. Distributed proposed amendments. See attachment #8. What these amendments to is clarify how Senator Wardner proposed the bill. We are going to put the money into the Infrastructure revolving loan fund. It does make higher education eligible into that. It also creates another portion for those substantial infrastructure projects related to flood control and also the Red River Valley Water Supply project. Under this proposal, the type of bond issue would be an appropriation one. This means that each legislative session, the legislature would need to appropriate the payment for the bond to the public finance agency so it could be made. We do increase the cap on the loans from 15-25 million for the local political subdivisions. We have bond council here that can walk you through that. We ran into an issue with the counties when they were trying to borrow from the fund and they were limited to five years. They were using their existing general funds to pay back loans. We do have an amendment that allow them to borrow from the Infrastructure Revolving Loan Fund for up to 20 years. This is all within the amended bill that I just provided to you. That is a short recap of the bill.

Terry Traynor, North Dakota Association of Counties: Testified in support of the bill. I am in support of the bill but I wanted to address the committee after the amendments were passed out. The original revolving loan fund that we supported, made it available to counties. They are unlike cities and they are limited. Counties generally cannot borrow money without going to a vote of the people except for a limited five years.

Chairman Cook: When it goes to the people it can go longer than 5 years?

Terry Traynor: That is my understanding. This bill would authorize that section of law which I believe in the amendment, that would make this more usable to the counties. Regardless, it is a real important piece of legislation.

Chairman Cook: Can you give any explanation as to why there is a 5-year limitation on counties?

Terry Traynor: That section has been here for a very long time. I do not know if it is statehood.

Senator Patten: The five-year limit applies for mill levy repayment source or is there some distinctions there?

Terry Traynor: I believe legal counsel differs on that. Our legal counsel says that if you obligate the county beyond 5 years, you have to have a vote regardless of the source for repayment. I know it has been interpreted by state attorneys differently.

Chairman Cook: Any other testimony on SB 2275? Hearing none we will close the hearing on SB 2275.

Attachment #9 was given to the clerk after the hearing. Attachment #9 is Lance Gaebe's written testimony in support of SB 2275.

2019 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2275
1/29/2019
Job #31706

- Subcommittee
 Conference Committee

Committee Clerk: Alicia Larsgaard

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 6-09.4-28 of the North Dakota Century Code, relating to the essential infrastructure revolving loan fund debt repayments; to amend and reenact section 6-09-49, subdivision c of subsection 5 of section 6-09.4-03, and sections 6-09.4-06 and 6-09.4-10 of the North Dakota Century Code, relating to the essential infrastructure revolving loan fund, public finance agency definitions, borrowing and lending authority, and reserve funds; to repeal section 61-02-78 of the North Dakota Century Code, relating to a revolving loan fund for water projects; to provide a transfer; to provide a continuing appropriation; to provide a bond issuance limitation; and to provide an effective date.

Minutes:

Attachments: 0

Chairman Cook: Called the committee to order on SB 2275.

Senator Kannianen: I have had a few chats with a few small town mayors; one in my district and one just outside my district. Some comments they made were that out of all the bills this session, this bill would be the biggest help in terms of providing that long term 2% interest loan opportunity. They said if they had to choose loans or grants, they would choose this any day.

Chairman Cook: That is the information I am gathering too. This leverages \$450 million in the revolving loan fund. Does anyone remember why we have amendments?

Senator Patten: I do not remember.

The intern began to describe to the chairman what the amendments did from her desk.

Chairman Cook: We will get someone down here to explain these to us. Until then, we will move on.

2019 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2275
2/5/2019
Job #32201

- Subcommittee
 Conference Committee

Committee Clerk: Alicia Larsgaard

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 6-09.4-28 of the North Dakota Century Code, relating to the essential infrastructure revolving loan fund debt repayments; to amend and reenact section 6-09-49, subdivision c of subsection 5 of section 6-09.4-03, and sections 6-09.4-06 and 6-09.4-10 of the North Dakota Century Code, relating to the essential infrastructure revolving loan fund, public finance agency definitions, borrowing and lending authority, and reserve funds; to repeal section 61-02-78 of the North Dakota Century Code, relating to a revolving loan fund for water projects; to provide a transfer; to provide a continuing appropriation; to provide a bond issuance limitation; and to provide an effective date.

Minutes:

Attachments: 1

Chairman Cook: Called the committee to order on SB 2275. Distributed proposed amendments. See attachment #1. Most of these I think you have seen. The things you might not have seen are section 12 and 13. Those are appropriations.

Senator Unruh: Did the Bank of North Dakota help with the amendment?

Chairman Cook: Yes.

Senator Dotzenrod. On page 2, line2 21-22 we have overstruck “essential” and “counties, cities, and institutions of higher education”. We have an infrastructure revolving loan fund Bank of ND continuing appropriation left. Does that mean that we didn’t want to mention those but they can still be taken care of or are we specifically amending them out?

Kelvin Hullet, Bank of ND: That is part of ensuring we only have one infrastructure fund. The way the bill had originally been drafted was that it was going to create a new infrastructure fund separate from the one that we already administrate. The amendments ensure that we have a fund which is the existing fund and then it brings the money into that.

Senator Dotzenrod: I assume that the reason these words got overstruck is because they match up with what we have in LAWS. It is more to get it in the proper form so we do now have to sets of headings and so on.

Kelvin Hullet: Yes. If you go later in the bill, you will see how we bring institutions of higher education back in and also address the issues related to the counties and their ability to borrow for longer than five years.

Chairman Cook: Are there any limitations on how they use this money?

Kelvin Hullet: We matched the definition of infrastructure to the definition that is encompassed in operation prairie dog so that we have a consistent definition of infrastructure. This relates to water treatment plants, sewer, water lines, and things like that. You will find that in both the bill and the amendments.

Chairman Cook: What about state radio?

Kelvin Hullet: At this time, state radio is not included in this bill but it is in the prairie dog. It does have communications infrastructure in it. So I stand corrected, we could include state radio under that definition, I was wrong.

Senator Dotzenrod: I see on the amendments that we have the two sections at the end that have the appropriations. The first one is section 12 at \$100 million and then in section 13 it is \$26 million. I haven't quite looked on the bill to see how they fit. Are those numbers different than what we had when the bill was introduced?

Kelvin Hullet: The first amendment you referred to with \$100 million is an amendment to provide the BND with the ability to provide a line of credit to the infrastructure revolving loan fund so that we can do projects leading in to the ability to bond for the project. Instead of bonding for the projects, having the money sitting there that we are paying interest on, we could instead utilize a line of credit and build that up to a maximum of \$100 million and work with the public finance authority to go bond for that and repay the fund. The second amendment is; if you recall what we looked at which was on the original bill in which it talked about \$55 million for the number from the Legacy Fund from the General Fund that would be used to repay the bonds. We had worked on looking at a structured layout of how we would build into that \$55 million. You will see in this amendment, that we have put \$26 million in there based on the timing of how fast we think we can put the money out. In the first biennium, instead of \$55 million, we will need \$26 million and then we will build into that \$55 million over the course of a few bienniums.

Chairman Cook: So you figured during the first year of the biennium you are going to have 2 \$100 million bonds issued?

Kelvin Hullet: We have actually anticipated we will issue two \$200 million bonds in the first biennium but because of the timing of how we would do that, we calculated out how the principle payments would work. That is what got us to the \$26 million.

Senator Dotzenrod: The \$55 million that was there to cover the annual cost to make up the difference; is there any issue with that and the Legacy Fund not being available to the end of the biennium? Does that create any limitations? Does that \$26 million allow you to put this into motion so you don't have to wait until the end of the biennium? Is it a factor here that the \$55 doesn't become available until later?

Kelvin Hullet: I would actually like to direct that question to Kylee.

Kylee Merkel, Bank of ND: The \$26 million would be what we needed for bonded debt service in the 1921 biennium. We are anticipating we wouldn't issue bonds and the full amount right away. That is a reduced amount for the 1921 biennium. The \$55 million would be for the 2123 and forward bienniums.

Senator Dotzenrod: That \$55 million would be at the end of the biennium. You would have that money going into the 2123 biennium. I get it. Thanks.

Chairman Cook: If we get this bill out, I do not think it will be on the bill until Monday.

Senator Unruh: Moved to adopt the amendment.

Senator Meyer: Seconded.

Chairman Cook: Any Discussion?

A Voice Vote Was Taken.

Motion Carried.

Senator Dotzenrod: On section 8 of the amendments, we overstruck 5 and put in 20 for the county authorized to borrow. We have had a long standing policy towards counties that their borrowing is limited. We need to make that change. It counties are going to be using this money and then making these payments, they will have to stretch out. It has to be a bigger number.

Chairman Cook: The argument has been made to make it 10. I had the intern try to find what the argument was in the first place to limit them to five. We couldn't find it.

Senator Dotzenrod: It seems clear to me that if this is going to work the way it is envisioned to work, you would have to be getting something close to 20.

Senator Unruh: Does it work that way because they are backed by the BND? Could they use their mill levy ability to pay back the bond? Is that easier for the bank to do than it would be for a regular bank?

Terry Traynor, Association of Counties: That is my understanding that this section of law would require financing through a mill levy. In order to obligate those mills in the future and you wanted to go beyond a certain amount of time, you should go to a vote of the people. I think there is a different situation if there is another funding source behind that. There is no other section of law that allows for borrowing of counties. This is it.

Senator Unruh: Moved a Do Pass on SB 2275 as Amended.

Senator Meyer: Seconded.

Chairman Cook: It has an appropriation on there so we will rerefer it.

Senator Unruh: And rerefer, yes.

Senator Dotzenrod: On page 21, line 23, there is reference there for up to \$500 million. I had always been using this number of \$450,000. Is there a reason why? I thought we had a 150 there and this was adding 450 and that would give us a total that would be in this revolving fund. The \$500 million, is that just giving them extra?

Chairman Cook: I only have a 10-page bill here. There are not 21 pages.

Senator Dotzenrod: It has the .03000 version.

Kelvin Hullet: As the language was being put together, it is based on the amount of funding that would be available under a \$55 million per biennium bond payment. That number is going to be somewhere between \$400 million and \$500 million. We rounded up to make sure we can utilize that to the max.

Chairman Cook: Any more discussion on the bill?

A Roll Call Vote Was Taken. 5 yeas, 0 nay, 0 absent.

Chairman Cook: We will keep it open for Senator Kannianen who is on the radio right now.

Senator Kannianen voted yes when he returned.

Motion Carried with a 6-0 vote.

Senator Cook will carry the bill.

February 5, 2019

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PROPOSED AMENDMENTS TO SENATE BILL NO. 2275

- Page 1, line 2, remove "essential"
- Page 1, line 3, replace the first "section" with "sections"
- Page 1, line 3, remove "subdivision c of subsection 5 of section 6-09.4-03, and sections"
- Page 1, line 4, after "6-09.4-06" insert a comma
- Page 1, line 4, after "6-09.4-10" insert ", subsection 6 of section 21-03-07, and sections 21-03-19, 57-15-06.6, and 57-47-02"
- Page 1, line 4, remove "essential"
- Page 1, line 5, remove ", public finance agency definitions"
- Page 1, line 6, remove "and"
- Page 1, line 6, after "funds" insert ", and expanded bonding authority for political subdivisions"
- Page 2, line 21, replace "**Essential infrastructure**" with "**Infrastructure**"
- Page 2, line 21, remove "**- Counties, cities,**"
- Page 2, line 22, remove "**and institutions of higher education**"
- Page 2, line 23, remove "essential"
- Page 2, line 25, replace "counties and cities" with "political subdivisions"
- Page 3, line 4, remove "essential"
- Page 3, line 12, remove "Notwithstanding any other provision of law, the eligibility requirements for a loan under"
- Page 3, remove lines 13 through 30
- Page 4, replace lines 1 through 14 with "An applicant shall issue an evidence of indebtedness as authorized by law. An institution of higher education shall identify at least one funding source for the debt repayment, including:
- a. Tuition or fee revenue collected by the institution of higher education;
 - b. Distributions of state aid received by the institution of higher education under chapter 15-18.2; or
 - c. Other sources of revenue."
- Page 4, line 25, replace "county and city" with "political subdivision"
- Page 4, line 28, replace "county or city" with "political subdivision"
- Page 5, line 9, replace "county and city" with "political subdivision"
- Page 5, line 12, replace "county or city" with "political subdivision"

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Page 5, remove lines 25 through 30

Page 6, line 26, after "lend" insert "or transfer"

Page 7, line 2, remove "essential"

Page 7, line 3, after "6-09-49" insert ". Bonds issued for this purpose are payable in each biennium solely from amounts the legislative assembly may appropriate for debt service for any biennium or from a reserve fund established for the bonds. This section may not be construed to require the state to appropriate funds sufficient to make debt service payments with respect to the bonds or replenish a related reserve fund. The bonds are not a debt of the 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 must terminate and the bonds are no longer outstanding as of the date appropriated funds and reserves are not sufficient to pay debt service on the bonds. In addition to providing funds for transfers to the 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 10, line 1, replace "Essential infrastructure" with "Infrastructure"

Page 10, line 4, remove "of moneys derived from the earnings of the legacy fund, as"

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

Page 10, line 6, remove "essential"

Page 10, after line 6, insert:

"SECTION 5. AMENDMENT. Subsection 6 of section 21-03-07 of the North Dakota Century Code is amended and reenacted as follows:

- 6. The governing body of any county may also by resolution adopted by a two-thirds vote dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of section 57-15-06.7 and may authorize and issue general obligation bonds to be paid by the dedicated levy for the ~~purpose of providing funds for the purchase, construction, reconstruction, or repair of regional or county correction centers, or parks and recreational facilities~~purposes identified under section 57-15-06.6 and subsection 5 of section 57-15-06.7; provided, that the initial resolution authorizing the tax levy dedication and general obligation bonds must be published in the official newspaper, and any owner of taxable property within the county may, within sixty days after publication, file with the county auditor a protest against the adoption of the resolution. Protests must be in writing and must describe the property which is the subject of the protest. If the governing body finds such protests to have been signed by the owners of taxable property having an assessed valuation equal to five percent or more of the assessed valuation of all taxable property within the county, as theretofore last finally equalized, all further proceedings under the initial resolution are barred.

SECTION 6. AMENDMENT. Section 21-03-19 of the North Dakota Century Code is amended and reenacted as follows:

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21-03-19. Bonds - Terms.

Bonds issued under this chapter must be authorized by resolution, bear such date or dates, be in such denomination or denominations, be in such form, be subject to redemption with or without premium, and be subject to such other terms or conditions as in the judgment of the municipality are in the public interest of the municipality, and must provide that the last installment of principal falls due not more than twenty years from the date of the bonds or not more than thirty years for bonds sold to the entities under section 21-03-30. The requirements of this section apply to each new issue of bonds, or if so determined by the governing body, to the bonds of a new issue combined with all of the outstanding bonds of one or more designated issues of bonds previously issued and similarly payable from taxes or other sources of revenues, or both, as the case may be.

SECTION 7. AMENDMENT. Section 57-15-06.6 of the North Dakota Century Code is amended and reenacted as follows:

57-15-06.6. County capital projects levy.

1. The board of county commissioners of each county may levy an annual tax not exceeding ten mills plus any voter-approved additional levy as provided in subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:
 - 1- a. Constructing and equipping and maintaining structural and mechanical components of regional or county corrections centers or for the purpose of contracting for corrections center space capacity from another public or private entity.
 - 2- b. Acquiring real estate as a site for public parks and construction and equipping and maintaining structural and mechanical components of recreational facilities under section 11-28-06.
 - 3- c. Acquiring real estate as a site for county buildings and operations and constructing and equipping and maintaining structural and mechanical components of county buildings and property.
 - 4- d. Acquiring real estate as a site for county fair buildings and operations and constructing and equipping and maintaining structural and mechanical components of county fair buildings and property as provided in section 4-02-26.
 - 5- e. Acquiring and developing real estate, capital improvements, buildings, pavement, equipment, and debt service associated with financing for county supported airports or airport authorities.
 - 6- f. Expenditures for the cost of leasing as an alternative means of financing for any of the purposes for which expenditures are authorized under subsections 1 through 5.
 - g. Improvement of the county road system, including the acquisition of land, construction of new paved and unpaved roads and bridges, replacement of existing paved and unpaved roads and bridges, and maintenance and repair of existing paved and unpaved roads and bridges.

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- 2. Any voter-approved levy for the purposes specified in this section approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved. After January 1, 2015, approval or reauthorization by electors of increased levy authority under this section may not be effective for more than ten taxable years.

SECTION 8. AMENDMENT. Section 57-47-02 of the North Dakota Century Code is amended and reenacted as follows:

57-47-02. County authorized to borrow - Term - Interest rate.

Whenever in the judgment of the board of county commissioners all taxes authorized to be levied in any one year for general or special county purposes are insufficient to carry on the primary governmental functions, or to pay the mandatory obligations imposed by law upon a county, then such a county may borrow money in such an amount as the board shall determine to be necessary to meet the deficiencies existing in its general or special funds, or to carry on primary governmental functions, and to pay mandatory obligations. For the purpose of borrowing, a county may issue evidences of indebtedness, which must consist of an agreement by the county to pay a stated sum on a specified date, or on or before a specified date, not more than ~~five~~twenty years in the future, together with interest thereon at a rate or rates resulting in an average annual net interest cost not to exceed twelve percent per annum if sold privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or any of its agencies or instrumentalities. A public sale must comply with the procedures set out in chapter 21-03. There is no requirement for an advertisement for bids if an evidence of indebtedness is sold privately or to the state of North Dakota or any of its agencies or instrumentalities."

Page 10, remove lines 8 through 12

Page 10, line 13, after "FUND" insert "FOR WATER PROJECTS"

Page 10, line 13, remove "ESSENTIAL"

Page 10, line 16, remove "essential"

Page 10, line 21, remove "essential"

Page 10, line 24, replace "twenty" with "thirty"

Page 10, after line 24, insert:

"SECTION 12. APPROPRIATION - BANK OF NORTH DAKOTA - LINE OF CREDIT. The Bank of North Dakota may extend a line of credit, not to exceed \$100,000,000, to the infrastructure revolving loan fund established under section 6-09-49. The Bank may access the line of credit, to the extent necessary, the sum of which is appropriated, for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance by the public finance authority, for the biennium beginning July 1, 2019, and ending June 30, 2021. The interest rate associated with the line of credit must be the same as the prevailing interest rate charged by the Bank to North Dakota governmental entities. The Bank shall repay the line of credit from bond proceeds associated with the bonds issued by the public finance authority to support the infrastructure revolving loan fund.

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SECTION 13. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with bonds issued to support the infrastructure revolving loan fund, for the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 10, line 25, replace "6" with "9"

Renumber accordingly

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2275**

Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 19.0499.03001

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 Unruh Seconded By Meyer

Senators	Yes	No	Senators	Yes	No
Chairman Cook			Senator Dotzenrod		
Vice Chairman Kannianen					
Senator Meyer					
Senator Patten					
Senator Unruh					

Voice Vote
Motion Carried

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2-5-19
 Roll Call Vote #: 2

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2275**

Senate Finance and Taxation 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 Unruh Seconded By Meyer

Senators	Yes	No	Senators	Yes	No
Chairman Cook	✓		Senator Dotzenrod	✓	
Vice Chairman Kannianen	✓				
Senator Meyer	✓				
Senator Patten	✓				
Senator Unruh	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment COOK

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

REPORT OF STANDING COMMITTEE

SB 2275: Finance and Taxation Committee (Sen. Cook, 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 2275 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "essential"

Page 1, line 3, replace the first "section" with "sections"

Page 1, line 3, remove "subdivision c of subsection 5 of section 6-09.4-03, and sections"

Page 1, line 4, after "6-09.4-06" insert a comma

Page 1, line 4, after "6-09.4-10" insert ", subsection 6 of section 21-03-07, and sections 21-03-19, 57-15-06.6, and 57-47-02"

Page 1, line 4, remove "essential"

Page 1, line 5, remove ", public finance agency definitions"

Page 1, line 6, remove "and"

Page 1, line 6, after "funds" insert ", and expanded bonding authority for political subdivisions"

Page 2, line 21, replace "**Essential infrastructure**" with "**Infrastructure**"

Page 2, line 21, remove "- **Counties, cities,**"

Page 2, line 22, remove "**and institutions of higher education**"

Page 2, line 23, remove "essential"

Page 2, line 25, replace "counties and cities" with "political subdivisions"

Page 3, line 4, remove "essential"

Page 3, line 12, remove "Notwithstanding any other provision of law, the eligibility requirements for a loan under"

Page 3, remove lines 13 through 30

Page 4, replace lines 1 through 14 with "An applicant shall issue an evidence of indebtedness as authorized by law. An institution of higher education shall identify at least one funding source for the debt repayment, including:

- a. Tuition or fee revenue collected by the institution of higher education;
- b. Distributions of state aid received by the institution of higher education under chapter 15-18.2; or
- c. Other sources of revenue."

Page 4, line 25, replace "county and city" with "political subdivision"

Page 4, line 28, replace "county or city" with "political subdivision"

Page 5, line 9, replace "county and city" with "political subdivision"

Page 5, line 12, replace "county or city" with "political subdivision"

Page 5, remove lines 25 through 30

Page 6, line 26, after "lend" insert "or transfer"

Page 7, line 2, remove "essential"

Page 7, line 3, after "6-09-49" insert ". Bonds issued for this purpose are payable in each biennium solely from amounts the legislative assembly may appropriate for debt service for any biennium or from a reserve fund established for the bonds. This section may not be construed to require the state to appropriate funds sufficient to make debt service payments with respect to the bonds or replenish a related reserve fund. The bonds are not a debt of the 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 must terminate and the bonds are no longer outstanding as of the date appropriated funds and reserves are not sufficient to pay debt service on the bonds. In addition to providing funds for transfers to the 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 10, line 1, replace "**Essential infrastructure**" with "**Infrastructure**"

Page 10, line 4, remove "of moneys derived from the earnings of the legacy fund, as"

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

Page 10, line 6, remove "essential"

Page 10, after line 6, insert:

"SECTION 5. AMENDMENT. Subsection 6 of section 21-03-07 of the North Dakota Century Code is amended and reenacted as follows:

6. The governing body of any county may also by resolution adopted by a two-thirds vote dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of section 57-15-06.7 and may authorize and issue general obligation bonds to be paid by the dedicated levy for the ~~purpose of providing funds for the purchase, construction, reconstruction, or repair of regional or county correction centers, or parks and recreational facilities~~purposes identified under section 57-15-06.6 and subsection 5 of section 57-15-06.7; provided, that the initial resolution authorizing the tax levy dedication and general obligation bonds must be published in the official newspaper, and any owner of taxable property within the county may, within sixty days after publication, file with the county auditor a protest against the adoption of the resolution. Protests must be in writing and must describe the property which is the subject of the protest. If the governing body finds such protests to have been signed by the owners of taxable property having an assessed valuation equal to five percent or more of the assessed valuation of all taxable property within the county, as theretofore last finally equalized, all further proceedings under the initial resolution are barred.

SECTION 6. AMENDMENT. Section 21-03-19 of the North Dakota Century Code is amended and reenacted as follows:

21-03-19. Bonds - Terms.

Bonds issued under this chapter must be authorized by resolution, bear such date or dates, be in such denomination or denominations, be in such form, be

subject to redemption with or without premium, and be subject to such other terms or conditions as in the judgment of the municipality are in the public interest of the municipality, and must provide that the last installment of principal falls due not more than twenty years from the date of the bonds or not more than thirty years for bonds sold to the entities under section 21-03-30. The requirements of this section apply to each new issue of bonds, or if so determined by the governing body, to the bonds of a new issue combined with all of the outstanding bonds of one or more designated issues of bonds previously issued and similarly payable from taxes or other sources of revenues, or both, as the case may be.

SECTION 7. AMENDMENT. Section 57-15-06.6 of the North Dakota Century Code is amended and reenacted as follows:

57-15-06.6. County capital projects levy.

1. The board of county commissioners of each county may levy an annual tax not exceeding ten mills plus any voter-approved additional levy as provided in subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:
 - ~~1.~~ a. Constructing and equipping and maintaining structural and mechanical components of regional or county corrections centers or for the purpose of contracting for corrections center space capacity from another public or private entity.
 - ~~2.~~ b. Acquiring real estate as a site for public parks and construction and equipping and maintaining structural and mechanical components of recreational facilities under section 11-28-06.
 - ~~3.~~ c. Acquiring real estate as a site for county buildings and operations and constructing and equipping and maintaining structural and mechanical components of county buildings and property.
 - ~~4.~~ d. Acquiring real estate as a site for county fair buildings and operations and constructing and equipping and maintaining structural and mechanical components of county fair buildings and property as provided in section 4-02-26.
 - ~~5.~~ e. Acquiring and developing real estate, capital improvements, buildings, pavement, equipment, and debt service associated with financing for county supported airports or airport authorities.
 - ~~6.~~ f. Expenditures for the cost of leasing as an alternative means of financing for any of the purposes for which expenditures are authorized under subsections 1 through 5.
 - g. Improvement of the county road system, including the acquisition of land, construction of new paved and unpaved roads and bridges, replacement of existing paved and unpaved roads and bridges, and maintenance and repair of existing paved and unpaved roads and bridges.
2. Any voter-approved levy for the purposes specified in this section approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved. After January 1, 2015, approval or reauthorization by electors of increased levy authority under this section may not be effective for more than ten taxable years.

SECTION 8. AMENDMENT. Section 57-47-02 of the North Dakota Century Code is amended and reenacted as follows:

57-47-02. County authorized to borrow - Term - Interest rate.

Whenever in the judgment of the board of county commissioners all taxes authorized to be levied in any one year for general or special county purposes are insufficient to carry on the primary governmental functions, or to pay the mandatory obligations imposed by law upon a county, then such a county may borrow money in such an amount as the board shall determine to be necessary to meet the deficiencies existing in its general or special funds, or to carry on primary governmental functions, and to pay mandatory obligations. For the purpose of borrowing, a county may issue evidences of indebtedness, which must consist of an agreement by the county to pay a stated sum on a specified date, or on or before a specified date, not more than fivetwenty years in the future, together with interest thereon at a rate or rates resulting in an average annual net interest cost not to exceed twelve percent per annum if sold privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or any of its agencies or instrumentalities. A public sale must comply with the procedures set out in chapter 21-03. There is no requirement for an advertisement for bids if an evidence of indebtedness is sold privately or to the state of North Dakota or any of its agencies or instrumentalities."

Page 10, remove lines 8 through 12

Page 10, line 13, after "FUND" insert "FOR WATER PROJECTS"

Page 10, line 13, remove "ESSENTIAL"

Page 10, line 16, remove "essential"

Page 10, line 21, remove "essential"

Page 10, line 24, replace "twenty" with "thirty"

Page 10, after line 24, insert:

"SECTION 12. APPROPRIATION - BANK OF NORTH DAKOTA - LINE OF CREDIT. The Bank of North Dakota may extend a line of credit, not to exceed \$100,000,000, to the infrastructure revolving loan fund established under section 6-09-49. The Bank may access the line of credit, to the extent necessary, the sum of which is appropriated, for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance by the public finance authority, for the biennium beginning July 1, 2019, and ending June 30, 2021. The interest rate associated with the line of credit must be the same as the prevailing interest rate charged by the Bank to North Dakota governmental entities. The Bank shall repay the line of credit from bond proceeds associated with the bonds issued by the public finance authority to support the infrastructure revolving loan fund.

SECTION 13. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with bonds issued to support the infrastructure revolving loan fund, for the biennium beginning July 1, 2019, and ending June 30, 2021."

Page 10, line 25, replace "6" with "9"

Re-number accordingly

2019 SENATE APPROPRIATIONS

SB 2275

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2275
2/13/2019
Job # 32657

- Subcommittee
 Conference Committee

Committee Clerk: Rose Laning and Alicia Larsgaard

Explanation or reason for introduction of bill/resolution:

Relating to the infrastructure revolving loan fund debt repayments

Minutes:

Testimony Attached # 1 - 8

Legislative Council: Adam Mathiak

OMB: Larry Martin

Chairman Holmberg: Called the committee to order on SB 2275. Roll call was taken.

Senator Rich Wardner, Senate Majority Leader

No written testimony.

Attached # 1 – Utilization of Legacy Fund Earnings

Attached # 2 – Overview of Infrastructure Revolving Loan Fund Return on Investment

Prairie Dog 3.

We want everyone to understand the big picture. This would be called Prairie Dog 3. It was going to be on the other bill, but got too big. Prairie Dog 1 and Prairie Dog 2 are one bill and are over in the House. Prairie Dog 1 had to do with oil country. That kept everything the same as it was out there. Prairie Dog 2 was grants to non-oil political subs, counties, cities, and townships. This bill (Prairie Dog 3) has to do with low interest loans for everyone in the state, counties, and cities. The other big elephant in the room is water projects like flood control and diversion. They are going to need a lot of loans to take care of those responsibilities. That is what this bill does. The general idea is to sell bonds to capitalize this infrastructure loan fund. We already have \$150 M in it. It was conceived about two biennia ago. That money is out there, committed, and working. We needed more than \$150 M for the needs we have, so this will add \$450 M to the \$150 M by selling bonds. We will pay off the bonds with Legacy earnings. That is a Legacy project.

Refer to Attachment #1 – Page 1: The blue would be the gross earnings. The green is the net. The red is the bond payment to take care of this fund – the \$450M. As you can see as time goes on, it gets smaller and smaller. If you put the red on top of the green, it would equal the blue. When this is assuming 3% earnings, and then bumping it up to the 4% earnings in the Legacy Fund. Turn the page over to page 2 – Here you see the concept to “disconnect”

the repayment and interest rate of the revenue bonds. On the side that is green, the money is coming from the Legacy Fund and then the 30 year bonds which provide \$450M in proceeds. We pay those bonds off with Legacy earnings. In the end, you will have a revolving low interest loan fund that will be there forever. The low interest is 2%, 1.5% will go back into the fund which will increase that low interest revolving loan fund. The other .5% goes back to the Bank of North Dakota for administering the program.

On the blue side, you see the \$450M infrastructure revolving loan fund and see the 2%. It will be used for critical infrastructure, State Water Commission projects, Flood Control and regional water and Higher education. We're not going to build buildings. The presidents of UND and NDSU spoke to me and said that Fargo and Grand Forks do not take care of our streets, sidewalks, curbs, gutters, etc. I also asked some of the smaller schools, they said they could use some money for that as well. They also said they would be able to manage the payments. That is why they are in there. It is not for buildings. It is for infrastructure in streets and things of that nature.

Refer to Attachment #2 – Page 1: In the blue, it shows the current status of the \$150M. Then it shows the assumption of bringing that \$450 on. The blue box shows how the money is committed and where it's at and where it came from. SIIF put in \$50M; the BND put in \$40M and the remaining was BND funds at \$60M. On the green side, it shows evolving through 2035. It shows the assets of the fund and how they will increase. When it is done, as of June 2035, there will be money that will be used again and again. They may never have to do this again. I will warn you that the diversion could use all the \$450M so we may have to look at this next biennium, and add more to it. That is for the future but right now, we would like to get this low interest loan project going.

Refer to Attachment #2 – Page 2: When you look at a \$5M project, the 30 year costs are shown as well as interest paid. It compares the revolving loan fund, low interest with market rate loans. On the \$5M dollar project, there's a savings of almost \$2.4M dollars. Who benefits from that? It's the people who are paying the property taxes or paying the specials in the area that these projects are brought on.

I think this is a good deal. You have some communities that will be getting grant money. They have things they need to take care of, they can borrow some low interest loans. It is going to be a win-win for the people of ND when all of this infrastructure comes together.

Remember, Prairie Dog 1 and 2 are still over in the House. This would kind of be the frosting on the cake. BND has been working with us and have a couple amendments. We are trying to work it out so we have a one stop shop for these loans from the BND. They have the people who can do that. With that, I will answer any questions.

Senator Sorvaag: There will be more demand than the \$450M. How is that prioritized?

Senator Wardner: There will be limits on how much you can take out of that fund to start out with. They can't take the whole thing. We have limits on how much they can have for a project.

Senator Wanzek: It sounds like it would be a popular program. Is it first come first served? Is there language that will limit that amount of the projects?

Senator Wardner: It's going to be limited, but those who come first are going to be the priority, but it's going to be limited. I think \$25M would be the limit because Fargo Diversion would take it all if they could. We have other needs across the state so we can't do that. Maybe going forward, if we do this again, maybe we would be in that position.

Adam Mathiak: Clarification – some of the loans are limited to the \$25M cap, but if it is for a water project or flood control project, under subsection 7 that deals with the fund, on page 5, those are not specifically limited and could be any amount.

Senator Wardner: We'd make sure we'd have all the projects. We would have to take a look at how much we give to those big ones.

Senator Mathern: Who would vet the economic viability of the project? That is not necessarily the order, but the actual project's ability to pay it back. Why not just double it right away? If there are big projects, they are going to go to Wall Street or somewhere to get the money and pay twice as much. We have the money.

Senator Wardner: We can only take up to \$55M out of legacy fund for this biennium. That was a limiting factor. We may have to sell the bonds toward the end of the biennium. I don't know if we have enough earnings from the legacy to take care of the other things too. We want to make sure it is being used. The BND that has the people who do this all the time and they would be vetting this thing. We are talking about bringing people to consult such as retired engineers who could look at this and determine if it is way out of line or not.

Senator Dever: You talk about Prairie Dogs 1, 2, and 3. Is the passage of each combined with the others?

Senator Wardner: The other two are lumped in one bill. To them, if you pass one, you pass the other. This one is independent. If this one went down, that one could pass and if that one went down, this one could pass. They are independent of one another. I had it down in one bill but it was too big and I realized it needed to be in two bills.

Senator Grabinger: If this is successful, is the industrial commission going to make the final decision of where the money goes?

Senator Wardner: It would be done at the bank itself. We wouldn't be having the industrial commission. They oversee the bank. We have had a lot of meetings and visit with them. I'm confident they'll do a good job. They are interested in helping the people of the state with these projects.

Kelvin Hullet, Bank of North Dakota

Attached # 3 – Legislation Proposing Bonding in the 2019-2021 Legislative Session

Attached # 4 – Legacy Fund – Bonded Debt Service Requirements by Biennium (SB 2268 & SB 2275)

Attached # 5 - Proposed Amendments to SB 2275 and 1st Engrossment of SB 2275.

These are technical changes to the bill so it works properly.

Refer to Attachment #3 – Page 1. We have worked with individuals on the industrial commission to identify what the bills are that have some sort of bonding involved in them this session. SB 2214 was passed by the Senate. It provides a similar into the school construction fund. It bonds \$25 M and allows us to utilize up to \$240 M to provide principle into the school construction assistance revolving loan fund. The two bill that relate to the Legacy Fund were SB 2268 and SB 2275. Regarding the bottom charts on this page, we only have a certain amount of earnings coming over from the Legacy Fund. As we look at the first biennium, is there a way to schedule this out so we can build ourselves into that payment.

Refer to Attachment #4 – Page 1. There are three bond issues that lay out how we would time out the bonding on the infrastructure revolving loan fund and on the quarters of commerce bill. This timing allows us to not need the full \$55 M in the first biennium. If you look at the biennial debt service requirements for the 1921 biennium, you will see it is about \$25 M. Based on the timing, we wouldn't need the full appropriation in that first biennium. It would allow us to make the interest payments and the principle payments in that first biennium at about \$25 M. We would step into that full payment over the course of the next biennium to that \$68 M. We have tried to structure this so as you think about your appropriations and how you want to utilize the Legacy Fund earnings, in that first biennium, we would not need that full appropriation. We could step into it over the course of a few biennia.

Refer to Attachment #5. We have been working with the bond council for the BND who handle all of our loans out of the School Construction Revolving Loan Fund and also out of the Infrastructure Revolving Loan Fund. We have also been working with the Public Finance Authority and their bond council who will be the people who go sell these bonds into the marketplace. We have been running all of the versions of the bills by them. We are trying to create a unified structure within the various bonding bills so we have the same language in all of them. We have provided you with some technical amendments that relate to various things within the bill. If you look at Page 12 – Line 12; this is a material change. Legislative Council was utilizing consistent language across the board. The first bill they used was the Department of Transportation, related to the various funds. We are pulling that department out of 2214 and putting in the right language. One of the conversations is to consolidate State Water Commission's Revolving Loan Fund into this Revolving Loan Fund. That is what this amendment would do on. On the idea of utilizing the BND line of credit, in talking with the bond council, we have the ability to do anticipating financing. We would issue bond anticipation notes, or we could do a line of credit depending on which was the better deal for the community based on the interest rate at the time. We would manage that to make sure we provided them with the best deal we could.

Senator G. Lee: Is the BND transfer; the Resources Trust Fund Loan, is that the \$26 M one?

Kelvin Hullet: Yes. Today the State Water Commission has a Revolving Loan Fund of \$26.5M. In the bill, when we issue the first set of full bonds, we would reimburse the State Water Commissioner and buy the loans from them. We'd move those into the Infrastructure Revolving Loan Fund. They would become an asset of the fund. The State Water Commission and the Legislature would have \$26 M to utilize back into the Resources Trust Fund.

Senator Mathern: Where is the state bonding bank in all this?

Kelvin Hullet: That is the Public Finance Authority. The name changed in 2005. The State Bonding Bank became the Public Finance Authority.

Senator Mathern: Where is the PFA in all of this process?

Kelvin Hullet: If you approve this measure and tell the BND we are going to capitalize the Infrastructure Revolving Loan Fund, we would work with DeAnn in the Public Finance Authority and stage out our bonds. DeAnn would be the one who goes to the market with the bonds and sells those into the market and then brings us back the proceeds. There are appropriation bonds so the Legislature would have to appropriate every biennium. The PFA will hold the payment in escrow. We will make the bond payments and we will come each session to ask for the appropriation from the Legislature to make the payments.

Senator Mathern: That agency will go to a private firm to get an assessment to actually buy the bonds. That costs a bunch more money. Why do we need those three layers? Why don't we simplify this? Isn't there a way, in terms of the expertise of our state agencies, to actually do this without someone getting so much percent off the top?

DeAnn Ament, Executive Director, ND Public Finance Authority

No written testimony.

Our agency issues bonds depending on the needs for the State Revolving Fund Program and for our Capital Financing Program. We rely on the expertise of financial advisers, bond council, and engineers. We are not in the market every day. We don't have the knowledge of what the market is looking for – it changes from time to time. Bonds are selling and then they put out a \$.05 coupon from year 1 to year 30. I have a staff of 2. With that financial advisor, it isn't just one person. We have access to a firm that is issuing bonds all across the nation. Even with bonding we are talking about, we are not going to be in the market on a monthly basis. I do not know if it is cost effective to have all that expertise that we are paying 365 days a year when we have access to people who deal with bond issues and purposes all across the nation.

Senator Mathern: I thought between you and the BND, there would be plenty of expertise.

DeAnn Ament: We do feel well versed. We don't have the subscription to DTC or the access to these places that we need to put all this information out and don't know if it would be cost effective.

Senator Mathern: We have the money to back it up. It bothers me to see that everyone else is going to get a cut of this action. I think we can manage it ourselves, but I understand your point of view.

Senator Grabinger: Looking in your amendments, I see you are striking "political subdivisions" and putting in "counties". Why are you limiting this to the counties? What is the reasoning behind this?

Kelvin Hullet: In the opening section of the bill on line 6 is where we put counties in. We did that because we are changing the abilities of counties to access the Infrastructure Revolving Loan Fund. While we are making loans from the BND to communities and counties, the repayment is in the form of a bond. With the counties, based on NDCC they have not been able to borrow for more than 5 years using their existing general fund revenues and they can't access the revolving loan fund. This lets them do this for up to 20 years and use existing fund revenues to make that payment. To utilize a new revenue source, they'd still have to go to a vote. This also doesn't eliminate cities.

Jed M. Shivers, VP of Finance and COO, UND University of North Dakota

Testimony in support of SB 2275 - Attached # 6

We are here to tell you that we're supportive of this bill. From a controlled perspective, our understanding is that we would first work through the State Board of Higher Education and the Chancellor's Office to ensure they view that we have the financial ability to defray the principle in interest on these payments and also to ensure the projects were meritorious from the state boards perspective. We would go through the regular application process as noted in the current version of legislation with the BND. There would be plenty of controls in place. This would be beneficial not only to UND but also our sister institutions of higher education.

Michael C. Pieper, Associate VP Facilities, University of North Dakota

Testimony in support of SB 2275 - Attached # 7. We have an excess of \$300 M in non-building infrastructure. Not everything would qualify for this program. We have looked at our current needs and the needs over the next 10 years. We will have to invest around \$90 M in our non-building infrastructure. The last few summers, we have had extremely good bids. We spend up to what we can with our local fund. This program would allow us to go into the market at a time when construction is cheap and maximize that. We can offset potential construction inflation that is occurring. We see 10-20 percent increase in costs when we phase in stage work. If the market is good and so are the construction rates, this would allow us to improve our economy scale and reduce our overall costs.

Chairman Holmberg: Are you suggesting that you have additional amendments to the bill?

Jed Shivers: No, I was just pointing out areas we were concerned about in the bill.

Robert Harms, Taxpayer in ND

Testimony- Attached # 8 - Policy guidance handed out to legislators this session. I was a member of the Legacy Fund committee that helped get the Legacy Fund on the ballot in 2008 and 2010. We have reconvened many of the original members of the committee to help people remember what we did in 2010 and what the voters approved with a supportive vote of 64%.

Refer to the attachment. The "Save Most of Earnings" came from a project that was completed in 2014. There was a couple dozen people who were put together and spent months working on trying to develop a policy guidance for ND in terms of what do we do with the Legacy Fund in the long term. They suggested that 75% of the earnings should be banked as opposed to spending all the earnings. We were concerned about 2275 that contemplates tapping into the earnings to fund the bong issue. We do not have a problem with that. That would be a policy decision for the legislature. We are concerned about the long term

implications that we use earnings of the Legacy Fund to pay debt for. This is about the money not the policy. This bill does tap into the earnings at about \$55M annually. That has an effect on the long term implications of the Legacy Fund. We're just concerned that paying these bonds; these earnings would go to pay the bond debt.

Senator Dever: I thought the legislature put the Legacy Fund on the ballot.

Robert Harms: The legislature approved a resolution to put it on the ballot. That was also done in 2008 in which it was defeated. We came back, worked with the legislature, designed the resolution that was put on the ballot, then we lobbied the public to support the measure.

Senator Dever: One of the provisions in the measure was that the earnings flow to the general fund. In a subsequent session, there was a bill to put the earnings back into the fund and make it a permanent part of the fund. The fund would just grow and those moneys would not be available for the use of general fund budgeting. Part of the consideration was that the constitution says it goes into the general fund. Had the bill passed, it would have been unconstitutional.

Robert Harms: I am not sure I can answer that question in terms of the various iterations the bill had. What we have today in law, is the Legacy Fund. By design, the legislature is to have the authority to use Legacy Fund earnings as the legislature in 2019- 2035 sees fit. That was why we drafted the bill and maximize the flexibility of legislators in the future for future generations.

Senator Poolman: You have the list of the founder's committee. So do you speak for all the people on this committee?

Robert Harms: Some have met and some have participated in discussions. I'm speaking for myself at the moment but the policy has been vetted by the group that has been meeting for the last few months.

Senator Poolman: All these people are against the bill?

Robert Harms: No. I cannot say that. It is not my intent to suggest that.

Senator Poolman: Then why would all their names be on the testimony?

Robert Harms: We provided those names for the legislature to understand who was involved in forming the Legacy Fund 8 years ago.

Senator Wanzek: When I think of the Legacy Fund, I think of the analogy of growing the farm that we have created over the last 30 years of my life. I have always heard that you need to protect the land and it's a key to the future. If there weren't times that I hadn't expanded I would have never had the ability to grow. Do you see some merit to this bill as long as it is logical and well thought out? I utilized equity in other land to buy another quarter. That is what I am seeing here. I appreciate the intent of the Legacy Fund. We are not touching the principle and that is key to me.

Chairman Holmberg: Closed the hearing on SB 2275.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2275
2/13/2019
Job # 32669

- Subcommittee
 Conference Committee

Committee Clerk: Rose Laning

Explanation or reason for introduction of bill/resolution:

Relating to the infrastructure revolving loan fund debt repayments

Minutes:

Legislative Council: Adam Mathiak
OMB: Larry Martin

Chairman Holmberg called the committee to order on SB 2275.

Senator Robinson moved to accept the amendments requested by the Bank of North Dakota and be drawn up by Legislative Council.

Senator Poolman: Seconded the motion.

Voice vote carried.

Senator Robinson: Moved Do Pass as Amended on SB 2275.

Senator Poolman: Seconded the motion.

A Roll Call Vote Was Taken: 14 yeas, 0 nays, 0 absent.
Motion carried.

Senator Unruh from Finance & Tax will carry the bill.

Chairman Holmberg: Closed the hearing on SB 2275.

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PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2275

- Page 1, line 6, replace "political subdivisions" with "counties"
- Page 3, line 28, remove "for political subdivision utility and transportation projects"
- Page 4, line 13, remove "for political subdivision water projects"
- Page 5, line 29, after the second "the" insert "transferred"
- Page 5, line 31, after "6-09-49" insert "and to use the transferred proceeds to support the resources trust fund"
- Page 6, line 6, replace "department of transportation" with "Bank"
- Page 6, line 11, replace "department of transportation" with "Bank"
- Page 9, line 10, remove "Legacy "
- Page 9, line 11, replace "fund earnings" with "Resources trust fund"
- Page 9, line 14, after "fund" insert "and the resources trust fund"
- Page 11, line 8, overstrike "subsections 1" and insert immediately thereafter "subdivisions a"
- Page 11, line 9, overstrike "5" and insert immediately thereafter "e"
- Page 12, line 9, replace "Bank of North Dakota" with "state water commission"
- Page 12, line 17, after "fund" insert "and the resources trust fund"
- Page 12, line 18, after the period insert "Of the total evidences of indebtedness issued by the public finance authority, an amount equal to the transfer under section 10 of this Act must be used to support the resources trust fund, and the remaining amount must be used to support the infrastructure revolving loan fund."
- Page 12, line 19, after "years" insert ". The public finance authority may issue bond anticipation notes for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance"
- Page 12, remove lines 20 through 29
- Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment expands the bonding authorization to allow the bond proceeds to be used to support the resources trust fund, authorizes the public finance authority to issue bond anticipation notes, and provides other minor corrections.

Date: 2-13-2019
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2275

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: BND amendments

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider to be drafted

Motion Made By Robinson Seconded By Poolman

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 passed.

Date: 2-13-2019
 Roll Call Vote #: 2

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2275**

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 Robinson Seconded By Poolman

Senators	Yes	No	Senators	Yes	No
Senator Holmberg	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator Grabinger	✓	
Senator Wanzek	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Poolman	✓				
Senator Bekkedahl	✓				
Senator G. Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Finance & Tax

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

REPORT OF STANDING COMMITTEE

SB 2275, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2275 was placed on the Sixth order on the calendar.

Page 1, line 6, replace "political subdivisions" with "counties"

Page 3, line 28, remove "for political subdivision utility and transportation projects"

Page 4, line 13, remove "for political subdivision water projects"

Page 5, line 29, after the second "the" insert "transferred"

Page 5, line 31, after "6-09-49" insert "and to use the transferred proceeds to support the resources trust fund"

Page 6, line 6, replace "department of transportation" with "Bank"

Page 6, line 11, replace "department of transportation" with "Bank"

Page 9, line 10, remove "**Legacy** "

Page 9, line 11, replace "**fund earnings**" with "**Resources trust fund**"

Page 9, line 14, after "fund" insert "and the resources trust fund"

Page 11, line 8, overstrike "subsections 1" and insert immediately thereafter "subdivisions a"

Page 11, line 9, overstrike "5" and insert immediately thereafter "e"

Page 12, line 9, replace "Bank of North Dakota" with "state water commission"

Page 12, line 17, after "fund" insert "and the resources trust fund"

Page 12, line 18, after the period insert "Of the total evidences of indebtedness issued by the public finance authority, an amount equal to the transfer under section 10 of this Act must be used to support the resources trust fund, and the remaining amount must be used to support the infrastructure revolving loan fund."

Page 12, line 19, after "years" insert ". The public finance authority may issue bond anticipation notes for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance"

Page 12, remove lines 20 through 29

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment expands the bonding authorization to allow the bond proceeds to be used to support the resources trust fund, authorizes the public finance authority to issue bond anticipation notes, and provides other minor corrections.

2019 HOUSE APPROPRIATIONS

SB 2275

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2275
3/12/2019
33551

- Subcommittee
 Conference Committee

Committee Clerk: Risa Bergquist

By: Elaine Stromme

Explanation or reason for introduction of bill/resolution:

Relating to the infrastructure revolving loan fund debt repayments. Relating to the infrastructure revolving loan fund, borrowing and lending authority, reserve funds, and expanded bonding authority for counties. Relating to a revolving loan fund for water projects; to provide a transfer; to provide a continuing appropriation; to provide a bond issuance limitation

Minutes:

Attachments: 1 - 14

Chairman Delzer: Called the meeting to order and reviewed the list of bonding bills. **(see attachment 1)**

22:10 **Senator Wardner:** Here to present SB 2275. **(see attachment 2)** Utilizing Legacy Fund Earnings as a repayment source for infrastructure funding.4:30 This matches up with the Prairie Dog bill, they work together.

Chairman Delzer: I thought the senate took the legacy fund out and changed it to the general fund. If you read the amended bill.

Senator Wardner: This is the way we had it to begin with.

Chairman Delzer: They also took out the Political Subs? This is based on what you originally put in, not what the senate has done?

Senator Wardner: Right. That might be changed, but the fact is the legacy fund goes into the general fund. Even though I say legacy, I understand it will probably come out of the general fund. 9:00 What is this legacy fund? Well that is what the people are asking. Why aren't we using the legacy fund to do something for the people? I think we need to promote this as a legacy fund project so the people can see that. I hope that if this bill is passed we will tell the people that this is coming from the legacy fund, so people will know they are benefiting from it.

12:00 **(Page 5 of attachment 2)**

Chairman Delzer: Is it earning interest or is it just committed?

Senator Wardner: Some of it is committed and some is earning interest. These are all 20 year loans. 14:15 Long after I am gone there will be a fund, it will be there forever for the citizens of North Dakota. **(Page 7 of attachment 2)** is the projection of the legacy fund through 2040. 16:40 If we get this done this is a one stop for people. We talk about the definitions in the bill. Minot and Fargo need to get flood control taken care of; we also have the Red River Water Supply. Is there enough here? No. Fargo said they could use it all. We have to take care of these things. When we take a look at this bill it also helps the higher education. NDSU and UND said that the cities don't take care of our streets on campus, of course, they will have a plan to pay that back. **20:00** The Bank of North Dakota will administer the funds, our biggest concern is that we would bond this money and then it would just sit there and not be used. Legislature will be asked to appropriate the \$55,000,000 each session, over the next 20 to 30 years. The North Dakota League of Cities did some evaluation of the question and the need for infrastructure would be \$4,000,000,000 over the next decade. We have to take care of our cities.

22:15 **Chairman Delzer:** This is another one of those that has that language in it saying that; is trying to say it's an appropriation bond instead of a general obligation bond, but in your opinion we have to pay it. Is that correct?

Senator Wardner: Yes, if we pass the bill, I would think we would.

Chairman Delzer: Yet there is language in there that says if future legislature decides not to pay it the bond is terminated and whoever bought the bond is stuck with it. How do you justify that?

Senator Wardner: We could correct that.

Chairman Delzer: On Page 2 of the bill sub section 6 and 8 are 30 years; and the maximum under 7 is 40 years, so some of these could be a 40-year loan?

Senator Wardner: I think we put that in there as an option.

Chairman Delzer: Ok, but then you limit them to \$25,000,000 per applicant. Please describe what you consider to be an applicant. Do you see the City of Minot or the City of Fargo being able to be multiple applicants?

Senator Wardner: An example would be if the city of Fargo would apply for a flood they would get \$25,000,000. That would be it.

25:20-28:20 **Blake Cosby, Executive Director of the ND League of Cities (IRLF): (see attachment 3)** in support; This is North Dakota, investing in itself.

Chairman Delzer: Have you had any discussions about when a city would default on this?

Mr. Cosby: No, we have not, if the Bank of North Dakota has any inkling of default they will not approve the loan.

Chairman Delzer: That's true but things change, we don't know 20-30 years down the road.

29:50-35:30 **Shaun Sipman, Mayor of Minot: (see attachment 4)** in support; The key funding mechanism in this Bill is the issuance of bonds by the public finance authority.

Chairman Delzer: If you are limited to \$25,000,000 that doesn't go very far for you.

Mr. Sipman: That may have been a miss read. My understanding was that there was a separate amount for water or flood control projects.

Chairman Delzer: That is the question, where do we stop? How much do we let one community get? How much did you figure you were going to access? I would have a hard time with one or two cities taking all of this.

Mr. Sipman: My response to that would be in terms of the ratio of these projects. What is the risk? The risk is still there whether it is in the open bond market or the earnings of the legacy fund. It would benefit every tax payer in North Dakota.

Representative J. Nelson: My understanding with the Northwest Area Water Supply,(NAWS) funding proposal, what area do you not have covered with NAWS? What other local needs do you have for NAWS?

Mr. Sipman: We have other construction aspects to be completed in connecting cities.

39:11- 43:00 **Kelvin Hullet, Bank of North Dakota;** refers back to **(attachment 2 page 3)**. We will have to have some discussion on how we want to appropriate this fund.

Chairman Delzer: The bill limits are \$25,000,000.

Mr. Hullet: That is just for the critical.

Chairman Delzer: On Page 5; of SB 2275, you are not putting in anything about annual repayments, how much is it?

Mr. Hullet: They are maximum 30 year loans. We have about a million dollars coming in a year.

Chairman Delzer: Only a million dollars on a 30 year note when you have over one hundred million dollars out? Would that be just principle or principle and interest?

Mr. Hullet: We have about 80 million dollars out there and those are just starting repayment. That would be principle and interest coming in right now.

43:25-48:05 **Kent Costin, Finance Director of the city of Fargo: (see attachment 5)** in support; This bill will save the water supply project \$385 million in interest by using the State controlled 2% rate.

Chairman Delzer: You're hoping to borrow states money at 2% so you can match the state and the state will have 100% with the exception of the 2% in that water project?

Mr. Costin: I don't believe it will all be cash funded by the state.

48:40-52:30 **Maureen Storstad, Finance Director for the city of Grand Forks: (see attachment 6)** in support; This is critical to its affordability to end users.

Chairman Delzer: You have used the existing loan program? And what for?

Mrs. Storstad: We have various infrastructure projects that help get infrastructure out to our water treatment plant, we took the additional \$15 million that was available to us, we have drawn \$12.1 million of that \$15 million.

Chairman Delzer: You are saying you are 37 of the committed that they are talking about?

Mrs. Storstad: We have total committed 15 million at this point. The projects just haven't been completed at this point. This is for infrastructure needed to get out to the rural areas, and other key areas of our city.

53:10 **Representative Schmidt:** We recognize The Red River Valley Water Supply Project as a supplemental water supply, are you viewing it as a supplemental water supply?

Mrs. Storstad: We view it as a water supply that we can use in case of a drought.

Representative Schmidt: The Red River Valley Water Supply Project, the state is picking up 90% and NAWS is supposedly picking up 10%.53:48. We came to the last session with a 30-million-dollar grant, with a gentleman's agreement that NAWS would pick up at least about 10% of those dollars. We have not seen anything in the state water commission budget, where that has been met at all. Right now in this bill the water commission is 80/20. What happens if you don't get 80/20?

Mrs. Storstad: We have done the analysis for what the impact would be for a 75/25 and so we are ready in case that were to happen.

Representative J. Nelson: You mentioned the 80/20 cost share, I don't care if you use the bonding mechanism for the local share because that is Grand Forks money, that's what it's used for. What is the cost of water from the Red River Valley Water Supply(RRVWS)?

Mrs. Storstad: With the 80/20 share we are looking at a 14% increase in our water rates. We can follow up on just the cost of the RRVWS.

56:40-59:30 **Chad Peterson, Vice Chairman of Cass County Commission: (see attachment 7)** in support; It preserves principle dollars and future revenue is predictable.

Chairman Delzer: If we were a little patient with this within 2-3 biennium we would be able to put cash out there and wouldn't even be looking at bonding.

Representative Schmidt: In the bill it states about subdivisions having an opportunity to borrow this. You have four water resource districts in Cass County. Each one is a political sub, if they could afford it each one of those could borrow \$25 million and the city could borrow \$25 million is that a thought in your mind?

Mr. Peterson: No sir. I was thinking state wide.

Representative Schmidt: We heard at the State Water Commission Budget that the P3 for Fargo was dependent on the legislative intent to fund part of the project. Wouldn't this way be more solid for your P3?

Mr. Peterson: In theory what you are saying is correct.

1:01:30-1:02:35 **Jerry Blomeke, General Manager of the Cass Rural Water Users: (see attachment 8)** In Support; It is an opportunity to fund the State of North Dakota's legacy water projects.

1:02:52-1:05:10 **Jed Shivers, VP Finance and COO UND: (see attachment 9)** We have water lines and streets that need to be repaired. We have to go through several steps to make this happen, but the main thing with this bill would be affordability. Repaying debt is our highest priority, we budget for this, in order to defray principle.

1:05:30-1:06:45 **Michael C. Pieper, Associate VP Facilities at UND:(also attachment 9)** Our permits are separate from the city of Grand Forks. We will do a multi-phase water line replacement, at a minimum we see about a 10% cost.

Representative J. Nelson: When you replace water lines, or sewer lines, does the city partner with you? So if it is on the City of Grand Forks Easement then that is the city's responsibility?

Mr. Pieper: Yes. We have, strictly private water and sewer lines and roads then we have other lines that are partnered with the city. So that is dealt with through a special assessment

Representative J. Nelson: You also mentioned the streets.

Mr. Pieper: Yes, most of everything South of the campus is private roads, so that would be 100% cost to the University.

Chairman Delzer: Your water and sewer is all tied up with the city, right?

Mr. Pieper: Yes.

Chairman Delzer: You pay for the water at the initial point, not at the distribution point?

Mr. Pieper: Correct.

1:09:00-1:11:45 **DeAnn Ament, Executive Director of the North Dakota Public Finance Authority**, Reviews the proposed amendments, **(see attachment 10)**

Chairman Delzer: Do you see that the state is responsible for these bonds if they do go out?

DeAnn Ament: It is my understanding that is being determined by the Attorney General. So until we get the Attorney General's opinion that language was provided by our bond council.

Chairman Delzer: The new language **(on page 6 of bill)** would say to me, whoever buys them are stuck with them if no payment is made.

DeAnn Ament: An opinion has been requested and the language in there is what has been provided by our bond council. That is standard appropriation language.

Chairman Delzer: It is entirely different than what has been the appropriation language for a long time. It will be interesting to see what the Attorney General has to say.

Representative Schmidt: So what you are proposing to do is basically buy that loan from the State Water Commission and then put \$26 million dollars into the trust fund. Is that correct?

DeAnn Ament: Yes, the bond proceeds would be used to pay back the trust fund monies, and the loans would be held in this revolving loan fund.

Representative Schmidt: How many dollars are you talking about putting back in?

DeAnn Ament: I would have to defer that question to the State Water Commission and the Bank of North Dakota. Our responsibility is to issue the bonds.

Representative Schmidt: When that was established it was the intent that some of those interest dollars should go into the resources trust fund and I would like to see some of those interest dollars in there.

DeAnn Ament: This question would be for the State Water Commissioner.

Chairman Delzer: If these are considered to be appropriation bonds, in my mind, if the state of North Dakota ever sells bonds we might as well stand up and say we are going to pay for it. So there are moral obligations. What would happen if the state's bonds were sold and 2 or 4 or 6 sessions later the payment was not made and they were considered void?

DeAnn Ament: The state would have a hard time selling bonds again if they ever defaulted on a bond issue.

1:16:10-1:17:50 **Lance Gaebe, ND Water Coalition: (see attachment 11)**, We support the efforts conceived in SB 2275 to establish creative finance options for important water infrastructure projects.

1:18:00 -1:18:00 **Fritz Weisenberger: Mayor of Stanley, ND; (see attachment 12)** Is an example of small town need for financing for infrastructure improvement.

1:18:10- 1:20:45 **John Schockly, General Counsel for the Metro Foot Diversion Authority;** I am appearing before you to request a clarification as you consider your SB2275. To allow issuers that are in these long term construction projects that you have heard about that have issued temporary debt. For example, the city of Williston is taking on a large airport project, they have issued a temporary debt through the Bank of North Dakota, could we refinance these projects through the low interest long term loans? The other question I have is regarding the SM Diversion, that there be additional legislative intent moving forward, that if you approve this bill that the Diversion Authority could also utilize the long term program.

Chairman Delzer: Shouldn't they have something in place for after the short term construction was up? 1:20:51

John Schockly: So often short time issuers will issue temporary debt to pay the local share for these large projects, the local share is the portion they have to repay after state and federal funds, and often they are not sure what that final number will be. They may have intended on using sales tax or a different revenue source. This would provide a repayment method that would save the tax payers money.

Chairman Delzer: Shouldn't they have that in place as how they were going to refinance that when they get the short term loan?

John Schockly: Yes, it would be a savings to the tax payers in reducing the interest rate and making these projects more viable by reducing the long term debt obligation. Using the city of West Fargo as an example; They are currently constructing a large over pass. The city was able to sell temporary refunding improvement bonds that have a fantastically low interest rate. The construction project will take three years. If the city of West Fargo could utilize this program to repay that temporary debt that would be a direct savings passed on to the tax payers by reducing the interest rates on their special assessments. This is just a request to clarify the language that will allow this to happen.

Chairman Delzer: You don't see that as viable use the way it is currently written?

John Schockly; Not currently. It is not clear that you could use it to refund temporary debt.

1:23:20 **Mary Meridian, (see attachment 13) Handed out Testimony from Keith Nilson, a Walsh Rural Water District and Lake Agassiz Water Authority Board Member.** In support.

Chairman Delzer: Any other testimony? Opposition? Seeing none.
We will close the hearing on SB2275.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2275
3/21/2019
34127

- Subcommittee
 Conference Committee

Committee Clerk: Risa Bergquist

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 6-09.4-28 of the North Dakota Century Code, relating to the infrastructure revolving loan fund debt repayments; to amend and reenact sections 6-09-49, 6-09.4-06, and 6-09.4-10, subsection 6 of section 21-03-07, and sections 21-03-19, 57-15-06.6, and 57-47-02 of the North Dakota Century Code, relating to the infrastructure revolving loan fund, borrowing and lending authority, reserve funds, and expanded bonding authority for counties; to repeal section 61-02-78 of the North Dakota Century Code, relating to a revolving loan fund for water projects; to provide a transfer; to provide a continuing appropriation; to provide a bond issuance limitation; and to provide an effective date.

Minutes:

Chairman Delzer: Called the meeting for order for SB 2275. This is the bill with 500 million dollars of bonding. I do have council doing some research about on whether or not the bank can borrow to political subs. The fact of the matter is in SB 2275 there is 500 million dollars. It would amount to 55 million a biennium but that would only do 406 million. If we wanted to do the 500 million it would be 60+ million dollars cost per biennium. These are 30-40 year loans so it's going to be 15 years or better. I do not believe that we as a legislature can put future legislatures in a position where they would have to spend 55-65 million dollars a biennium for 15 years so political subs can borrow at a lesser interest rate. There is language in this bill that says if the state decides not to appropriate the money the bond is terminated. I don't understand how that works. When the state makes the bond I think the state should pay for it.

2:25 Representative Monson: I can't support this bill with the bonding, this mooring in the water bill I was thinking is there a way that these political subs could go directly to the Bank of ND.

Chairman Delzer: That's what we are finding out and I believe that they can but would have to pay a higher interest rate. I think the bank wants this because if we bond for it we are responsible for it, if it's a loan and it goes south they are out. I think bonding this kind of money is irresponsible, it's way too much.

Representative Beadle: With the request to the Bank of North Dakota to be able to make the loan and do it with political subs, are they also seeing the impact of doing the equivalency of doing this kind of loans, the 500 million, what would that do to their capital ratio?

Chairman Delzer: I don't believe, with the interest rate that they charge it probably wouldn't make any difference. The council is just searching the laws.

Representative Beadle: If we give them that authority the bank could be limited by various capital requirements do actually do those loans.

Chairman Delzer: I would say not because they are at 12%, 10 is high in the industry 8 is considered not good. There is still a little bit of room there with the bank.

Representative Monson: I would go as far as buying it down a little bit to buy down and make it a little cheaper.

Representative Kempenich: We did this when the legacy first started, then we looked at buying some of that down because we were looking at how we could invest back into the state. I think we should have the money before we start bonding.

9:15 Chairman Delzer: There is a bill that requires a certain percentage, it's on the calendar already.

Representative Monson: I would like to see some kind of low interest loan maybe but that's it. I'll make the **Motion for a DO Not Pass**

Representative Vigesaa: Second

Chairman Delzer: Motion for a do no pass, any further discussion on the motion? Seeing none we will take the roll.

A Roll Call vote was taken. Yea: 15 Nay: 3 Absent: 3

Motion Carries, Representative Delzer will carry the bill.

Chairman Delzer: With that we will close this meeting.

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

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2275**

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 Monson Seconded By Representative Vigesaa

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

Total (Yes) 15 No 3

Absent 3

Floor Assignment Representative Delzer

Motion Carries

REPORT OF STANDING COMMITTEE

SB 2275, as reengrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **DO NOT PASS** (15 YEAS, 3 NAYS, 3 ABSENT AND NOT VOTING).
Reengrossed SB 2275 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

SB 2275

Introduction to SB2275

Mr. Chairman: Good Morning. I am here today to introduce SB2275.

This bill represents a new approach to infrastructure funding by enabling the state to utilize bonding to capitalize the Legislature's Infrastructure Revolving Loan Fund administered by Bank of North Dakota. I realize this is a dramatic shift in philosophy from past legislatures in that it embraces the idea of using long-term debt as a mechanism to provide funding.

I'm sure your first question is, "Why would the state want to incur debt instead of paying cash for infrastructure? Let me provide a few thoughts:

1. If you recall, during the height of the boom, the Legislature appropriated over One Billion in cash for infrastructure projects. While this was great at the time, when the downturn occurred in 2016, a teaching moment occurred. Imagine the difference in the 2017 Legislative Session had we chosen to bond for part of the infrastructure projects and maintained a stronger cash balance.
2. Over the last year, I, and others in legislative leadership have engaged in numerous conversations with the Bank of North Dakota about how to better manage our infrastructure funding. As part of the conversation, we gained a better understanding of how to match the payments for infrastructure to the life of the asset. The infrastructure to be funded will serve a multi-generational purpose in North Dakota. Bonding allows for the multiple generations to participate in the repayment.
3. Bonding will enable local political subdivisions to address their needs in a shorter term. By enabling a shorter time frame for construction, the taxpayers will save on the cost of inflation on construction costs.

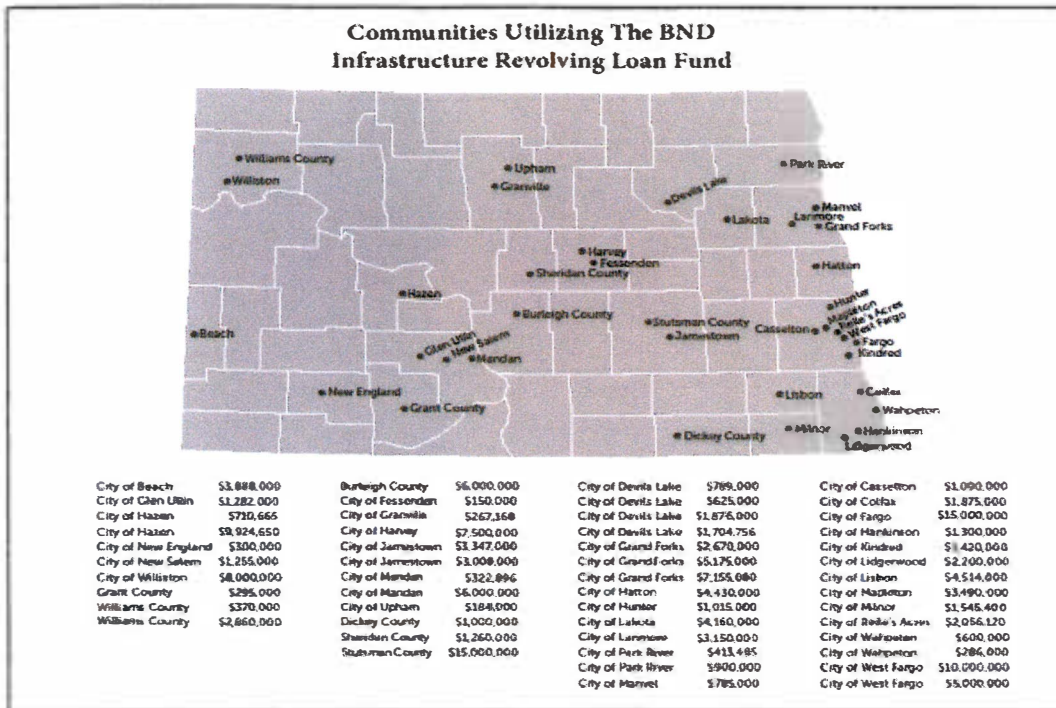
Past Legislative Actions

Before I go into more specifics about the bill, let me provide an overview of past Legislative actions related to infrastructure funding and creation of the Revolving Loan Fund administered by Bank of North Dakota.

- In the 2015 Legislative Session, the Infrastructure Revolving Loan Fund was created with an initial funding level of \$150,000,000. To provide the funding, \$50,000,000 was appropriated from the Strategic Investment and Improvement Fund and \$100,000,000 was appropriated from the Bank of North Dakota Profits.

In the initial program, the funding was to be used for development of new infrastructure. During the 2015-2017 interim, only \$34,000,000 was committed to communities. What communities conveyed back to the Legislature was the real need is repair and replacement of existing infrastructure.

- Based on that feedback, the 2017 Legislature amended the program to allow for repair and replacement. After this change, the September 2017 application round resulted in the remaining \$126,000,000 being committed to communities across the state. You can see on the map, where the existing \$150,000,000 is either being spent or is committed.



There are a few things I want to note for you about the existing program that will carry over if the Legislature moves forward in providing additional funding.

- The program is administered by BND but it is a coordinated effort among the various agencies that provide infrastructure funding. Applications are also reviewed and scored by the Department of Transportation, Health Department and Public Finance Authority.
- The state agencies coordinate funding on the programs to ensure an efficient use of all state's resources. The infrastructure revolving loan fund is utilized to fill in gaps for infrastructure that cannot otherwise be financed.
- In going forward, the agencies are actually cooperating together to create a "One Application" process enabling communities to fill out one application that will be reviewed by the various agencies. This will save significant time and resources in addition to enhancing the ability to coordinate resources.

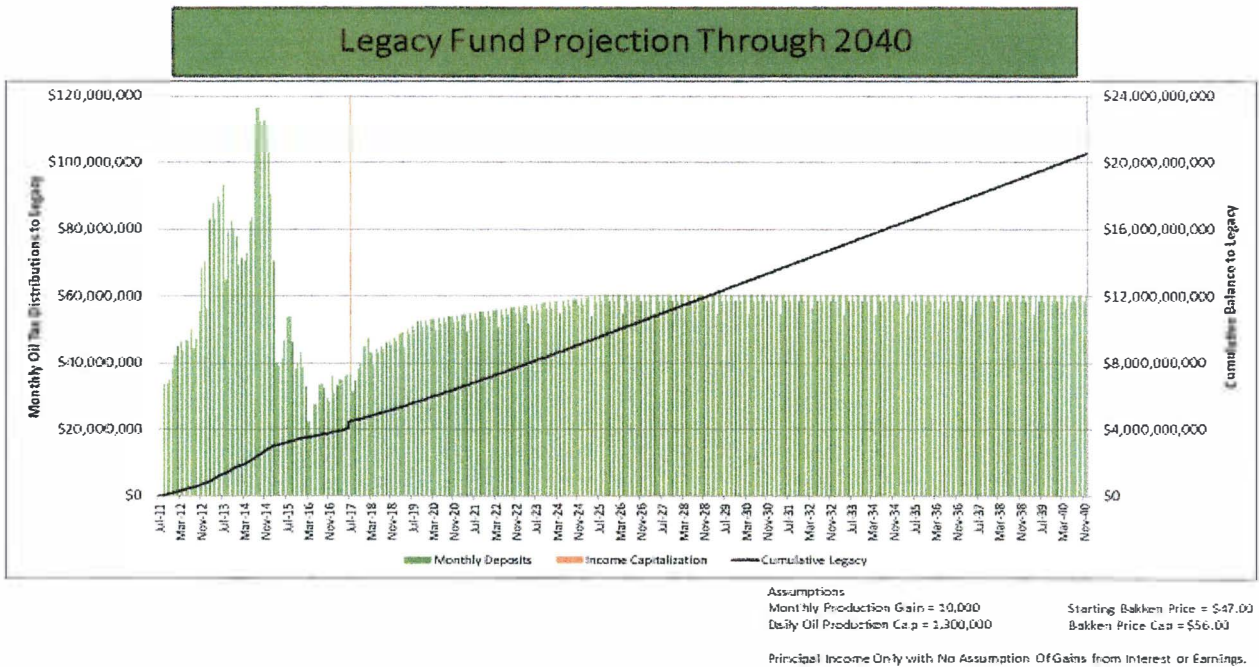
What is the Need?

That brings us to what I am assuming is your second question. What is the need in the state for infrastructure financing? There are others that will address this question, but in summary, the North Dakota League of Cities did some evaluation of this question. The answer is that it approaches Four Billion Dollars over the next decade. This does not include the large-scale projects such as flood diversion or regional water projects that total over Five billion dollars.

I realize these are large numbers and can seem overwhelming. The good news is that the local political subdivisions and state agencies are working together to address the needs in a structured way. The second part of the good news is the state can provide the resources to address these needs. The policy question before this body is are we willing to incur long-term debt and repay the loans while enabling local political subdivisions to borrow the money at a low interest rate?

Legacy Fund Earnings

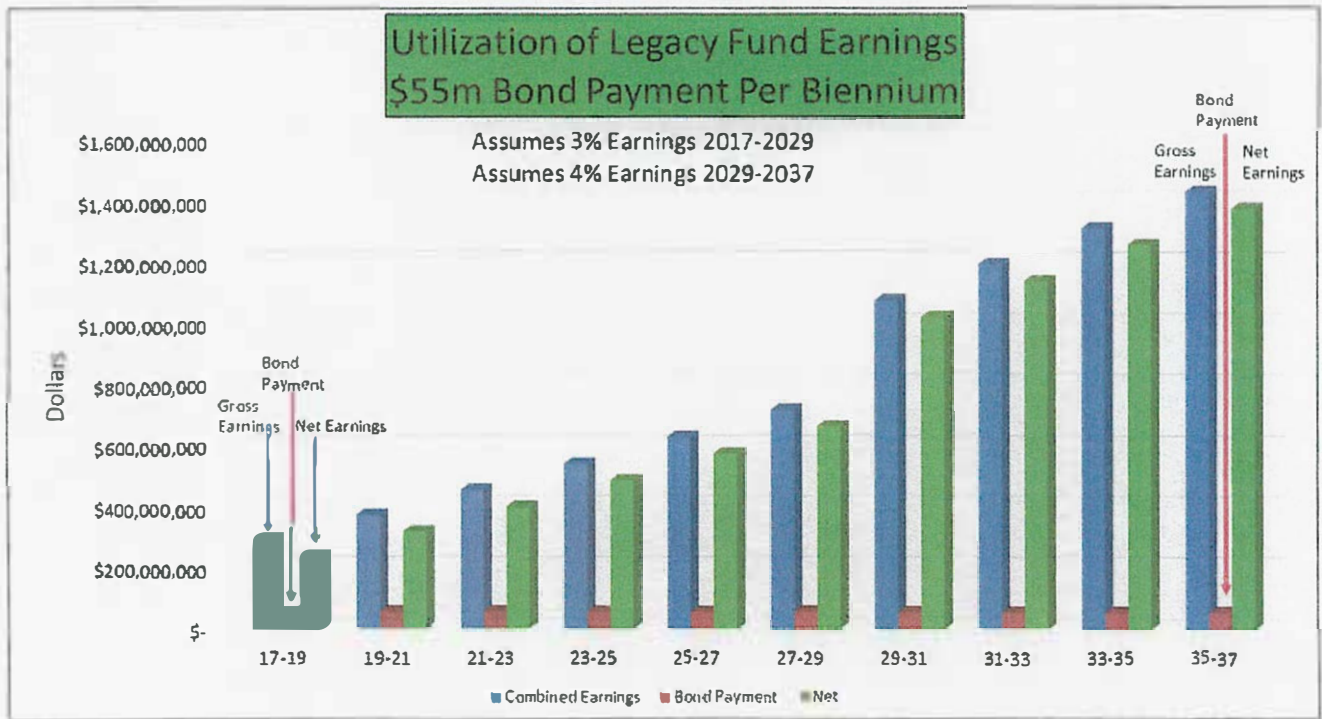
If you are listening to the discussion in the hallway, you know there are multiple ideas about utilizing the Legacy Fund and the earnings from the Legacy Fund. I believe it will be difficult to secure a 2/3 vote of the Legislature to access the principal. It is important we allow the corpus of the Legacy Fund to grow for future generations. As you can see, the fund could reach towards \$20 Billion by 2040.



While leaving the corpus to grow is important, there is also a need to enable our generation to participate in the benefits of this fund. In my opinion, the best approach for our generation is to maximize and leverage the use of the earnings. What is proposed in SB2275 is to use \$55m of the earnings as a payment mechanism for a bond to capitalize the infrastructure revolving loan fund.

Next, let me address the issue of the Legacy Fund earnings. Under the state constitution, the earnings from the Legacy Fund are transferred to the State's General Fund on the last day of the biennium. It is estimated this transfer will be somewhere between \$300,000,000 and \$400,000,000 million in this biennium.

The following graph provides an estimate for the growth in earnings transferred from the Legacy Fund to the General Fund over the next 20-years. As you can see, the earnings continue to grow reaching towards One Billion Dollars in the 2035-37 biennium. While \$55m is a considerable sum, over the long-term it is a small share of the earnings that will be transferred.

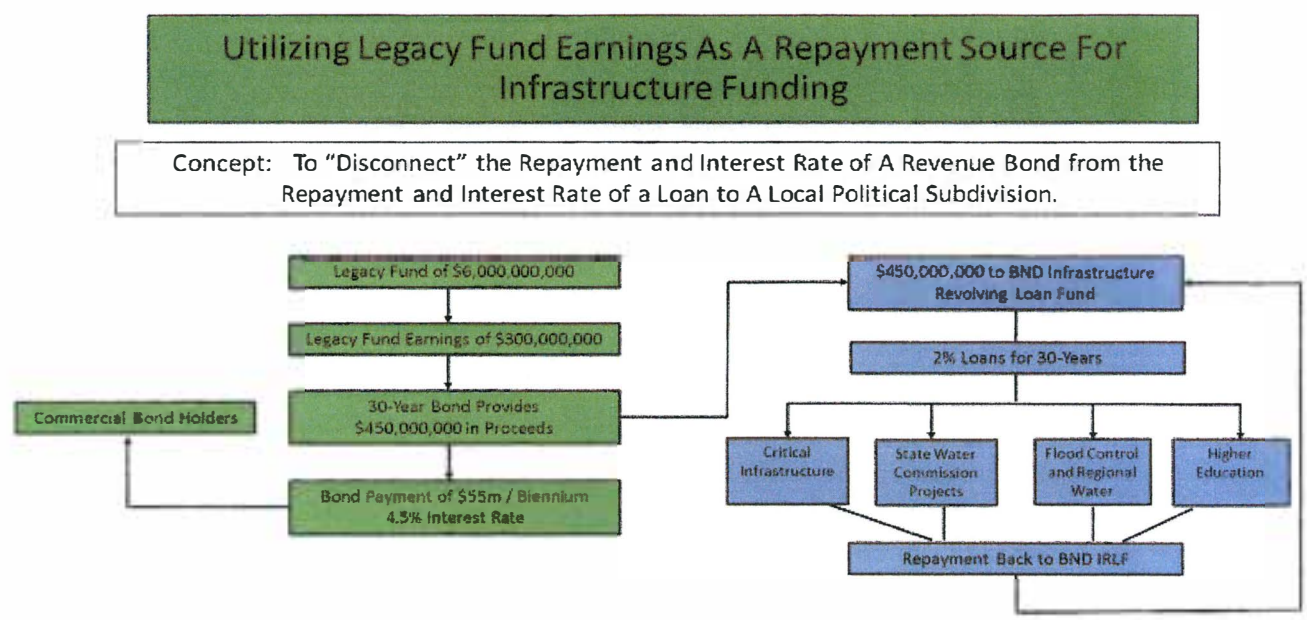


The Idea—Disconnecting The Repayment From Use of Funds

The heart of the idea embodied in SB2275 is to “disconnect” the repayment of the bond issue financing from the use of the funds received from the bond issuance. The following graphic demonstrates this idea.

As you can see on the left a bond could net approximately \$450,000,000 in principal to fund infrastructure. This long-term bond would be repaid at market rate through \$55,000,000 in Legacy Fund earnings over a 20 or 30-year timeframe.

On the right, you can see the principal is transferred into the Infrastructure Revolving Loan Fund. This funding is then loaned to local political subdivisions at a rate of 2% for up to a 30-year period. The repayments from the communities revolve back into the fund and can be lent again.



In review of the bill, there is a significant section on bonding and how it will be issued. I want to highlight a few of these provisions.

1. Bank of North Dakota will continue to administrate the fund and will direct the North Dakota Public Finance Agency to issue the bonds. It is anticipated there could be more than one bond issuance to ensure there is not idle money on which the state is paying interest but is not immediately needed.
2. As proposed in the bill, the bonds will be “Appropriation Bonds”. Others are here that can go into detail regarding why this type of bond is to be utilized. What I want to emphasize is that the Legislature will be required to appropriate the \$55,000,000 each session for payment of the bond. Under this proposal, we are obligating ourselves to this payment for the next 20 or 30-years.

Proposed Structural Changes to Fund

Next, I want to address some proposed changes to the fund. These changes are a result of conversations held over the last year with those using and administering the fund.

1. The first proposed change is to incorporate the State Water Commission Revolving Loan Fund into the IRLF. The Legislature created a revolving loan fund for the State Water Commission in the 2015 session. When the SWC provides a grant to a community, it can provide a loan for the remainder of the project revolving loan fund.

In the 2017 session, the Legislature appropriated \$26,500,000 from the Resources Trust Fund. If SB2275 is approved, the loans held by the State Water Commission will be “bought out” by the IRLF.

2. Second, the bill proposes to designate a portion of the proceeds for low-interest loans to communities with large flood control or regional water projects. This includes Fargo, Minot and Red River Water Supply Project. One thing to note is that these loans could be issued for 40-years as opposed to 30-years for other projects.
3. A third change enables higher education institutions to access the fund for infrastructure projects. These projects will match the definition used in the legislation for “essential” infrastructure such as sewer and water infrastructure. It does NOT enable higher education to use the fund for deferred maintenance of buildings or capital construction projects.
4. The bill enables Counties to borrow from the revolving loan fund for 20-years using their EXISTING general fund revenues as a repayment source. Currently, by statute, counties are restricted to only borrowing for a 5-year time frame.
5. I would note for you that the proposed infrastructure definition in SB2275 matches the definition for infrastructure used in the Prairie Dog.

Benefits to Taxpayers

Another key question for the Legislature is, "What is the benefit to our constituents?" To answer this question, I want to direct you to two graphics. This first is an overview of the Infrastructure Revolving Loan Fund through 2035 based on issuing the bonds with an influx of \$450,000,000. As you can see, assuming the money is revolved and relent, by 2035, over One Billion in loans will be issued to local political subdivisions.

I want to direct your attention to the graph showing the savings to North Dakota residents. Under this scenario, you will see taxpayers will have over \$500,000,000 in interest costs. In addition, by creating a way to accelerate the construction projects, the taxpayers will also save on the inflation costs by shortening the construction cycle.

Overview of Infrastructure Revolving Loan Fund Return on Investment

Current Status BND IRLF

Loans Funded:	\$80,922,793
Outstanding Commitments:	\$73,144,674
SIF Funds Used:	\$50,000,000
BND Funds Used To Date:	\$40,000,000
Remaining BND Funds:	\$60,000,000
Current Cash Balance:	\$12,929,379
Outstanding Loan Balance:	\$77,896,178
Fund Balance	\$190,470,850

Assumption

Bond	\$450,000,000
(Total Amount Advanced in 3 Years.)	

BND IRLF Evolution Through 2035

As of June 2021		As of June 2025		As of June 2035	
Loans Funded	\$154,067,447	Loans Funded	\$712,067,467	Loans Funded	\$1,061,115,291
Outstanding	\$338,772,368	Outstanding	\$642,002,404	Outstanding	\$746,153,284
Ann. Repayments	\$12,232,372	Ann. Repayments	\$30,652,562	Ann. Repayments	\$49,585,940
Loan Loss Res	\$5,081,585	Loan Loss Res	\$9,580,036	Loan Loss Res	\$11,192,900
Cash	\$271,122,357	Cash	\$537,906	Cash	\$222,680
Total Assets	\$604,813,140	Total Assets	\$632,910,274	Total Assets	\$735,183,664

Savings to North Dakota Residents

- Assuming a 4.5% Market Rate, Tax Payers Will Save \$527,852,894 in interest costs by 2035.
- Under the Assumptions, by 2035, the IRLF will have loaned over \$1B to local political subdivisions.
- Accelerated construction schedule protect against inflation and increasing costs of construction.
- The ability to borrow money as needed.

Note (Interest on \$1.03B / 20 Years @ 4.5% = \$882,971,755) (Interest on \$1.09B / 20 Years @ 2% = \$355,218,861)

The last graph I want to show you is the savings in interest rate costs for communities that borrow from the Infrastructure revolving loan fund.

Project Cost Comparison

<u>\$5 Million Dollar Project</u>	<u>30-Year Cost</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$6.63m	\$1,630,000	\$2,380,000
Market Rate Loan	\$9.01m	\$4,010,000	
<u>\$20 Million Dollar Project</u>	<u>30-Year Cost</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$26.53m	\$6,530,000	\$9,510,000
Market Rate Loan	\$36.04m	\$16,040,000	
<u>\$50 Million Dollar Project</u>	<u>30-Year Cost</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$66.32m	\$16,320,000	\$23,780,000
Market Rate Loan	\$90.10m	\$40,100,000	

Estimated Market Interest Rate 4.5%

Mr. Chairman, there are others that will testify on behalf of this bill. In addition, there are representatives here that can speak more to the bonding aspects of this bill and how that will work. If you have other questions, I am pleased to respond.

1
22 SB 2275 #2 pg. 1

January 22, 2019

SB 2275

Senate Finance and Taxation

Senator Dwight Cook, Chair

Chairman Cook 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 2275 as amended.

The bill has been well explained by the sponsor so I will not repeat any of the details. One thing I will mention is the life span of the infrastructure projects defined in the bill. We are talking projects that have a life span of 25 to 100+ years. Once those projects are completed, the project sponsor is responsible for operations, maintenance, and repair, and will allow for budgeting in their Capital Improvement Plan (CIP) for replacement at the end of the life span. Other than an emergency or catastrophic failure, the Legislature should not have to address these projects for many, many years.

Another critical point is this is North Dakota investing in itself...it is our money. Using the funds for infrastructure will relieve the tax burden on those taxpayers who would have been faced with higher rate loans and increased special assessment costs. Our infrastructure is at a critical juncture and we can't continue to "kick-the-can" down the road and ask taxpayers to pick up the continuous increase in project costs.

Many of you are aware that I, along with former Rep. Streyle, have been a proponent of bonding for a number of Sessions. SB 2275 is the right thing to do and now is the right time.

Thank you for your time and consideration. I ask for a DO PASS on SB 2275 as amended. I will try to answer any questions.

1
22 2275 #3 pg.1

Senate Finance and Taxation Committee
Chairman Dwight Cook
January 22, 2019

By: Shaun Sipma
Mayor, City of Minot
shaun.sipma@minotnd.org
701.721.6839

SB 2275

Chairman Cook and Members of the Senate Finance and Taxation Committee, my name is Shaun Sipma. As Minot's Mayor, and on behalf of the City of Minot, thank you for the opportunity to speak in support of SB 2275.

The City of Minot really likes what we see in SB 2275. Allowing communities across the state to leverage low interest loans for critical infrastructure is an idea whose time has come. And while low interest rates are key, even more key to managing the debt service on substantial infrastructure are reasonable terms. On page 3, lines 2 and 3, of this bill we see that the maximum term for most of the loans is 30 years, but for certain projects--namely flood control, water supply, and water management--it is 40 years. We very much urge the committee to preserve this framework as you consider this bill.

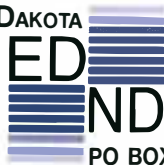
Oil and gas development has brought a lot of new companies, and a lot of new people, who now call western North Dakota cities and towns "home." In Minot, growth from new companies and new people has resulted in Minot's footprint nearly doubling. Our population jumped from about 36,000 to nearly 50,000 in less than a decade's time. This growth continues to be reflected in our student enrollment numbers. While growth has meant higher school enrollment numbers and new schools, it has also required new and updated facilities and equipment for emergency services. For example, the calls for police and fire services in the past

10 years has increased by 95 percent and 25 percent, respectively. Our number of sanitary lift stations has nearly doubled from 23 to 45. Increased demands on our health care system has led to the construction of the new Trinity Hospital. Service demands have also challenged our landfill in accepting waste from the growing surrounding region. These are just a few of the facts and statistics that reflect the tremendous growth our community experienced in the last decade.

This tremendous growth requires financing – and the rapid development we continue to experience has overwhelmed our ability to cost effectively finance at the local level. That’s why new and innovative financing programs like that proposed in SB 2275 are so important.

As you well know, the City of Minot is also still recovering from the 2011 flood event which inundated the heart of our city. More than 3,000 homes were destroyed and 12,000 of our residents displaced in that flood. We are determined to protect ourselves from any flood event of that magnitude in the future. To fully finance what is, in the end, a \$1 billion flood protection project, the city will need to come up with its local share of more than \$350 million. A financing vehicle, such as the one proposed in SB 2275, represents one more tool that, when combined with others, could save our city more than \$100 million in long-term financing costs and administrative fees.

Thank you for your time today. Affordable, modern, and protective infrastructure is critical for the future economic growth of our cities and our State. I urge you to give SB 2275 a “do pass” recommendation.



Testimony of Mason Sisk

Economic Development Association of North Dakota

In Support of SB 2275

January 22, 2019

Chairman Cook and members of the Senate Finance and Taxation Committee:

My name is Mason Sisk and I am testifying on behalf of the Economic Development Association of North Dakota in support of SB 2275.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to promote the creation of new wealth throughout North Dakota to develop more vibrant communities and improve quality of life.

One of EDND's top six priorities is to strengthen the infrastructure investment in our state. We believe SB 2275 is one of the bills being introduced this session with the potential to address this vital need.

The growth of our state over the last decade, combined with aging infrastructure, has led to a critical need to complete road, water, electric, airport, and other essential projects. Local communities need funds and affordable financing, which is difficult to achieve without raising taxes. From EDND's perspective, updated infrastructure improves quality of life and helps address housing needs. It also provides support to North Dakota businesses already providing jobs and revenue to the state, as well as new businesses able to help diversify the economy.

Local developers understand the importance of infrastructure facilities to meet the needs of both homeowners and businesses. At the same time, we do not want to overburden our taxpayers. This bill allows affordable financing for continued growth of our communities.

Thank you for the opportunity to address the committee, and I strongly urge a do pass recommendation on SB 2275.

**Testimony of Merri Mooridian
Senate Bill 2275
Senate Finance and Taxation Committee
Bismarck, North Dakota – January 22, 2019**

Good afternoon Chairman Cook and members of the Senate Finance and Taxation Committee. Thank you for this opportunity to testify in regard to Senate Bill 2275. My name is Merri Mooridian and I am the Administrative Officer of Garrison Diversion Conservancy District.

I am here today to represent the Red River Valley Water Supply Project, a drought mitigation project that will benefit roughly half the population of North Dakota. The Red River Valley Water Supply is a significant and complex project that spans multiple counties and will benefit 35 cities and rural water systems. The Project will deliver an emergency water supply from the Missouri River to users in central and eastern North Dakota, via underground pipelines.

It is imperative that we keep this much-needed drought mitigation Project affordable for the Red River Valley Water Supply Project's largest AND smallest users. Specifically, we want to make sure the local share of the costs does not burden communities with smaller populations. It is critical to each of the participating entities that the local share is feasible and sustainable to maintain long-term affordability on this multi-generational project.

Due to the project's complex nature and projected \$1.14 billion cost, the co-sponsors of the project – Garrison Diversion Conservancy District and the Lake Agassiz Water Authority – have focused on long-term financial planning for the Red River Valley Water Supply Project.

Through this work, we explored the potential use of market financing. We discovered that accessing the traditional bond market would be more difficult for a project of this size, scale, and with a more complex user structure than a standard water project. The result of using the traditional bond market would be increased borrowing costs that would be passed on to end users – ultimately to a resident's water bill. Specifically, it's estimated that the use of the

traditional bond market would result in borrowing costs of more than \$250 million, which is nearly 22% of the project costs. This would severely handicap the end-user affordability of this project.

We also evaluated how a state loan program such as the one proposed in Senate Bill 2275 could save **hundreds of millions of dollars** for end users and increase affordability, which would lead to a more successful project outcome. Borrowing at two percent over 40 years as proposed in Senate Bill 2275 could reduce interest cost **by 75 percent** to the Red River Valley Water Supply Project's end users.

In addition, I'd like to point out that the 35 cities and rural water systems involved in the Red River Valley Water Supply Project are each unique in how they manage their communities. The flexibility of Senate Bill 2275 would afford the Bank of North Dakota the ability to take these differences into account when setting terms and repayment sources. This flexibility is important to ensure the needs of our communities are met while providing steady repayment to the State.

Due to the benefits of this program, I urge the Committee to consider making this funding source available to additional political subdivisions so that all the water systems can participate – including rural water districts.

In summary, the loan program outlined in Senate Bill 2275 is critical to the success of many large infrastructure projects throughout the state, including the Red River Valley Water Supply Project. Thank you Chairman Cook and Committee members for hearing my testimony today.



SB2275

Finance and Taxation Committee

January 22, 2019

Jed M. Shivers, VP Finance and COO University of North Dakota
Michael C. Pieper, Associate VP Facilities University of North Dakota

(701) 777-3511 | jed.shivers@und.edu

(701) 777-6862 | michael.pieper@und.edu

Chair Cook and Committee Members: Our names are Jed M Shivers and Michael C. Pieper and we are the VP Finance and COO UND and the Associate VP for Facilities at UND respectively. We are here today in support of and to provide information on SB2275. The bill would enable UND and its sister institutions of higher education to access the Essential Infrastructure Revolving Loan Fund for specific deferred maintenance projects related to water mains, water and sewer lines, and the curbs and gutters that cover them.

The University of North Dakota (UND) has over \$500 million in deferred maintenance. UND believes this level of deferred maintenance is detrimental to both the good order and operation of its campus and is a deterrent to recruit students. This has been a long term problem. UND has been addressing this problem in the following ways:

1. In accordance with legislative directives, reducing its campus square footage by demolishing buildings;
2. Rebuilding campus infrastructure by engaging in Public Private Partnerships (P-3) e.g., the construction of a new steam plant and associated systems in a \$93 million dollar bond issue in conjunction with Johnson Controls, Inc.;
3. Seeking innovative ways of obtaining capital in addition to State appropriations. The proposed bill is a key example of generating capital through the Revolving Loan Fund.
4. Fund raising from private donors for capital campaigns; and,
5. Requesting capital appropriations from the Legislature

Universities, similar to political subdivisions, own and control miles of sewer and water pipes, water mains, and the roads that are paved on top of them. UND seeks to utilize capital from the Revolving Fund at a level similar to the larger cities in the State of North Dakota (i.e. \$15 million) in order to reduce the deferred maintenance associated with these systems. These are projects where private donations and P-3 partnerships are rare. Funding from State appropriations for these purposes is also atypical.

UND has an inventory of projects which exceeds the \$15 million level (see attachment 1 “Infrastructure FCNI Report.pdf). We also have provided a map and pictorial evidence to show how the private roadways, gutters and curbs which are paved over the water and sewer infrastructure has also deteriorated (see attachment 2 Infrastructure Revolving Loan Program Data and Notes.docx). Accessing this fund will enable us to do work consistent with the projects described in the Essential infrastructure revolving loan fund if access to the Fund is granted to the SBHE institutions of higher education as noted below:

- 21 **Essential infrastructure revolving loan fund - Bank of North Dakota - Counties, cities,**
22 **and institutions of higher education - Continuing appropriation.**
- 23 1. The essential infrastructure revolving loan fund is a special fund in the state treasury
24 administered by the Bank of North Dakota. The Bank shall use moneys in the fund to
25 provide loans to counties and cities for eligible infrastructure projects pursuant to
26 subsections 6 and 7 and to provide loans to institutions of higher education for eligible
27 infrastructure projects pursuant to subsection 8.

And

28 (3) The governing body of the institution of higher education must approve a
29 resolution to authorize the loan, and the state board of higher education
30 must approve the infrastructure project; and

Sixty-sixth
Legislative Assembly

- 1 b. An applicant must identify at least one funding source for the debt repayment
2 including:
3 (1) Distributions received by the county or city from the state aid distribution
4 fund under section 57-39.2-26.1;
5 (2) Distributions received by the county or city from oil and gas gross
6 production tax revenues under section 57-51-15;
7 (3) Taxes levied by the county or city subject to the maximum levy limit amounts
8 under chapter 57-15, provided the taxes are irrevocable pursuant to section
9 21-03-15;
10 (4) Tuition or fee revenue collected by the institution of higher education;
11 (5) Distributions of state aid received by the institution of higher education
12 under chapter 15-18.2; or
13 (6) Other sources of revenue; and
14 c. An applicant must submit a completed loan application to the Bank.

And

- 17 8. Eligible infrastructure projects for institutions of higher education are capital
18 construction projects to construct new infrastructure or to replace existing
19 infrastructure, which provide the fixed installations necessary for the function of the
20 institution and are in the public interest. Capital construction projects exclude routine
21 maintenance and repair projects, but include the following:
22 a. Sewer lines and water lines;
23 b. Storm water infrastructure, including curb and gutter construction; and
24 c. Road infrastructure.

As can be seen in the proposed language above, eligibility to access the fund requires the institution of higher education to perform a rigorous financial analysis and specific project proposal first at the State Board of Higher Education (SBHE) level and then via an application to the Bank of North Dakota.

Successful completion of these projects will provide for improved operations and fit and finish as it relates to the UND campus. UND can defray the principal and interest payment of the loan as an ongoing operating expense which it allocates to the revenue generating portions of the University through its Resource Allocation Budget Methodology.

We respectfully request that you do pass on SB2275 and we are available to answer your questions.

Thank you.

UND Non-Building Infrastructure

With the understanding that not all non-building infrastructure capital-renewal projects are eligible for the revolving loan program today, below is a summary of UND's non-building infrastructure.

Transportation Infrastructure

In 2012 CPS, Ltd. prepared a parking lot and roadway inspection and survey report. The following information was extracted from that report.

- Data collected by CPS in 2012 was used to create a pavement management system with enhanced capabilities to model future pavement degradation; facilitating the ability to prioritize maintenance and rehabilitation (M&R) projects for various planning scenarios. UND can implement this system to analyze how future budget spending levels and various maintenance and rehabilitation projects would affect the overall condition of the pavement network. These capabilities are the most significant benefits of the pavement management system because they allow UND to determine the most cost-effective strategies for maintaining its vast pavement network.



Table 3.01.A: UND Pavement Uses

Branch Use	Pavement Area (ft ²)	% of Total Pavement Area
Parking Lot	4,364,997	84
Roadway	816,990	16
Total	5,181,988	100

Table 3.03.A: UND Pavement Age

Age at Inspection	Pavement Area (ft ²)	% of Total Pavement Area
0-2	93,968	2
3-5	163,070	3
6-10	1,514,230	29
11-15	243,936	5
16-20	183,592	4
21-25	689,402	13
26-30	205,164	4
31-35	265,240	5
36-40	606,763	12
41-50	753,809	15
Over 50	462,814	9
Total	5,181,988	100

The UND's network is comprised of 216 pavement sections. When all of the sections are considered, the area-weighted PCI of the UND network is 55 (in the "Poor" category). Table 4.02A below illustrates the percent of the network currently in each condition level.

Table 4.02.A: Percent of UND Network in Each Pavement Condition Category

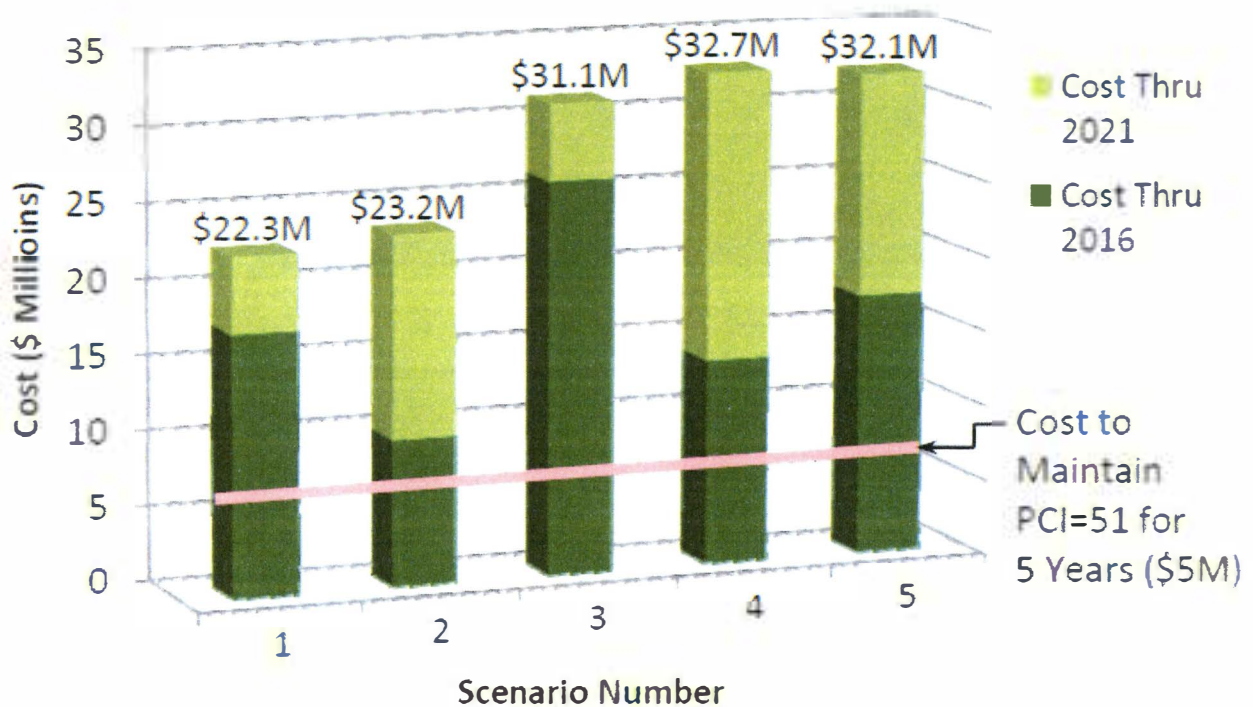
Area-Weighted Average PCI	Pavement Condition Category	Pavement Area (ft ²)	% of Total Pavement Area
86-100	Good	641,155	12
71-85	Satisfactory	1,331,632	26
56-70	Fair	1,123,761	22
41-55	Poor	379,780	7
26-40	Very poor	866,045	17
11-25	Serious	515,436	10
0-10	Failed	324,178	6
Total		5,181,988	100

Table 5.02.A: Typical Repair Strategies

Pavement Condition Index (PCI)	Pavement Condition Category	Typical Repair Strategy
86 – 100	Good	Preventive
71 – 85	Satisfactory	Maintenance
56 – 70	Fair	Major
41 – 55	Poor	Rehabilitation
26 – 40	Very poor	Reconstruction
11 – 25	Serious	
0 – 10	Failed	

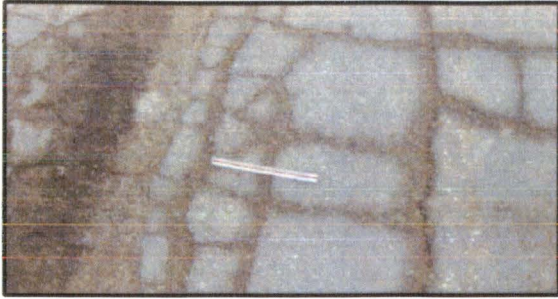
- Scenario 1:** Budget to Increase PCI to 71 ("Satisfactory") by 2016 and Maintain PCI of 71 ("Satisfactory") through 2021,
- Scenario 2:** Budget to Increase PCI to 71 ("Satisfactory") by 2021,
- Scenario 3:** Budget to Increase PCI to 85 ("Good") by 2016 and Maintain PCI of 85 ("Good") through 2021,
- Scenario 4:** Budget to Increase PCI to 85 ("Good") by 2021,
- Scenario 5:** Budget to Increase PCI to 71 ("Satisfactory") by 2016, then Increase PCI to 85 ("Good") by 2021.

Figure 5.05.B: Pavement Funding Projection Scenario Costs



***These costs pertain to pavement improvements, and do not include associated utility costs (e.g. storm water). Plus, UND as added costs due to life-safety upgrades (e.g. lighting, security cameras).**

Alligator Cracking



Bleeding



Block Cracking



Y22 8B 2275 #7 pg. 5

Bumps and Sags



Depression



Swell



Edge Cracking



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Joint Reflective Cracking



Weathering and Raveling



Longitudinal and Transverse Cracking



Corner Break



Asphalt Concrete Patching



Divided Slab



1/22 8B 2275 #7 pg.10

Potholes



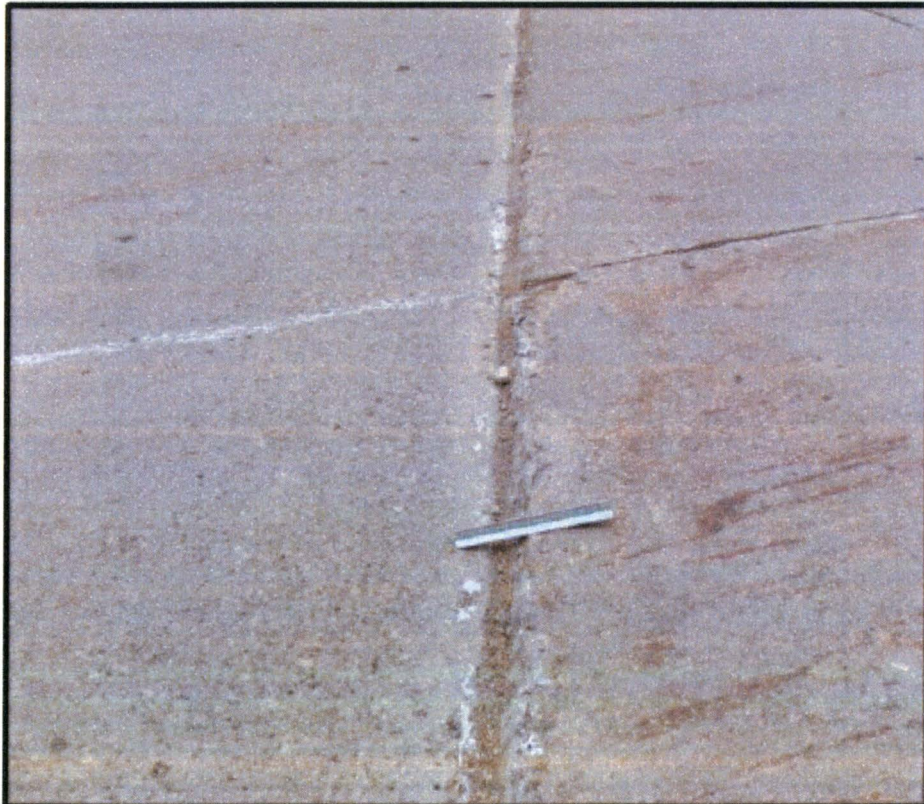
Durability Cracking



Rutting



Faulting

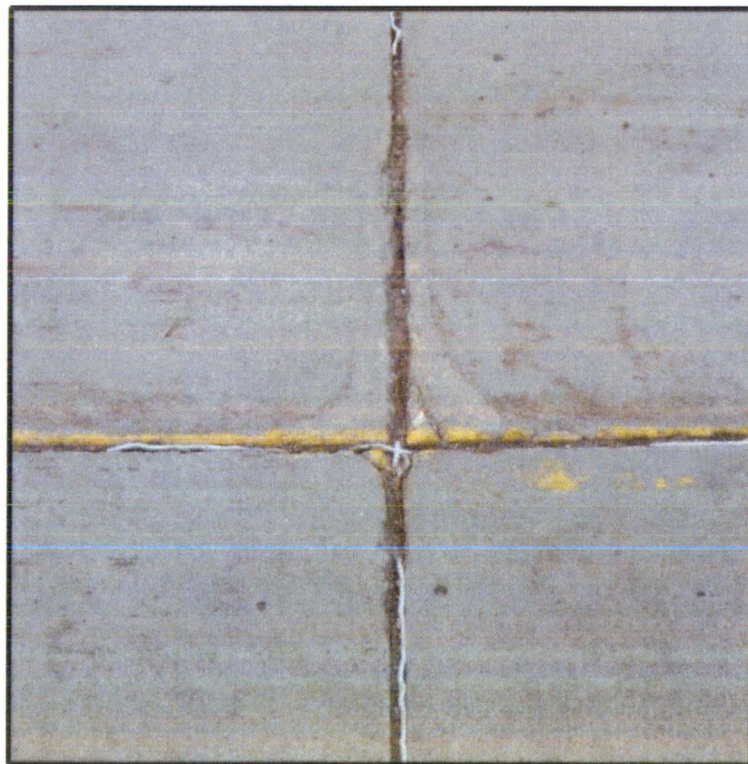


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22 SB 2275 #7 pg.12

Shoving



Joint Seal Damage



Linear Cracking



PCC Patching

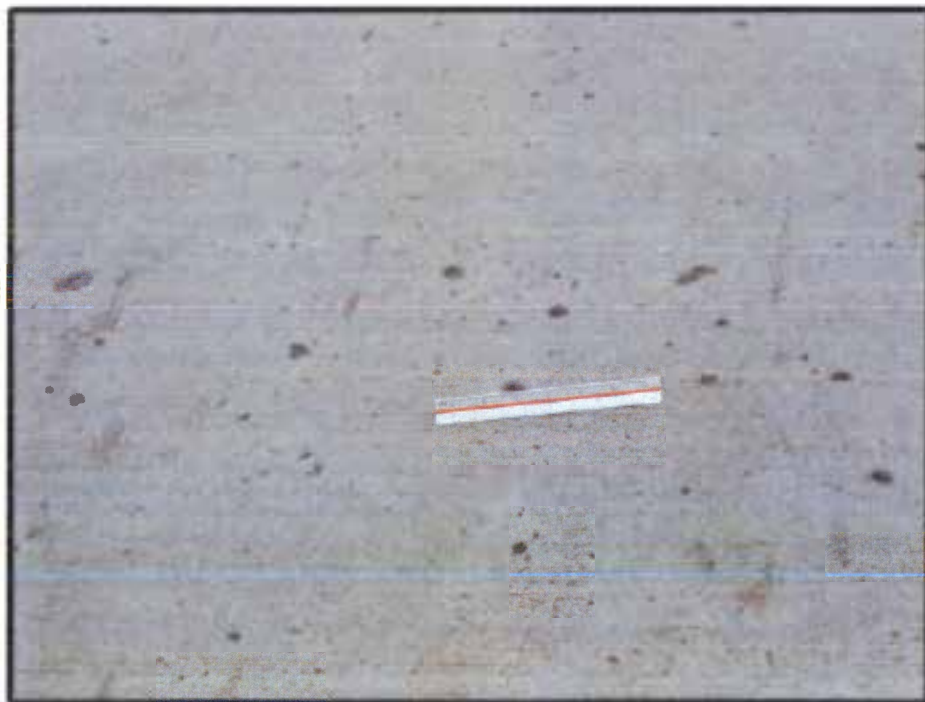


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Polished Aggregate



Popouts

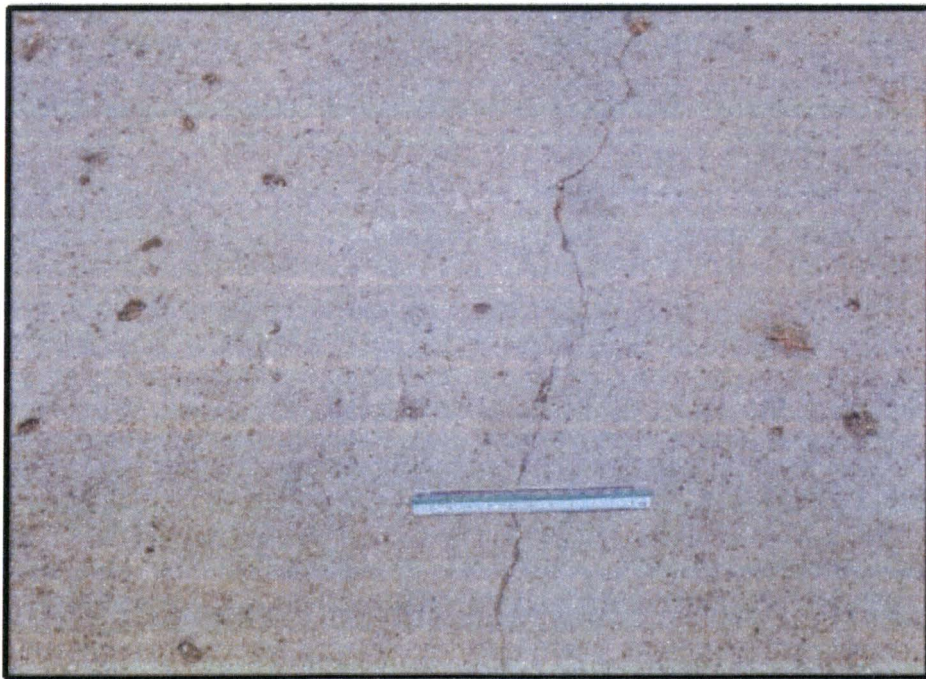


1/22 8B 2275 #7 pg. 15'

Scaling



Shrinkage Cracks



1/22 SB 2275 #7 pg.15

Joint Spalling



Corner Spalling



Non-Transportation Infrastructure

In 2018 ISES Corporation prepared an all campus non-building infrastructure report quantifying UND's assets and related capital renewal needs. The following information was extracted from that report.

FACILITIES RENEWAL FCNI COMPARISON

ASSET CODE	ASSET NAME	USE	YR. BLT.	GSF	CRV	NONREC. COST	DEFERRED RENEWAL	REC. COMP. COST	10-YR. TOT. NEEDS	FCNI	FCI
CHWD	COOLING DISTRIBUTION	OTH	1999	1	30,987	50	50	50	50	0.00	0.00
CRDS	CONDENSATE RETURN DISTRIBUTION SYSTEM	OTH	1999	1	26,701,651	50	521,304,456	52,283,656	523,588,112	0.88	0.80
DWFP	DOMESTIC WATER AND FIRE PROTECTION SYS	OTH	1997	1	27,813,391	50	54,284,485	51,735,640	56,020,124	0.48	0.35
ELED	ELECTRICAL DISTRIBUTION	OTH	1935	1	73,610,527	183,190	54,578,593	511,257,961	516,019,744	0.22	0.06
HPLS	HEAT PUMP LOOP	OTH	1990	1	196,577	57,547	50	5188,118	5195,665	1.00	0.00
HTSD	STEAM DISTRIBUTION	OTH	1999	1	53,974,190	57,547	50	5352,322	5352,322	0.01	0.00
MH1-01	STEAM MANHOLE 1-1	OTH	1999	150	40,758	510,502	57,517	57,389	528,572	0.70	0.21
MH1-02	STEAM MANHOLE 1-2	OTH	1999	150	40,758	516,053	57,517	57,389	531,059	0.76	0.19
MH1-03	STEAM MANHOLE 1-3	OTH	1999	150	40,758	58,837	56,639	57,389	522,865	0.56	0.16
MH1-04	STEAM MANHOLE 1-4	OTH	1999	150	40,758	515,535	56,052	57,389	528,975	0.71	0.15
MH1-05	STEAM MANHOLE 1-5	OTH	1999	150	40,758	517,317	59,895	57,389	534,601	0.85	0.24
MH1-06	STEAM MANHOLE 1-6	OTH	1999	150	51,240	57,844	511,408	57,389	527,469	0.54	0.24
MH1-07	STEAM MANHOLE 1-7	OTH	1999	250	47,094	526,613	55,074	514,715	546,402	0.99	0.11
MH1-08	STEAM MANHOLE 1-8	OTH	1999	150	40,758	521,279	57,517	51,129	530,024	0.74	0.19
MH1-09	STEAM MANHOLE 1-9	OTH	1999	150	40,758	529,795	56,669	56,669	543,104	1.06	0.16
MH1-10	STEAM MANHOLE 1-10	OTH	1999	150	40,758	529,795	57,389	56,639	543,824	1.08	0.16
MH1-11	STEAM MANHOLE 1-11	OTH	1999	150	40,758	529,795	58,594	57,389	545,778	1.12	0.21
MH1-12	STEAM MANHOLE 1-12	OTH	1999	150	40,758	529,795	57,517	56,639	544,081	1.08	0.19
MH1-13	STEAM MANHOLE 1-13	OTH	1999	150	40,758	511,351	56,052	57,389	524,792	0.51	0.15
MH1-14	STEAM MANHOLE 1-14	OTH	1999	150	43,611	56,631	513,024	51,129	520,784	0.48	0.30
MH1-15	STEAM MANHOLE 1-15	OTH	1999	150	40,758	57,644	55,662	56,905	520,212	0.50	0.14
MH1-16	STEAM MANHOLE 1-16	OTH	1999	150	40,758	58,164	56,639	51,129	515,933	0.39	0.16
MH1-17	STEAM MANHOLE 1-17	OTH	1999	150	40,758	50	55,662	57,389	513,051	0.32	0.14
MH1-18	STEAM MANHOLE 1-18	OTH	1999	150	40,758	510,637	57,517	57,389	525,441	0.50	0.18

ASSET CODE	ASSET NAME	USE	YR. BLT.	GSF	CRV	NONREC. COST	DEFERRED RENEWAL	REC. COMP. COST	10-YR. TOT. NEEDS	FCNI	FCI
MH1-20	STEAM MANHOLE 1-20	OTH	1999	150	40,758	510,541	56,639	57,389	524,569	0.60	0.16
MH2-01	STEAM MANHOLE 2-1	OTH	2000	150	45,974	513,463	511,526	57,389	532,378	0.70	0.25
MH2-02	STEAM MANHOLE 2-2	OTH	2000	150	40,758	512,765	58,594	51,129	522,488	0.55	0.21
MH2-03	STEAM MANHOLE 2-3	OTH	2000	150	40,758	512,129	55,662	57,389	525,180	0.62	0.14
MH2-04	STEAM MANHOLE 2-4	OTH	2000	150	43,490	510,024	513,315	57,389	530,728	0.71	0.31
MH2-05	STEAM MANHOLE 2-5	OTH	2000	150	43,596	54,166	57,517	51,129	512,912	0.30	0.17
MH2-06	STEAM MANHOLE 2-6	OTH	2000	150	40,758	523,447	58,873	510,156	543,173	1.06	0.23
MH2-07	STEAM MANHOLE 2-7	OTH	2000	150	40,758	59,266	57,389	57,389	522,317	0.55	0.14
MH2-08	STEAM MANHOLE 2-8	OTH	2000	150	40,758	59,340	56,639	57,389	523,368	0.57	0.16
MH2-09	STEAM MANHOLE 2-9	OTH	2000	150	49,144	55,914	515,312	511,999	535,725	0.73	0.32
MH2-10	STEAM MANHOLE 2-10	OTH	2000	150	40,758	529,795	57,517	57,389	544,801	1.10	0.19
MH2-11	STEAM MANHOLE 2-11	OTH	2000	150	40,758	516,263	58,594	51,129	525,986	0.64	0.21
MH2-13	STEAM MANHOLE 2-13	OTH	2000	150	40,758	56,241	52,932	57,389	516,561	0.41	0.07
MH2-14	STEAM MANHOLE 2-14	OTH	2000	150	40,758	52,353	56,639	57,389	516,382	0.40	0.16
MH2-15	STEAM MANHOLE 2-15	OTH	2000	150	40,758	524,143	57,517	57,389	539,149	0.36	0.19
MH2-16	STEAM MANHOLE 2-16	OTH	2000	150	49,144	55,210	510,549	59,124	514,883	0.51	0.21
MH2-17	STEAM MANHOLE 2-17	OTH	2000	150	40,758	58,179	511,714	57,389	527,282	0.57	0.29
MH2-18	STEAM MANHOLE 2-18	OTH	2000	150	40,758	56,241	511,526	57,389	525,155	0.62	0.28
MH2-19	STEAM MANHOLE 2-19	OTH	2000	150	40,758	56,639	56,639	57,389	520,712	0.51	0.16
MH2-20	STEAM MANHOLE 2-20	OTH	2000	150	40,758	57,644	55,662	57,389	520,696	0.51	0.14
MH2-21	STEAM MANHOLE 2-21	OTH	2000	150	40,758	57,844	55,662	57,389	520,696	0.51	0.14
MH2-22	STEAM MANHOLE 2-22	OTH	2000	150	40,758	57,447	55,662	56,905	522,054	0.54	0.14
MH2-23	STEAM MANHOLE 2-23	OTH	2000	150	40,758	57,844	56,639	57,389	525,913	0.54	0.21
MH2-24	STEAM MANHOLE 2-24	OTH	2000	150	40,758	515,803	55,662	57,389	528,854	0.71	0.14

ASSET CODE	ASSET NAME	USE	YR. BILT.	GSF	CRV	NONREC. COST	DEFERRED RENEWAL	REC. CDMP. COST	10 YR. TOT. NEEDS	FCM	FCR
MH2-25	STEAM MANHOLE 2-25	OTH	2000	150	40,793	511,220	55,662	30	\$16,882	0.41	0.14
MH2-26	STEAM MANHOLE 2-26	OTH	1997	150	40,793	50	50	57,389	57,389	0.18	0.00
MH3-01	STEAM MANHOLE 3-1	OTH	2005	150	40,793	58,526	511,722	51,129	\$21,378	0.52	0.29
MH4-01	STEAM MANHOLE 4-1	OTH	2008	150	40,758	57,644	50	57,792	515,437	0.38	0.00
MH5-01	STEAM MANHOLE 5-1	OTH	2008	150	44,311	51,778	5977	57,792	\$10,548	0.24	0.02
MH5-02	STEAM MANHOLE 5-2	OTH	2008	150	40,793	51,778	5977	510,828	513,583	0.31	0.02
MH5-03	STEAM MANHOLE 5-3	OTH	2008	150	44,362	51,991	5977	59,584	516,653	0.38	0.02
NGDS	NATURAL GAS DISTRIBUTION SYSTEM	OTH	1935	1	15,325	50	50	50	50	0.00	0.00
SANI	SANITARY SEWER SYSTEM	OTH	1887	1	8,201,226	\$1,080,348	\$1,192,338	5938,489	\$3,211,175	0.39	0.15
STRM	STORMWATER SEWER	OTH	1903	1	13,189,100	\$1,825,595	\$466,728	\$220,012	\$2,512,274	0.19	0.04
GRAND TOTALS:				7,459	\$190,388,154	\$4,049,045	\$32,181,093	\$16,959,277	\$53,180,415	0.28	0.17

- UND's Non-building Infrastructure: Heating/cooling lines, electrical distribution, utility vaults, natural gas distribution lines, sanitary sewer system, domestic water system and fire protection system and storm water sewer
 - 11 miles of water lines
 - 8 miles of domestic sewer lines
 - 14 miles of electrical distribution lines
- Current replacement value (CRV) = \$190.4M
 - OMB's estimated annual capital renewal (2.0% of CRV) = \$3.8M
- Deferred Capital Renewal as if FY2017 (DM) = \$32.2M
- Facility Condition Needs (10 year capital renewal projections + DM) = \$53.2M

Sixty-sixth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2275

Introduced by

Senators Wardner, Cook, Robinson

Representatives Lefor, Nathe, Porter

1 A BILL for an Act to create and enact section 6-09.4-28 of the North Dakota Century Code,
2 relating to the **essential** infrastructure revolving loan fund debt repayments; to amend and
3 reenact section 6-09-49, and sections 6-09.4-06 and 6-09.4-10 of the North Dakota Century
4 Code, relating to the **essential** infrastructure revolving loan fund, public finance agency
5 definitions, borrowing and lending authority, and reserve funds; to repeal section 61-02-78 of the
6 North Dakota Century Code relating to a revolving loan fund for water projects; to provide a
7 transfer; to provide a continuing appropriation; to provide a bond issuance limitation; and to
8 provide an effective date.

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

10 **SECTION 1. AMENDMENT.** Section 6-09-49 of the North Dakota Century Code is amended
11 and reenacted as follows:

12 6-09-49. Infrastructure revolving loan fund – Continuing appropriation.

- 13 1. ~~The infrastructure revolving loan fund is a special fund in the state treasury from which~~
14 ~~the Bank of North Dakota shall provide loans to political subdivisions for essential~~
15 ~~infrastructure projects. The Bank shall administer the infrastructure revolving loan~~
16 ~~fund. The maximum term of a loan made under this section is thirty years. A loan~~
17 ~~made from the fund under this section must have an interest rate that does not exceed~~
18 ~~two percent per year.~~
- 19 2. For purposes of this section, "essential infrastructure projects" means capital
20 construction projects for the following:
 - 21 a. New or replacement of existing water treatment plants;
 - 22 b. New or replacement of existing wastewater treatment plants;
 - 23 c. New or replacement of existing sewer lines and water lines; and

- 1 d. ~~New or replacement of existing storm water and transportation infrastructure,~~
2 ~~including curb and gutter construction.~~
- 3 3. ~~In processing political subdivision loan applications under this section, the Bank shall~~
4 ~~calculate the maximum loan amount for which a qualified applicant may qualify, not to~~
5 ~~exceed fifteen million dollars per loan. The Bank shall consider the applicant's ability to~~
6 ~~repay the loan when processing the application and shall issue loans only to~~
7 ~~applicants that provide reasonable assurance of sufficient future income to repay the~~
8 ~~loan.~~
- 9 4. ~~The Bank shall deposit in the infrastructure revolving loan fund all payments of interest~~
10 ~~and principal paid under loans made from the infrastructure revolving loan fund. The~~
11 ~~Bank may use a portion of the interest paid on the outstanding loans as a servicing fee~~
12 ~~to pay for administrative costs which may not exceed one-half of one percent of the~~
13 ~~amount of the interest payment. All moneys transferred to the fund, interest upon~~
14 ~~moneys in the fund, and payments to the fund of principal and interest are~~
15 ~~appropriated to the Bank on a continuing basis for administrative costs and for loan~~
16 ~~disbursement according to this section.~~
- 17 5. ~~The Bank may adopt policies and establish guidelines to administer this loan program~~
18 ~~in accordance with the provisions of this section and to supplement and leverage the~~
19 ~~funds in the infrastructure revolving loan fund. Additionally, the Bank may adopt~~
20 ~~policies allowing participation by local financial institutions.~~

21 ~~Essential infrastructure revolving loan fund - Bank of North Dakota - Counties, cities,~~
22 ~~and institutions of higher education - Continuing appropriation.~~

- 23 1. The essential infrastructure revolving loan fund is a special fund in the state treasury
24 administered by the Bank of North Dakota. The Bank shall use moneys in the fund to
25 provide loans to counties and cities political subdivisions for eligible infrastructure
26 projects pursuant to
27 subsections 6 and 7 and to provide loans to institutions of higher education for eligible
28 infrastructure projects pursuant to subsection 8.
- 29 2. The Bank may adopt policies and establish guidelines to administer the loan program
30 in accordance with this section, including policies to supplement and leverage the
31 moneys in the fund and policies to allow participation by local financial institutions. A
loan made from the fund must have an interest rate that does not exceed two percent

1 per year. The maximum term of a loan for an infrastructure project under
2 subsections 6 and 8 is thirty years, and the maximum term of a loan for an
3 infrastructure project under subsection 7 is forty years.

4 3. All principal and interest payments received on loans made from the essential
5 infrastructure revolving loan fund must be deposited into the fund. The Bank may use
6 a portion of the interest paid on the outstanding loans as a servicing fee to pay
7 administrative costs, which may not exceed one-half of one percent of the amount of
8 the interest payment. All moneys transferred to the fund, interest upon moneys in the
9 fund, and payments to the fund of principal and interest are appropriated to the Bank
10 on a continuing basis for administrative costs and for loan disbursement according to
11 this section.

12 4. The applicant must issue an evidence of indebtedness authorized by law.

13 Notwithstanding any other provision of law, the eligibility requirements for a loan under
14 this section are as follows:

15 a. An applicant must receive authorization for the loan based on one of the
16 following:

17 (1) If the repayment of the loan requires an increase in taxes levied by the
18 county or city, the county or city must receive authorization for the loan by a
19 majority vote of the qualified voters voting upon the authorization at a
20 general or special election after publishing the following in the official
21 newspaper of the county or city:

22 (a) The notice of the election to authorize evidence of indebtedness
23 pursuant to section 21-03-12; and

24 (b) Information regarding the proposed estimated additional millage and
25 the dollar increase per thousand dollars of taxable valuation pursuant
26 to section 21-03-13;

27 (2) The board of county commissioners or governing body of the city must
28 approve a resolution to authorize the loan; or

29 (3) The governing body of the institution of higher education must approve a
30 resolution to authorize the loan, and the state board of higher education
31 must approve the infrastructure project; and

- 1 b. An applicant must identify at least one funding source for the debt repayment
2 including:
3 (1) Distributions received by the county or city from the state aid distribution
4 fund under section 57-39.2-26.1;
5 (2) Distributions received by the county or city from oil and gas gross
6 production tax revenues under section 57-51-15;
7 (3) Taxes levied by the county or city subject to the maximum levy limit amounts
8 under chapter 57-15, provided the taxes are irrepealable pursuant to section
9 21-03-15;
10 (4) Tuition or fee revenue collected by the institution of higher education;
11 (5) Distributions of state aid received by the institution of higher education
12 under chapter 15-18.2; or
13 (6) Other sources of revenue; and
14 c. An applicant must submit a completed loan application to the Bank.

- 15 5. In processing loan applications under this section, the Bank shall calculate the
16 maximum loan amount available to a qualified applicant. Each applicant may have up
17 to twenty-five million dollars of outstanding loans from the fund for infrastructure
18 projects under subsections 6 and 8. The Bank shall consider the ability of the applicant
19 to repay the loan when processing the application and shall issue loans only to
20 applicants that provide reasonable assurance of sufficient future income to repay the
21 loan. If an infrastructure project qualifies for funding through the state revolving fund
22 established pursuant to chapters 61-28.1 and 61-28.2, the Bank shall verify the loan
23 application only is for the portion of the project that is ineligible to receive funding from
24 the state revolving fund.
25 6. Eligible infrastructure projects for county and city utility and transportation projects are
26 capital construction projects to construct new infrastructure or to replace existing
27 infrastructure, which provide the fixed installations necessary for the function of a
28 county or city political subdivision and are in the public interest. Capital construction
29 projects exclude
30 routine maintenance and repair projects, but include the following:
31 a. Water treatment plants;
b. Wastewater treatment plants;

- 1 c. Sewer lines and water lines, including lift stations and pumping systems;
- 2 d. Water storage systems, including dams, water tanks, and water towers;
- 3 e. Storm water infrastructure, including curb and gutter construction;
- 4 f. Road and bridge infrastructure, including paved and unpaved roads and bridges;
- 5 g. Airport infrastructure;
- 6 h. Electricity transmission infrastructure;
- 7 i. Natural gas transmission infrastructure; and
- 8 j. Communications infrastructure.

9 7. Eligible infrastructure projects ~~for county and city water projects~~ are capital
10 construction projects to construct new infrastructure or to replace existing
11 infrastructure, which provide the fixed installations necessary for the function of a
12 ~~county or city~~ political subdivision and are in the public interest. Capital construction
13 projects exclude routine maintenance and repair projects, but include the following:

- 14 a. Flood control;
- 15 b. Water supply; and
- 16 c. Water management.

17 8. Eligible infrastructure projects for institutions of higher education are capital
18 construction projects to construct new infrastructure or to replace existing
19 infrastructure, which provide the fixed installations necessary for the function of the
20 institution and are in the public interest. Capital construction projects exclude routine
21 maintenance and repair projects, but include the following:

- 22 a. Sewer lines and water lines;
- 23 b. Storm water infrastructure, including curb and gutter construction; and
- 24 c. Road infrastructure.

25 An institution of higher education must identify at least one funding source for the debt
26 repayment, including:

- 27 a. Tuition or fee revenue collected by the institute of higher education
- 28 b. Distributions of state aid received by the institute of higher education under chapter
29 15-18.2; or
- 30 c. Other sources of revenue.

31 **SECTION 2. AMENDMENT.** Subdivision c of subsection 5 of section 6-09.4-03 of the North
32 Dakota Century Code is amended and reenacted as follows:

- 1 c. The Bank of North Dakota for the following purposes of the:
2 (1) The revolving loan fund program established by under chapter 61-28.2; and
3 (2) The essential infrastructure revolving loan fund established under section
4 6-09-49.

5 **SECTION 3. AMENDMENT.** Section 6-09.4-06 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **6-09.4-06. Lending and borrowing powers generally.**

8 1. The public finance authority may lend money to political subdivisions or other
9 contracting parties through the purchase or holding of municipal securities which, in
10 the opinion of the attorney general, are properly eligible for purchase or holding by the
11 public finance authority under this chapter or chapter 40-57 and for purposes of the
12 public finance authority's capital financing program the principal amount of any one
13 issue does not exceed five hundred thousand dollars. However, the public finance
14 authority may lend money to political subdivisions through the purchase of securities
15 issued by the political subdivisions through the capital financing program without
16 regard to the principal amount of the bonds issued, if the industrial commission
17 approves a resolution that authorizes the public finance authority to purchase the
18 securities. The capital financing program authorizing resolution must state that the
19 industrial commission has determined that private bond markets will not be responsive
20 to the needs of the issuing political subdivision concerning the securities or, if it
21 appears that the securities can be sold through private bond markets without the
22 involvement of the public finance authority, the authorizing resolution must state
23 reasons for the public finance authority's involvement in the bond issue. The public
24 finance authority may hold such municipal securities for any length of time it finds to
25 be necessary. The public finance authority, for the purposes authorized by this chapter
26 or chapter 40-57, may issue its bonds payable solely from the revenues available to
27 the public finance authority which are authorized or pledged for payment of public
28 finance authority obligations, and to otherwise assist political subdivisions or other
29 contracting parties as provided in this chapter or chapter 40-57.

30 2. The public finance authority may lend or transfer money to the Bank of North
31 Dakota under as follows:

32 a. Under terms and conditions requiring the Bank to use the proceeds to make
33 loans for agricultural improvements that qualify for assistance under the revolving

- 1 loan fund program established by under chapter 61-28.2; and
- 2 b. Under terms and conditions requiring the Bank to use the transferred proceeds to
- 3 make loans for infrastructure projects that qualify for assistance under the
- 4 essential infrastructure revolving loan fund established under section 6-09-49.
- 5 Bonds issued for this purpose are payable in each biennium solely from amounts
- 6 that the legislative assembly may appropriate for debt service for any biennium or
- 7 from a reserve fund established for the bonds and nothing in this section shall be
- 8 construed to require the state to appropriate funds sufficient to make debt service
- 9 payments with respect to the bonds or replenish a related reserve fund. The bonds
- 10 are not a debt of the Bank or the state and the full faith, credit and taxing powers
- 11 of the state are not pledged to the payment of the bonds and the obligation of the
- 12 public finance authority with respect to the bonds shall terminate and the bonds
- 13 shall no longer be outstanding as of the date appropriated funds and reserves are
- 14 not sufficient to pay debt service on the bonds. In addition to providing funds to
- 15 transfer to the Bank, proceeds of the bonds may be used by the public finance
- 16 authority to pay the costs of issuance of the bonds and establish a reserve fund
- 17 for the bonds.
- 18 3. Bonds of the public finance authority issued under this chapter or chapter 40-57 are
- 19 not in any way a debt or liability of the state and do not constitute a loan of the credit of
- 20 the state or create any debt or debts, liability or liabilities, on behalf of the state, or
- 21 constitute a pledge of the faith and credit of the state, but all such bonds are payable
- 22 solely from revenues pledged or available for their payment as authorized in this
- 23 chapter. Each bond must contain on its face a statement to the effect that the public
- 24 finance authority is obligated to pay such principal or interest, and redemption
- 25 premium, if any, and that neither the faith and credit nor the taxing power of the state
- 26 is pledged to the payment of the principal of or the interest on such bonds. Specific
- 27 funds pledged to fulfill the public finance authority's obligations are obligations of the
- 28 public finance authority.
- 29 4. All expenses incurred in carrying out the purposes of this chapter or chapter 40-57 are
- 30 payable solely from revenues or funds provided or to be provided under this chapter or
- 31 chapter 40-57 and nothing in this chapter may be construed to authorize the public
- 32 finance authority to incur any indebtedness or liability on behalf of or payable by the
- 33 state.

1 **SECTION 4. AMENDMENT.** Section 6-09.4-10 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **6-09.4-10. Reserve fund.**

- 4 1. The public finance authority shall establish and maintain a reserve fund in which there
5 must be deposited all moneys appropriated by the state for the purpose of the fund, all
6 proceeds of bonds required to be deposited therein by terms of any contract between
7 the public finance authority and its bondholders or any resolution of the public finance
8 authority with respect to the proceeds of bonds, any other moneys or funds of the
9 public finance authority which it determines to deposit therein, any contractual right to
10 the receipt of moneys by the public finance authority for the purpose of the fund,
11 including a letter of credit or similar instrument, and any other moneys made available
12 to the public finance authority only for the purposes of the fund from any other source
13 or sources. Moneys in the reserve fund must be held and applied solely to the
14 payment of the interest on and the principal of bonds and sinking fund payments as
15 the same become due and payable and for the retirement of bonds, including payment
16 of any redemption premium required to be paid when any bonds are redeemed or
17 retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if
18 the withdrawal would reduce the amount in the reserve fund to an amount less than
19 the required debt service reserve, except for payment of interest then due and payable
20 on bonds and the principal of bonds then maturing and payable and sinking fund
21 payments and for the retirement of bonds in accordance with the terms of any contract
22 between the public finance authority and its bondholders and for the payments on
23 account of which interest or principal or sinking fund payments or retirement of bonds,
24 other moneys of the public finance authority are not then available in accordance with
25 the terms of the contract. The required debt service reserve must be an aggregate
26 amount equal to at least the largest amount of money required by the terms of all
27 contracts between the public finance authority and its bondholders to be raised in the
28 then current or any succeeding calendar year for the payment of interest on and
29 maturing principal of outstanding bonds, and sinking fund payments required by the
30 terms of any contracts to sinking funds established for the payment or redemption of
31 the bonds.
- 32 2. If the establishment of the reserve fund for an issue or the maintenance of an existing
33 reserve fund at a required level under this section would necessitate the investment of

- 1 all or any portion of a new reserve fund or all or any portion of an existing reserve fund
2 at a restricted yield, because to not restrict the yield may cause the bonds to be
3 taxable under the Internal Revenue Code, then at the discretion of the public finance
4 authority no reserve fund need be established prior to the issuance of bonds or the
5 reserve fund need not be funded to the levels required by other subsections of this
6 section or an existing reserve fund may be reduced.
- 7 3. No bonds may be issued by the public finance authority unless there is in the reserve
8 fund the required debt service reserve for all bonds then issued and outstanding and
9 the bonds to be issued. Nothing in this chapter prevents or precludes the public
10 finance authority from satisfying the foregoing requirement by depositing so much of
11 the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve
12 the required debt service reserve. The public finance authority may at any time issue
13 its bonds or notes for the purpose of providing any amount necessary to increase the
14 amount in the reserve fund to the required debt service reserve, or to meet such
15 higher or additional reserve as may be fixed by the public finance authority with
16 respect to such fund.
- 17 4. In order to assure the maintenance of the required debt service reserve, there shall be
18 appropriated by the legislative assembly and paid to the public finance authority for
19 deposit in the reserve fund, such sum, if any, as shall be certified by the industrial
20 commission as necessary to restore the reserve fund to an amount equal to the
21 required debt service reserve. However, the commission may approve a resolution for
22 the issuance of bonds, as provided by section 6-09.4-06, which states in substance
23 that this subsection is not applicable to the required debt service reserve for bonds
24 issued under that resolution.
- 25 5. If the maturity of a series of bonds of the public finance authority is three years or less
26 from the date of issuance of the bonds, the public finance authority may determine that
27 no reserve fund need be established for that respective series of bonds. If such a
28 determination is made, holders of that respective series of bonds may have no interest
29 in or claim on existing reserve funds established for the security of the holders of
30 previously issued public finance authority bonds, and may have no interest in or claim
31 on reserve funds established for the holders of subsequent issues of bonds of the
32 public finance authority.

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

3 a. Under section 6-09.4-06;

4 b. Under section 6-09.4-24; or under

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

6 **SECTION 5. AMENDMENT.** Section 57-15-06.6 of the North Dakota Century Code
7 is amended and reenacted as follows:

8 **57-15-06.6. County capital projects levy**

9 The board of county commissioners of each county may levy an annual tax not
10 exceeding ten mills plus any voter-approved additional levy as provided in subsection 8
11 of section 57-15-06.7 for the purpose of the following capital projects:

12 1. Constructing and equipping and maintaining structural and mechanical components
13 of regional or county corrections centers or for the purpose of contracting for
14 corrections center space capacity from another public or private entity.

15 2. Acquiring real estate as a site for public parks and construction and equipping and
16 maintaining structural and mechanical components of recreational facilities under
17 section 11-28-06.

18 3. Acquiring real estate as a site for county buildings and operations and constructing
19 and equipping and maintaining structural and mechanical components of county
20 buildings and property.

21 4. Acquiring real estate as a site for county fair buildings and operations and
22 constructing and equipping and maintaining structural and mechanical components of
23 county fair buildings and property as provided in section 4-02-26.

24 5. Acquiring and developing real estate, capital improvements, buildings, pavement,
25 Equipment, and debt service associated with financing for county supported airports or
26 airport authorities.

27 6. Expenditures for the cost of leasing as an alternative means of financing for any of
28 the purposes for which expenditures are authorized under subsections 1 through 5.

29 7. Improvement of the county road system and any part thereof, including any one or
30 more of the processes of acquisition, original construction, maintenance, opening,
31 widening, grading, graveling, paving, repaving, surfacing with tar, asphalt, bituminous,
32 or other appropriate material, constructing, resurfacing, resealing, and repairing of any
33 county road, highway, bridge, or public place within the county.

1 Any voter-approved levy for the purposes specified in this section approved by the
2 electors before January 1, 2015, remains effective through 2024 or the period of time
3 for which it was approved by the electors, whichever is less, under the provisions of law
4 in effect at the time it was approved. After January 1, 2015 approval or reauthorization
5 by electors of increased levy authority under this section may not be effective for more
6 than ten taxable years.

7 **SECTION 6. AMENDMENT.** Section 21-03-07 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 **21-03-07. Election required – Exceptions.**

10 No municipality, and no governing board thereof, may issue bonds without being first
11 authorized to do so by a vote equal to sixty percent of all the qualified voters of such
12 municipality voting upon the question of such issue except:

- 13 1. As otherwise provided in section 21-03-04.
- 14 2. The governing body may issue bonds of the municipality for the purpose and within
15 the limitations specified by subdivision e of subsection 1 of section 21-03-06,
16 subdivision g of subsection 2 of section 21-03-06, and subsections 4.1 and 7 of section
17 21-03-06 without an election.
- 18 3. The governing body of any municipality may issue bonds of the municipality for the
19 purpose of providing funds to meet its share of the cost of any highway project
20 undertaken under an agreement entered into by the governing body with the United
21 States government, the director of the department of transportation, the board of
22 county commissioners, or any of them, including the cost of any construction,
23 improvement, financing, planning, and acquisition of right of way of a bridge eligible for
24 matching funds, highway routed through the municipality and of any bridges and
25 controlled access facilities thereon and any necessary additional width or capacity of
26 the bridge or roadway thereof greater than that required for federal or state bridge or
27 highway purposes, and of any necessary relaying of utility mains and conduits, curbs
28 and gutters, and the installation of utility service connections and streetlights. The
29 portion of the total cost of the project to be paid by the municipality under the
30 agreement, including all items of cost incurred directly by the municipality and all
31 amounts to be paid by it for work done or contracted for by other parties to the
32 agreement, may not exceed a sum equal to thirty percent of the total cost, including
33 engineering and other incidental costs, of all construction and reconstruction work to be

1 done plus fifty percent of the total cost of all right of way to be acquired in connection
 2 therewith. The initial resolution authorizing issuance of bonds under this subsection must be
 3 published in the official newspaper of the municipality. Within sixty days after publication, an
 4 owner of taxable property within the municipality may file with the auditor or chief fiscal officer
 5 of the municipality a written protest against adoption of the resolution. A protest must
 6 describe the property that is the subject of the protest. If the governing body finds protests
 7 have been signed by the owners of taxable property having an assessed valuation equal to
 8 five percent or more of the assessed valuation of all taxable property in the municipality, as
 9 most recently finally equalized, all further proceedings under the initial resolution are barred.
 10 Nothing herein may be deemed to prevent any municipality from appropriating funds for or
 11 financing out of taxes, special assessments, or utility revenues any work incidental to any
 12 such project, in the manner and to the extent otherwise permitted by law, and the cost of any
 13 work so financed may not be included in computing the portion of the project cost payable by
 14 the municipality, within the meaning of this subsection, unless the work is actually called for
 15 by the agreement between the municipality and the other governmental agencies involved.

16 4. The governing body of any city may also by resolution adopted by a two-thirds vote
 17 authorize and issue general obligation bonds of the city for the purpose of providing funds to
 18 pay the cost of any improvement of the types stated below, to the extent that the governing
 19 body determines that such cost should be paid by the city and should not be assessed upon
 20 property specially benefited thereby; provided that the initial resolution authorizing such
 21 bonds must be published in the official newspaper, and any owner of taxable property within
 22 the city may, within sixty days after such publication, file with the city auditor a protest against
 23 the adoption of the resolution. If the governing body finds such protests to have been signed
 24 by the owners of taxable property having an assessed valuation equal to five percent or
 25 more of the assessed valuation of all taxable property within the city, as theretofore last
 26 finally equalized, all further proceedings under such initial resolution are barred. This
 27 procedure is authorized for the financing of the following types of improvements:

- 28 a. Any street improvement, as defined in subsection 2 of section 40-22-01, to be made in or
- 29 upon any federal or state highway or any other street designated by ordinance as an arterial
- 30 street.
- 31 b. The construction of a bridge, culvert, overpass, or underpass at the intersection of any
- 32 street with a stream, watercourse, drain, or railway, and the acquisition of any land or
- 33 easement required for that purpose.

1 c. Any improvement incidental to the carrying out of an urban renewal project, the issuance
2 of bonds for which is authorized by subsection 4 of section 40-58-13.

3 Nothing herein may be deemed to prevent any municipality from appropriating funds for or
4 financing out of taxes, special assessments, or utility revenues any work incidental to any
5 such improvement, in the manner and to the extent otherwise permitted by law.

6 5. The governing body of any city may also by resolution adopted by a two-thirds vote
7 dedicate the mill levy authorized by section 57-15-42 and may authorize and issue general
8 obligation bonds to be paid by the dedicated levy for the purpose of providing funds for the
9 purchase, construction, reconstruction, or repair of public buildings or fire stations; provided,
10 that the initial resolution authorizing the mill levy dedication and general obligation bonds
11 must be published in the official newspaper, and any owner of taxable property within the
12 city may, within sixty days after publication, file with the city auditor a protest against the
13 adoption of the resolution. Protests must be in writing and must describe the property which
14 is the subject of the protest. If the governing body finds such protests to have been signed by
15 the owners of taxable property having an assessed valuation equal to five percent or more of
16 the assessed valuation of all taxable property within the city, as theretofore last finally
17 equalized, all further proceedings under the initial resolution are barred.

18 6. The governing body of any county may also by resolution adopted by a two-thirds vote to
19 dedicate the tax levies authorized by section 57-15-06.6 and [section 57-15-06.7\(5\)](#) and may
20 authorize and issue general obligation bonds to be paid by the dedicated levy for the
21 purposes set forth in section [57-15-06.6 and section 57-15-06.7\(5\)](#) ~~for the purpose of~~
22 ~~providing funds for the purchase, construction, reconstruction, or repair of regional or~~
23 ~~county correction center, or parks and recreation facilities;~~ provided that the initial resolution
24 authorizing the mill levy dedication and general obligation bonds must be published in the
25 official newspaper, and any owner of taxable property within the city may, within sixty days
26 after publication, file with the city auditor a protest against the adoption of the resolution.
27 Protests must be in writing and must describe the property which is the subject of the protest.
28 If the governing body finds such protests to have been signed by the owners of taxable
29 Property having as assessed valuation equal to five percent or more of the assessed
30 Valuation of all taxable property within the city, as theretofore last finally equalized, all
31 Further proceedings under the initial resolution are barred.

32 7. The governing body of any public school district may also by resolution adopted by a two-
33 thirds vote dedicate the tax levies as authorized by section 15.1-09-47, 15.1-09-49, or 57-15-

1 16 and may authorize and issue general obligation bonds to be paid by these dedicated
 2 levies for the purpose of providing funds for the purchase, construction, reconstruction, or
 3 repair of public school buildings or for the construction or improvement of a project under
 4 section 15.1-36-02 or 15.1-36-08. The initial resolution authorizing the tax levy dedication
 5 and general obligation bonds must be published in the official newspaper of the school
 6 district, and any owner of taxable property within the school district may, within sixty days
 7 after publication, file with the business manager of the school district a protest against the
 8 adoption of the resolution. Protests must be in writing and must describe the property that is
 9 the subject of the protest. If the governing body finds the protests have been signed by the
 10 owners of taxable property having an assessed valuation equal to five percent or more of the
 11 assessed valuation of all taxable property within the school district, as theretofore last finally
 12 equalized, all further proceedings under the initial resolution are barred.

13 8. The governing body of any city having a population of twenty-five thousand persons or
 14 more may use the provisions of subsection 3 to provide funds to participate in the cost of any
 15 construction, improvement, financing, and planning of any bypass routes, interchanges, or
 16 other intersection improvements on a federal or state highway system which is situated in
 17 whole or in part outside of the corporate limits of the city; provided, that the governing body
 18 thereof shall determine by resolution that the undertaking of such work is in the best interest
 19 of the city for the purpose of providing access and relieving congestion or improving traffic
 20 flow on municipal streets.

21 9. The governing body of a municipality or other political subdivision, located at least in part
 22 within a county that is included within a disaster or emergency executive order or
 23 proclamation of the governor under chapter 37-17.1, may by resolution adopted by a two-
 24 thirds vote authorize and issue general obligation bonds of the political subdivision without
 25 an election for the purpose of providing funds to pay costs associated with the emergency
 26 condition. The political subdivision may dedicate and levy taxes for retirement of bonds
 27 under this subsection and such levies are not subject to limitations as otherwise provided by
 28 law.

29 10. The governing board of any county, city, public school district, park district, or township
 30 may by resolution adopted by a two-thirds vote dedicate the tax levy authorized by section
 31 57-15-41 and authorize and issue general obligation bonds to be paid by the dedicated levy
 32 for the purpose of providing funds to prepay outstanding special assessments made in
 33 accordance with the provisions of title 40 against property owned by the county, city, public

1 school district, park district, or township.

2 **SECTION 7. AMENDMENT.** Section 21-03-19 of the North Dakota Century Code is
3 amended and reenacted as follows:

4 **21-03-19. Bonds – Terms.**

5 Bonds issued under this chapter must be authorized by resolution, bear such date or dates,
6 be in such denomination or denominations, be in such form, be subject to redemption with or
7 without premium, and be subject to such other terms or conditions as in the judgement of the
8 municipality are in the public interest of the municipality, and must provide that the last
9 installment of principal falls due not more than twenty years from the date of the bonds or
10 more than thirty years in the case of bonds sold to the entities listed in section 21-03-30. The
11 requirements of this section apply to each new issue of bonds, or if so determined by the
12 governing body, to the bonds of a new issue combined with all of the outstanding bonds of
13 one or more designated issues of bonds previously issued and similarly payable from taxes
14 or other sources of revenues, or both, as the case may be.

15 **SECTION 8. AMENDMENT.** Section 57-47-02 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-47-02. County authorized to borrow – Term – Interest rate.**

18 Whenever in the judgment of the board of county commissioners all taxes authorized to be
19 levied in any one year for general or special county purposes are insufficient to carry on the
20 primary governmental functions, or to pay the mandatory obligations imposed by law upon a
21 county, then such a county may borrow money in such an amount as the board shall
22 determine to be necessary to meet the deficiencies existing in its general or special funds, or
23 to carry on primary governmental functions, and to pay mandatory obligations. For the
24 purpose of borrowing, a county may issue evidences of indebtedness, which must consist of
25 an agreement by the county to pay a stated sum on a specified date, or on or before a
26 specified date, not more than five twenty years in the future, together with interest thereon at
27 a rate or rates resulting in an average annual net interest cost not to exceed twelve percent
28 per annum if sold privately, or with no interest rate ceiling if sold at a public sale or to the
29 state of North Dakota or any of its agencies or instrumentalities. A public sale must comply
30 with the procedures set out in chapter 21-03. There is no requirement for an advertisement
31 for bids if an evidence of indebtedness is sold privately or to the state of North Dakota or any
32 of its agencies or instrumentalities.

SECTION 79. Section 6-09.4-28 of the North Dakota Century Code is created and enacted as follows:

1 **6-09.4-28. Debt service requirements - Essential infrastructure revolving loan fund -**

2 **Legacy fund earnings.**

3 Each biennium, the public finance authority shall request from the legislative assembly an
4 appropriation from the general fund of moneys derived from the earnings of the legacy fund, as
5 defined under section 21-10-12, to meet the debt service requirements for evidences of
6 indebtedness issued by the authority to support the essential infrastructure revolving loan fund.

7 **SECTION 810. REPEAL.** Section 61-02-78 of the North Dakota Century Code is repealed.

8 **SECTION 911. TRANSFER INFRASTRUCTURE REVOLVING LOAN FUND TO**
9 **ESSENTIAL INFRASTRUCTURE REVOLVING LOAN FUND.** The Bank of North Dakota shall
10 transfer the fund balance and any outstanding loans issued from the infrastructure revolving
11 loan fund under section 6-09-49, as in effect on June 30, 2019, to the essential infrastructure
12 revolving loan fund during the biennium beginning July 1, 2019 and ending June 30, 2021.

13 **SECTION 1012. TRANSFER INFRASTRUCTURE REVOLVING LOAN FUND TO**
14 **ESSENTIAL INFRASTRUCTURE REVOLVING LOAN FUND.**

15 The State Water Commission shall transfer any outstanding loans from the infrastructure
16 revolving loan fund under section 61-02-78 to the essential infrastructure revolving loan fund
17 during the biennium beginning July 1, 2019 and ending June 30, 2021. The Bank of North
18 Dakota shall transfer to the North Dakota Resources Trust Fund, from the first bond issuance,
19 an amount equal to the Loan balances in the State Water Commission Infrastructure Revolving
20 Loan Fund.

21 **SECTION 1113. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE LIMITATION.**
Pursuant

22 to the bonding authority under section 6-09.4-06, the public finance authority may issue up to
23 \$500,000,000 of evidences of indebtedness, but not in an amount that would cause the
24 repayments to exceed \$55,000,000 per biennium, for the purpose of supporting the essential
25 infrastructure revolving loan fund during the biennium beginning July 1, 2019, and ending
23 June 30, 2021. The term of any evidences of indebtedness issued under this section may not
24 exceed twenty years.

25 **SECTION 1214. EFFECTIVE DATE.** Section 6 10 of this Act becomes effective July 1, 2021.

Box 2254
Bismarck, ND 58502
(701) 223-4330
FAX (701) 223-4645

Barnes Rural Water District
Cass County Government
Cass County Joint Board
Devils Lake
Devils Lake Basin Joint Board
Dickinson
Fargo
Garrison Diversion
Conservancy District
Grafton
Grand Forks
Grand Forks - Traill Water
District
Lake Agassiz Water Authority
Lisbon
Mandan
McLean-Sheridan Rural Water
Mercer County Water Resource
District
Minot
Missouri River Joint Board
Central Regional Water
District
North Dakota Association of
Counties
North Dakota Farmers Union
North Dakota Irrigation
Association
North Dakota League of Cities
North Dakota Public Finance
Authority
North Dakota Rural Water
Systems Association
North Dakota Soybean
Growers Association
North Dakota State Water
Commission
North Dakota Water Resource
Districts Association
North Dakota Water Users
Association
North Dakota Weather
Modification Association
Northeast Regional Water
District
Northwest Area Water Supply
Red River Joint Water Board
Souris River Joint Board
South Central Regional Water
District
West Water Authority
Lincoln Rural Water District
Valley City
West Fargo
Western Area Water Supply
Williston

1/22 SB 2275 #9 pg. 1

Testimony of Lance Gaebe, Executive Director
North Dakota Water Coalition
Senate Finance and Taxation Committee
In Support of SB 2275
January 22, 2019

Mr. Chairman and members of the Senate Appropriations Committee, my name is Lance Gaebe and I serve as executive director of the North Dakota Water Coalition.

The North Dakota Water Coalition formed in 1994 to **complete North Dakota's water infrastructure for economic growth and quality of life**. The Water Coalition brings together more than 40 water project sponsors and groups to work toward unity for support of water projects across North Dakota.

Collaboration within the water community and building consensus regarding funding needs and priorities are essential in meeting the water resource management needs of North Dakota.

It is difficult to accomplish the projects with the revenues projected in the Resources Trust Fund and the Water Development Trust Fund for the next biennium thus the Water Coalition supports efforts conceived in SB 2275 to establish creative finance options for important infrastructure projects.

SB 2275 would create an infrastructure revolving loan fund at the Bank of North Dakota with the lending terms supported with earnings from the Legacy Fund. This effort would truly support important water projects.

For the next biennium and beyond, there is a critical need for financial support for the state's water projects. These important water supply, flood control, irrigation and water management projects are planned and underway across the state. These projects are vital but, unfortunately collectively expensive, though each share a role in the advancement of North Dakota's water infrastructure. Project needs exceed revenue forecasts, so we have worked to prioritize the water funding needs. A low-interest long-term loan fund would help to get ready-to-go projects underway.

The North Dakota Water Coalition supports lending programs and credit options of using the Legacy Fund to finance the completion of state water infrastructure, the Coalition and its members look forward to helping advance the proposal through the Legislature and with the voters of the state.

We appreciate your past support of water infrastructure and urge your continued support of North Dakota's water infrastructure financing with the adoption of SB 2275.

19.0499.03001
Title.

Prepared by the Legislative Council staff for
Senator Cook

February 5, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2275

Page 1, line 2, remove "essential"

Page 1, line 3, replace the first "section" with "sections"

Page 1, line 3, remove "subdivision c of subsection 5 of section 6-09.4-03, and sections"

Page 1, line 4, after "6-09.4-06" insert a comma

Page 1, line 4, after "6-09.4-10" insert ", subsection 6 of section 21-03-07, and sections 21-03-19, 57-15-06.6, and 57-47-02"

Page 1, line 4, remove "essential"

Page 1, line 5, remove ", public finance agency definitions"

Page 1, line 6, remove "and"

Page 1, line 6, after "funds" insert ", and expanded bonding authority for political subdivisions"

Page 2, line 21, replace "**Essential infrastructure**" with "**Infrastructure**"

Page 2, line 21, remove "**- Counties, cities,**"

Page 2, line 22, remove "**and institutions of higher education**"

Page 2, line 23, remove "essential"

Page 2, line 25, replace "counties and cities" with "political subdivisions"

Page 3, line 4, remove "essential"

Page 3, line 12, remove "Notwithstanding any other provision of law, the eligibility requirements for a loan under"

Page 3, remove lines 13 through 30

Page 4, replace lines 1 through 14 with "An applicant must issue an evidence of indebtedness as authorized by law. An institution of higher education must identify at least one funding source for the debt repayment, including:

- a. Tuition or fee revenue collected by the institution of higher education;
- b. Distributions of state aid received by the institution of higher education under chapter 15-18.2; or
- c. Other sources of revenue."

Page 4, line 25, replace "county and city" with "political subdivision"

Page 4, line 28, replace "county or city" with "political subdivision"

Page 5, line 9, replace "county and city" with "political subdivision"

Page 5, line 12, replace "county or city" with "political subdivision"

Page 5, remove lines 25 through 30

Page 6, line 26, after "lend" insert "or transfer"

Page 7, line 2, remove "essential"

Page 7, line 3, after "6-09-49" 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 10, line 1, replace "Essential infrastructure" with "Infrastructure"

Page 10, line 4, remove "of moneys derived from the earnings of the legacy fund, as"

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

Page 10, line 6, remove "essential"

Page 10, after line 6, insert:

"SECTION 5. AMENDMENT. Subsection 6 of section 21-03-07 of the North Dakota Century Code is amended and reenacted as follows:

6. The governing body of any county may also by resolution adopted by a two-thirds vote dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of section 57-15-06.7 and may authorize and issue general obligation bonds to be paid by the dedicated levy for the ~~purpose of providing funds for the purchase, construction, reconstruction, or repair of regional or county correction centers, or parks and recreational facilities~~purposes identified under section 57-15-06.6 and subsection 5 of section 57-15-06.7; provided, that the initial resolution authorizing the tax levy dedication and general obligation bonds must be published in the official newspaper, and any owner of taxable property within the county may, within sixty days after publication, file with the county auditor a protest against the adoption of the resolution. Protests must be in writing and must describe the property which is the subject of the protest. If the governing body finds such protests to have been signed by the owners of taxable property having an assessed valuation equal to five percent or more of the assessed valuation of all taxable property within the county, as theretofore last finally equalized, all further proceedings under the initial resolution are barred.

SECTION 6. AMENDMENT. Section 21-03-19 of the North Dakota Century Code is amended and reenacted as follows:

21-03-19. Bonds - Terms.

Bonds issued under this chapter must be authorized by resolution, bear such date or dates, be in such denomination or denominations, be in such form, be subject to redemption with or without premium, and be subject to such other terms or conditions as in the judgment of the municipality are in the public interest of the municipality, and must provide that the last installment of principal falls due not more than twenty years from the date of the bonds or not more than thirty years for bonds sold to the entities under section 21-03-30. The requirements of this section apply to each new issue of bonds, or if so determined by the governing body, to the bonds of a new issue combined with all of the outstanding bonds of one or more designated issues of bonds previously issued and similarly payable from taxes or other sources of revenues, or both, as the case may be.

SECTION 7. AMENDMENT. Section 57-15-06.6 of the North Dakota Century Code is amended and reenacted as follows:

57-15-06.6. County capital projects levy.

1. The board of county commissioners of each county may levy an annual tax not exceeding ten mills plus any voter-approved additional levy as provided in subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:
 - a. Constructing and equipping and maintaining structural and mechanical components of regional or county corrections centers or for the purpose of contracting for corrections center space capacity from another public or private entity.
 - b. Acquiring real estate as a site for public parks and construction and equipping and maintaining structural and mechanical components of recreational facilities under section 11-28-06.
 - c. Acquiring real estate as a site for county buildings and operations and constructing and equipping and maintaining structural and mechanical components of county buildings and property.
 - d. Acquiring real estate as a site for county fair buildings and operations and constructing and equipping and maintaining structural and mechanical components of county fair buildings and property as provided in section 4-02-26.
 - e. Acquiring and developing real estate, capital improvements, buildings, pavement, equipment, and debt service associated with financing for county supported airports or airport authorities.
 - f. Expenditures for the cost of leasing as an alternative means of financing for any of the purposes for which expenditures are authorized under subsections 1 through 5.
 - g. Improvement of the county road system, including the acquisition of land, construction of new paved and unpaved roads and bridges, replacement of existing paved and unpaved roads and bridges, and maintenance and repair of existing paved and unpaved roads and bridges.

2. Any voter-approved levy for the purposes specified in this section approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved. After January 1, 2015, approval or reauthorization by electors of increased levy authority under this section may not be effective for more than ten taxable years.

SECTION 8. AMENDMENT. Section 57-47-02 of the North Dakota Century Code is amended and reenacted as follows:

57-47-02. County authorized to borrow - Term - Interest rate.

Whenever in the judgment of the board of county commissioners all taxes authorized to be levied in any one year for general or special county purposes are insufficient to carry on the primary governmental functions, or to pay the mandatory obligations imposed by law upon a county, then such a county may borrow money in such an amount as the board shall determine to be necessary to meet the deficiencies existing in its general or special funds, or to carry on primary governmental functions, and to pay mandatory obligations. For the purpose of borrowing, a county may issue evidences of indebtedness, which must consist of an agreement by the county to pay a stated sum on a specified date, or on or before a specified date, not more than ~~five~~twenty years in the future, together with interest thereon at a rate or rates resulting in an average annual net interest cost not to exceed twelve percent per annum if sold privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or any of its agencies or instrumentalities. A public sale must comply with the procedures set out in chapter 21-03. There is no requirement for an advertisement for bids if an evidence of indebtedness is sold privately or to the state of North Dakota or any of its agencies or instrumentalities."

Page 10, remove lines 8 through 12

Page 10, line 13, after "FUND" insert "FOR WATER PROJECTS"

Page 10, line 13, remove "ESSENTIAL"

Page 10, line 16, remove "essential"

Page 10, line 21, remove "essential"

Page 10, line 24, replace "twenty" with "thirty"

Page 10, after line 24, insert:

"SECTION 12. APPROPRIATION - BANK OF NORTH DAKOTA - LINE OF CREDIT. The Bank of North Dakota may extend a line of credit, not to exceed \$100,000,000, to the infrastructure revolving loan fund established under section 6-09-49. The Bank may access the line of credit, to the extent necessary, the sum of which is appropriated, for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance by the public finance authority, for the biennium beginning July 1, 2019, and ending June 30, 2021. The interest rate associated with the line of credit must be the same as the prevailing interest rate charged by the Bank to North Dakota governmental entities. The Bank shall repay the line of credit from bond proceeds associated with the bonds issued by the public finance authority to support the infrastructure revolving loan fund.

SECTION 13. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of the sum as may be necessary, to the public finance authority for the purpose of debt service repayments associated with bonds issued to support the infrastructure revolving loan fund, for the biennium beginning July 1, 2019, and ending June 30, 2021."

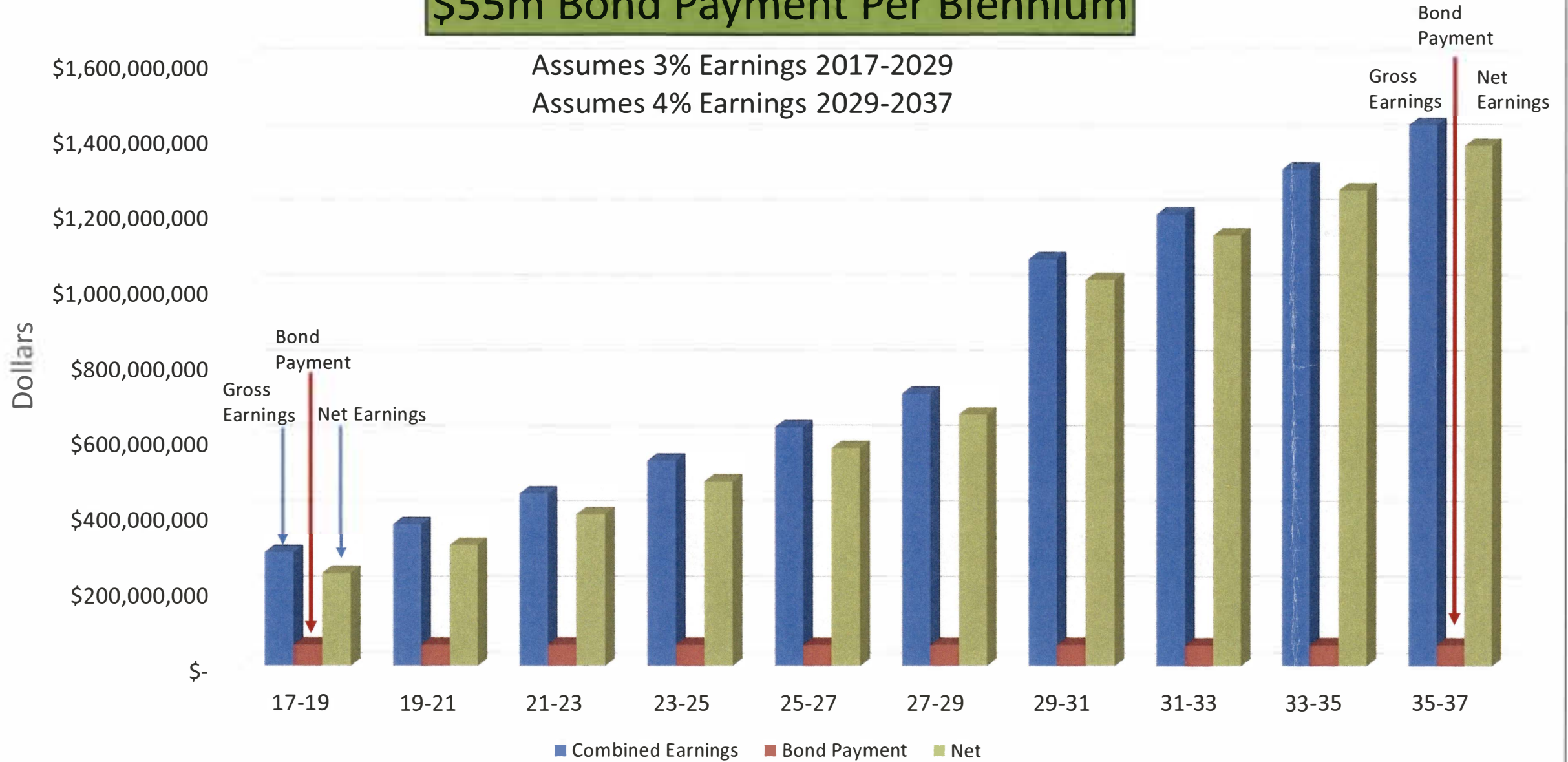
Page 10, line 25, replace "6" with "9"

Renumber accordingly

/ SB 2275
2-13 19
pg 1

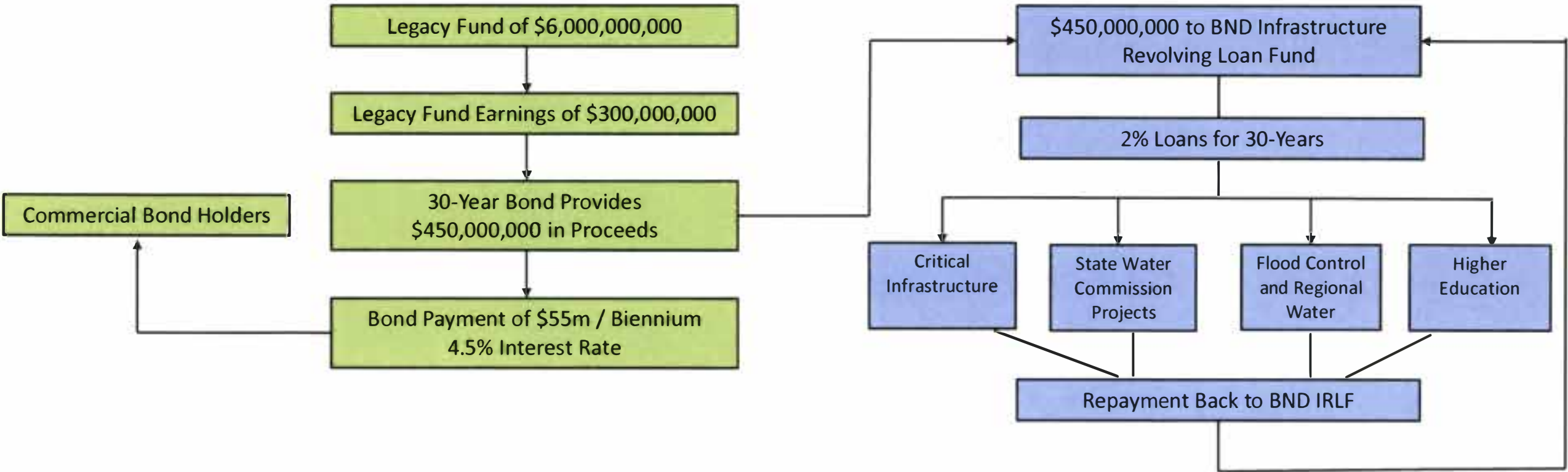
Utilization of Legacy Fund Earnings \$55m Bond Payment Per Biennium

Assumes 3% Earnings 2017-2029
Assumes 4% Earnings 2029-2037



Utilizing Legacy Fund Earnings As A Repayment Source For Infrastructure Funding

Concept: To “Disconnect” the Repayment and Interest Rate of A Revenue Bond from the Repayment and Interest Rate of a Loan to A Local Political Subdivision.



Overview of Infrastructure Revolving Loan Fund Return on Investment

Current Status BND IRLF

Loans Funded:	\$80,922,793
Outstanding Commitments:	\$73,144,674
SIIF Funds Used:	\$50,000,000
BND Funds Used To Date:	\$40,000,000
Remaining BND Funds:	\$60,000,000
Current Cash Balance:	\$12,929,379
Outstanding Loan Balance	\$77,896,178
Fund Balance	\$150,470,850

BND IRLF Evolution Through 2035

As of June 2021		As of June 2025		As of June 2035	
Loans Funded	\$354,067,467	Loans Funded	\$712,067,467	Loans Funded	\$1,061,115,291
Outstanding	\$338,772,368	Outstanding	\$642,002,404	Outstanding	\$746,153,284
Ann. Repayments	\$12,252,372	Ann. Repayments	\$30,651,592	Ann. Repayments	\$45,585,940
Loan Loss Res.	\$5,081,585	Loan Loss Res	\$9,630,036	Loan Loss Res	\$11,192,300
Cash	\$271,122,357	Cash	\$537,906	Cash	\$222,680
Total Assets	\$604,813,140	Total Assets	\$632,910,274	Total Assets	\$735,183,664

Assumption

Bond	\$450,000,000
(Total Amount Advanced in 3-Years.)	

Savings to North Dakota Residents

- Under the Assumptions, by 2035, the IRLF will have Loaned over \$1B to local political subdivisions.
- Assuming a 4.5% Market Rate, Tax Payers Will Save \$527,852,894 in Interest costs by 2035.
- Accelerated construction schedule protect against inflation and increasing costs of construction.
- The ability to borrow money as needed.

Note (Interest on \$1.06B / 30 Years @ 4.5% = \$882,971,755) (Interest on \$1.06B / 30 Years @ 2% = \$355,118,861)

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Project Cost Comparison

<u>\$5 Million Dollar Project</u>	<u>30-Year Cost</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$6.63m	\$1,630,000	\$2,380,000
Market Rate Loan	\$9.01m	\$4,010,000	
<u>\$20 Million Dollar Project</u>	<u>30-Year Cost</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$26.53m	\$6,530,000	\$9,510,000
Market Rate Loan	\$36.04m	\$16,040,000	
<u>\$50 Million Dollar Project</u>	<u>30-Year Cost</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$66.32m	\$16,320,000	\$23,780,000
Market Rate Loan	\$90.10m	\$40,100,000	

Estimated Market Interest Rate 4.5%

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Legislation Proposing Bonding in the 2019-2021 Legislative Session

Bill	SB 2214	SB 2268	SB 2275	SB 2297
Program Name	School Construction Assistance Revolving Loan Fund	Corridors of Commerce	Infrastructure Revolving Loan Fund	North Dakota Building Authority
Amount of Bonding	\$250,000,000	\$100,000,000	\$500,000,000	\$151,700,000
Biennial Debt Service Maximum	Not Specified - \$25,000,000 intent	\$16,000,000	\$55,000,000	Within legislative cap of 10% of \$.01 sales tax - \$25,000,000 intent
Repayment Source	Appropriation from Foundation Aid Stabilization Fund	General Fund monies derived from Legacy Fund Earnings	General Fund monies derived from Legacy Fund Earnings	Lease Rental Payments from Funding Recipients
Bonded Debt Term	20 years	20 years	Up to 30 years	20 years
Use of Proceeds	School Construction Projects	State Highway Projects that improve freight transportation and facilitate commerce	Essential Infrastructure Projects for Political Subdivisions and Institutes of Higher Education	Specific Projects listed: NDSU Dunbar Hall, VCSU Communications and Fine Arts Building, NDSU Agriculture Products Development Center and DSU Pulver Hall
Existing Program NDCC	15.1-36-08	New	6-09-49	54-17.2
Determines Projects	Department of Public Instruction	Department of Transportation	Bank of North Dakota	Defined in Bill
Administers the Fund	Bank of North Dakota	Department of Transportation	Bank of North Dakota	ND Building Authority
Issues the Bonds	Public Finance Authority	Public Finance Authority	Public Finance Authority	ND Building Authority

2019-2021 Required Biennial Debt Service	
Foundation Aid (SB 2214)	\$25,000,000
Legacy Fund Earnings	\$30,000,000
General Fund (SB 2297)	\$0
Total	\$55,000,000

Future Required Biennial Debt Service	
Foundation Aid (SB 2214)	\$25,000,000
Legacy Fund Earnings	\$71,000,000
General Fund (SB 2297)	\$25,000,000
Total	\$121,000,000

Legacy Fund - Bonded Debt Service Requirements by Biennium (SB 2268 and SB 2275)

	Bond Issue #1 Infrastructure		Bond Issue #2 Infrastructure		Bond Issue #2A Corridors of Commerce		Biennial Debt Service Requirements	Appropriation	Carryover
	Proceeds	Payment	Proceeds	Payment	Proceeds	Payment			
July 1, 2019	\$200,000,000						19-21 Biennium \$24,989,868	\$30,000,000	\$5,010,132
January 1, 2020		\$4,500,000							
July 1, 2020		\$9,239,868	\$200,000,000		\$100,000,000				
January 1, 2021		\$4,500,000		\$4,500,000		\$2,250,000	21-23 Biennium \$68,699,340	\$63,689,208	
July 1, 2021		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2022		\$4,500,000		\$4,500,000		\$2,250,000			
July 1, 2022		\$9,239,868		\$9,239,868		\$4,619,934	23-25 Biennium \$68,699,340	\$68,699,340	
January 1, 2023		\$4,500,000		\$4,500,000		\$2,250,000			
July 1, 2023		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2024		\$4,500,000		\$4,500,000		\$2,250,000	25-27 Biennium \$68,699,340	\$68,699,340	
July 1, 2024		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2025		\$4,500,000		\$4,500,000		\$2,250,000			
July 1, 2025		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2026		\$4,500,000		\$4,500,000		\$2,250,000			
July 1, 2026		\$9,239,868		\$9,239,868		\$4,619,934			
January 1, 2027		\$4,500,000		\$4,500,000		\$2,250,000			

Implementation of Bonding Strategy

SB 2275 authorizes issuance of bond terms up to 30 years. SB 2268 assumes a bond term of 20 years.

SB 2275 assumes the Legislature will authorize up to \$500m in bonding utilizing \$55m per biennium for bond payments. SB 2268 assumes the Legislature will authorize up to \$100m in bonding utilizing \$16m per biennium for bond payments. Based on the anticipated Legacy Fund earnings transfer, the total \$71m may not be available in the first (2019-2021) biennium.

It is virtually impossible to deploy \$400m+ infrastructure funding in a one-or-two year period. To aid the Legislature in evaluating how to fund this proposal, the above graph outlines a potential deployment schedule for the bonding over a 2-year period with a \$200m bond issue each year in July for infrastructure. Due to timing with the Corridors of Commerce, the above demonstrates the \$100m bonds to be issued in 2020.

Utilizing this type of structure enables the Legislature to "build into" the full \$71m payment over the course of 2-biennia.

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Proposed Amendments To Senate Bill 2275

Page 1, Line 6, after "for" strike "Political Subdivisions" and insert "counties".

Page 3, Line 1, after 6 and 8, add "9"

Page 3, Line 11, after "applicant" insert, "must issue an evidence of indebtedness authorized by law."

Page 3, Line 11, Strike everything in section 4 after "shall Issue"

Page 3, Line 28, after projects, strike, ~~for political subdivision utility and transportation projects~~

Page 4, Line 13, after projects, strike, ~~for political subdivision water projects~~

Page 4, Line 29, insert a new section 9.

9. An institution of higher education must identify at least one funding source for the debt repayment, including:

- a. Tuition or fee revenue collected by the institute of higher education
- b. Distributions of state aid received by the institute of higher education under chapter 15-18.2; or
- c. Other sources of revenue.

Page 5, Line 29, after "the" insert "transferred"

Page 6, Line 6, strike, "department of transportation" and insert "Bank of North Dakota"

Page 6, Line 11, strike, "department of transportation" and insert "Bank of North Dakota"

Page 9, Line 10, Strike "Legacy fund earnings"

Page 11, line 8, strike, "1 through 5" and insert "a through e"

Page 12, line 9, strike "Bank of North Dakota" and insert "State Water Commission"

Page 12, line 12, after "2021." Add "The Bank of North Dakota shall transfer to the North Dakota Resources Trust Fund, from the first bond issuance, an amount equal to the loan balances in the State Water Commission Infrastructure Revolving Loan Fund."

Page 12, line 20, strike "Appropriation-Bank of North Dakota-Line of Credit and replace with "Anticipation Financing".

Page 12, Line 21-30, Strike existing language and replace with, "The Public Finance Authority may issue bond anticipation notes to allow for financing of loans prior to bond issuance."

Introduced by

Senators Wardner, Cook, Robinson

Representatives Lefor, Nathe, Porter

1 A BILL for an Act to create and enact section 6-09.4-28 of the North Dakota Century Code,
2 relating to the infrastructure revolving loan fund debt repayments; to amend and reenact
3 sections 6-09-49, 6-09.4-06, and 6-09.4-10, subsection 6 of section 21-03-07, and
4 sections 21-03-19, 57-15-06.6, and 57-47-02 of the North Dakota Century Code, relating to the
5 infrastructure revolving loan fund, borrowing and lending authority, reserve funds, and expanded
6 bonding authority for ~~political subdivisions~~ counties; to repeal section 61-02-78 of the North
7 Dakota Century Code, relating to a revolving loan fund for water projects; to provide a transfer; to
8 provide a continuing appropriation; to provide a bond issuance limitation; and to provide an
9 effective date.

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

11 **SECTION 1. AMENDMENT.** Section 6-09-49 of the North Dakota Century Code is amended
12 and reenacted as follows:

13 **6-09-49. Infrastructure revolving loan fund – Continuing appropriation.**

- 14 1. ~~The infrastructure revolving loan fund is a special fund in the state treasury from which~~
15 ~~the Bank of North Dakota shall provide loans to political subdivisions for essential~~
16 ~~infrastructure projects. The Bank shall administer the infrastructure revolving loan~~
17 ~~fund. The maximum term of a loan made under this section is thirty years. A loan~~
18 ~~made from the fund under this section must have an interest rate that does not exceed~~
19 ~~two percent per year.~~
- 20 2. ~~For purposes of this section, "essential infrastructure projects" means capital~~
21 ~~construction projects for the following:~~
- 22 a. ~~New or replacement of existing water treatment plants;~~
 - 23 b. ~~New or replacement of existing wastewater treatment plants;~~
 - 24 c. ~~New or replacement of existing sewer lines and water lines; and~~

- 1 ~~d.~~ New or replacement of existing storm water and transportation infrastructure,
2 including curb and gutter construction.
- 3 ~~3.~~ In processing political subdivision loan applications under this section, the Bank shall
4 calculate the maximum loan amount for which a qualified applicant may qualify, not to
5 exceed fifteen million dollars per loan. The Bank shall consider the applicant's ability to
6 repay the loan when processing the application and shall issue loans only to
7 applicants that provide reasonable assurance of sufficient future income to repay the
8 loan.
- 9 4. The Bank shall deposit in the infrastructure revolving loan fund all payments of interest
10 and principal paid under loans made from the infrastructure revolving loan fund. The
11 Bank may use a portion of the interest paid on the outstanding loans as a servicing fee
12 to pay for administrative costs which may not exceed one-half of one percent of the
13 amount of the interest payment. All moneys transferred to the fund, interest upon
14 moneys in the fund, and payments to the fund of principal and interest are
15 appropriated to the Bank on a continuing basis for administrative costs and for loan
16 disbursement according to this section.
- 17 ~~5.~~ The Bank may adopt policies and establish guidelines to administer this loan program
18 in accordance with the provisions of this section and to supplement and leverage the
19 funds in the infrastructure revolving loan fund. Additionally, the Bank may adopt
20 policies allowing participation by local financial institutions.

Infrastructure revolving loan fund - Bank of North Dakota - Continuing appropriation.

- 21 1. The infrastructure revolving loan fund is a special fund in the state treasury
22 administered by the Bank of North Dakota. The Bank shall use moneys in the fund to
23 provide loans to political subdivisions for eligible infrastructure projects pursuant to
24 subsections 6 and 7 and to provide loans to institutions of higher education for eligible
25 infrastructure projects pursuant to subsection 8.
- 26 2. The Bank may adopt policies and establish guidelines to administer the loan program
27 in accordance with this section, including policies to supplement and leverage the
28 moneys in the fund and policies to allow participation by local financial institutions. A
29 loan made from the fund must have an interest rate that does not exceed two percent
30 per year. The maximum term of a loan for an infrastructure project under
31

- 1 subsections 6 and 8 6, 8 and 9 is thirty years, and the maximum term of a loan for an
2 infrastructure project under subsection 7 is forty years.
- 3 3. All principal and interest payments received on loans made from the infrastructure
4 revolving loan fund must be deposited into the fund. The Bank may use a portion of
5 the interest paid on the outstanding loans as a servicing fee to pay administrative
6 costs, which may not exceed one-half of one percent of the amount of the interest
7 payment. All moneys transferred to the fund, interest upon moneys in the fund, and
8 payments to the fund of principal and interest are appropriated to the Bank on a
9 continuing basis for administrative costs and for loan disbursement according to this
10 section.
- 11 4. An applicant must issue an evidence of indebtedness authorized by law. shall issue an
12 evidence of indebtedness as authorized by law. An institution of higher education shall identify
13 at least one funding source for the debt repayment, including:
- 14 a. Tuition or fee revenue collected by the institution of higher education;
15 b. Distributions of state aid received by the institution of higher education under
16 chapter 15-18.2; or
17 c. Other sources of revenue.
- 18 5. In processing loan applications under this section, the Bank shall calculate the
19 maximum loan amount available to a qualified applicant. Each applicant may have up
20 to twenty-five million dollars of outstanding loans from the fund for infrastructure
21 projects under subsections 6 and 8. The Bank shall consider the ability of the applicant
22 to repay the loan when processing the application and shall issue loans only to
23 applicants that provide reasonable assurance of sufficient future income to repay the
24 loan. If an infrastructure project qualifies for funding through the state revolving fund
25 established pursuant to chapters 61-28.1 and 61-28.2, the Bank shall verify the loan
26 application only is for the portion of the project that is ineligible to receive funding from
27 the state revolving fund.
- 28 6. Eligible infrastructure projects for political subdivision utility and transportation projects
29 are capital construction projects to construct new infrastructure or to replace existing
30 infrastructure, which provide the fixed installations necessary for the function of a

- 1 political subdivision and are in the public interest. Capital construction projects exclude
2 routine maintenance and repair projects, but include the following:
- 3 a. Water treatment plants;
 - 4 b. Wastewater treatment plants;
 - 5 c. Sewer lines and water lines, including lift stations and pumping systems;
 - 6 d. Water storage systems, including dams, water tanks, and water towers;
 - 7 e. Storm water infrastructure, including curb and gutter construction;
 - 8 f. Road and bridge infrastructure, including paved and unpaved roads and bridges;
 - 9 g. Airport infrastructure;
 - 10 h. Electricity transmission infrastructure;
 - 11 i. Natural gas transmission infrastructure; and
 - 12 j. Communications infrastructure.
- 13 7. Eligible infrastructure projects for political subdivision water projects are capital
14 construction projects to construct new infrastructure or to replace existing
15 infrastructure, which provide the fixed installations necessary for the function of a
16 political subdivision and are in the public interest. Capital construction projects exclude
17 routine maintenance and repair projects, but include the following:
- 18 a. Flood control;
 - 19 b. Water supply; and
 - 20 c. Water management.
- 21 8. Eligible infrastructure projects for institutions of higher education are capital
22 construction projects to construct new infrastructure or to replace existing
23 infrastructure, which provide the fixed installations necessary for the function of the
24 institution and are in the public interest. Capital construction projects exclude routine
25 maintenance and repair projects, but include the following:
- 26 a. Sewer lines and water lines;
 - 27 b. Storm water infrastructure, including curb and gutter construction; and
 - 28 c. Road infrastructure.
- 29 9. An institution of higher education must identify at least one funding source for the debt
30 repayment, including:
- 31 a. Tuition or fee revenue collected by the institute of higher education
 - 32 b. Distributions of state aid received by the institute of higher education under chapter

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15-18.2; or

c. Other sources of revenue.

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

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

1. The public finance authority may lend money to political subdivisions or other contracting parties through the purchase or holding of municipal securities which, in the opinion of the attorney general, are properly eligible for purchase or holding by the public finance authority under this chapter or chapter 40-57 and for purposes of the public finance authority's capital financing program the principal amount of any one issue does not exceed five hundred thousand dollars. However, the public finance authority may lend money to political subdivisions through the purchase of securities issued by the political subdivisions through the capital financing program without regard to the principal amount of the bonds issued, if the industrial commission approves a resolution that authorizes the public finance authority to purchase the securities. The capital financing program authorizing resolution must state that the industrial commission has determined that private bond markets will not be responsive to the needs of the issuing political subdivision concerning the securities or, if it appears that the securities can be sold through private bond markets without the involvement of the public finance authority, the authorizing resolution must state reasons for the public finance authority's involvement in the bond issue. The public finance authority may hold such municipal securities for any length of time it finds to be necessary. The public finance authority, for the purposes authorized by this chapter or chapter 40-57, may issue its bonds payable solely from the revenues available to the public finance authority which are authorized or pledged for payment of public finance authority obligations, and to otherwise assist political subdivisions or other contracting parties as provided in this chapter or chapter 40-57.

2. The public finance authority may lend or transfer money to the Bank of North Dakota underas follows:

a. Under terms and conditions requiring the Bank to use the proceeds to make loans for agricultural improvements that qualify for assistance under the revolving loan fund program established byunder chapter 61-28.2; and

b. Under terms and conditions requiring the Bank to use the transferred proceeds to

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Legislative Assembly

1 make loans for infrastructure projects that qualify for assistance under the infrastructure
2 revolving loan fund established under section 6-09-49. Bonds issued for this
3 purpose are payable in each biennium solely from amounts the legislative
4 assembly may appropriate for debt service for any biennium or from a reserve
5 fund established for the bonds. This section may not be construed to require the
6 state to appropriate funds sufficient to make debt service payments with respect
7 to the bonds or replenish a related reserve fund. The bonds are not a debt of the
8 department of transportation Bank of North Dakota or the state, and the full faith, credit, and
9 taxing powers of the state are not pledged to the payment of the bonds. The obligation
10 of the public finance authority with respect to the bonds must terminate and the
11 bonds are no longer outstanding as of the date appropriated funds and reserves
12 are not sufficient to pay debt service on the bonds. In addition to providing funds
13 for transfers to the department of transportation Bank, the public finance authority may
14 use the bond proceeds to pay the costs of issuance of the bonds and establish a
15 reserve fund for the bonds.

16 3. Bonds of the public finance authority issued under this chapter or chapter 40-57 are
17 not in any way a debt or liability of the state and do not constitute a loan of the credit of
18 the state or create any debt or debts, liability or liabilities, on behalf of the state, or
19 constitute a pledge of the faith and credit of the state, but all such bonds are payable
20 solely from revenues pledged or available for their payment as authorized in this
21 chapter. Each bond must contain on its face a statement to the effect that the public
22 finance authority is obligated to pay such principal or interest, and redemption
23 premium, if any, and that neither the faith and credit nor the taxing power of the state
24 is pledged to the payment of the principal of or the interest on such bonds. Specific
25 funds pledged to fulfill the public finance authority's obligations are obligations of the
26 public finance authority.

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

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

1 **6-09.4-10. Reserve fund.**

2 1. The public finance authority shall establish and maintain a reserve fund in which there
3 must be deposited all moneys appropriated by the state for the purpose of the fund, all
4 proceeds of bonds required to be deposited therein by terms of any contract between
5 the public finance authority and its bondholders or any resolution of the public finance
6 authority with respect to the proceeds of bonds, any other moneys or funds of the
7 public finance authority which it determines to deposit therein, any contractual right to
8 the receipt of moneys by the public finance authority for the purpose of the fund,
9 including a letter of credit or similar instrument, and any other moneys made available
10 to the public finance authority only for the purposes of the fund from any other source
11 or sources. Moneys in the reserve fund must be held and applied solely to the
12 payment of the interest on and the principal of bonds and sinking fund payments as
13 the same become due and payable and for the retirement of bonds, including payment
14 of any redemption premium required to be paid when any bonds are redeemed or
15 retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if
16 the withdrawal would reduce the amount in the reserve fund to an amount less than
17 the required debt service reserve, except for payment of interest then due and payable
18 on bonds and the principal of bonds then maturing and payable and sinking fund
19 payments and for the retirement of bonds in accordance with the terms of any contract
20 between the public finance authority and its bondholders and for the payments on
21 account of which interest or principal or sinking fund payments or retirement of bonds,
22 other moneys of the public finance authority are not then available in accordance with
23 the terms of the contract. The required debt service reserve must be an aggregate
24 amount equal to at least the largest amount of money required by the terms of all
25 contracts between the public finance authority and its bondholders to be raised in the
26 then current or any succeeding calendar year for the payment of interest on and
27 maturing principal of outstanding bonds, and sinking fund payments required by the
28 terms of any contracts to sinking funds established for the payment or redemption of
29 the bonds.

30 2. If the establishment of the reserve fund for an issue or the maintenance of an existing
31 reserve fund at a required level under this section would necessitate the investment of

- 1 all or any portion of a new reserve fund or all or any portion of an existing reserve fund
2 at a restricted yield, because to not restrict the yield may cause the bonds to be
3 taxable under the Internal Revenue Code, then at the discretion of the public finance
4 authority no reserve fund need be established prior to the issuance of bonds or the
5 reserve fund need not be funded to the levels required by other subsections of this
6 section or an existing reserve fund may be reduced.
- 7 3. No bonds may be issued by the public finance authority unless there is in the reserve
8 fund the required debt service reserve for all bonds then issued and outstanding and
9 the bonds to be issued. Nothing in this chapter prevents or precludes the public
10 finance authority from satisfying the foregoing requirement by depositing so much of
11 the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve
12 the required debt service reserve. The public finance authority may at anytime issue
13 its bonds or notes for the purpose of providing any amount necessary to increase the
14 amount in the reserve fund to the required debt service reserve, or to meet such
15 higher or additional reserve as may be fixed by the public finance authority with
16 respect to such fund.
- 17 4. In order to assure the maintenance of the required debt service reserve, there shall be
18 appropriated by the legislative assembly and paid to the public finance authority for
19 deposit in the reserve fund, such sum, if any, as shall be certified by the industrial
20 commission as necessary to restore the reserve fund to an amount equal to the
21 required debt service reserve. However, the commission may approve a resolution for
22 the issuance of bonds, as provided by section 6-09.4-06, which states in substance
23 that this subsection is not applicable to the required debt service reserve for bonds
24 issued under that resolution.
- 25 5. If the maturity of a series of bonds of the public finance authority is three years or less
26 from the date of issuance of the bonds, the public finance authority may determine that
27 no reserve fund need be established for that respective series of bonds. If such a
28 determination is made, holders of that respective series of bonds may have no interest
29 in or claim on existing reserve funds established for the security of the holders of
30 previously issued public finance authority bonds, and may have no interest in or claim

1 on reserve funds established for the holders of subsequent issues of bonds of the
2 public finance authority.

3 6. The industrial commission may determine that this section is inapplicable in whole or
4 in part for bonds issued ~~under section~~ as follows:

5 a. Under section 6-09.4-06;

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

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

8 **SECTION 4.** Section 6-09.4-28 of the North Dakota Century Code is created and enacted
9 as follows:

10 **6-09.4-28. Debt service requirements - Infrastructure revolving loan fund - Legacy**
11 **fund earnings.**

12 Each biennium, the public finance authority shall request from the legislative assembly an
13 appropriation from the general fund to meet the debt service requirements for evidences of
14 indebtedness issued by the authority to support the infrastructure revolving loan fund.

15 **SECTION 5. AMENDMENT.** Subsection 6 of section 21-03-07 of the North Dakota Century
16 Code is amended and reenacted as follows:

17 6. The governing body of any county may also by resolution adopted by a two-thirds vote
18 dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of
19 section 57-15-06.7 and may authorize and issue general obligation bonds to be paid
20 by the dedicated levy for the purpose of ~~providing funds for the purchase, construction,~~
21 ~~reconstruction, or repair of regional or county correction centers, or parks and~~
22 recreational facilities ~~purposes identified under section 57-15-06.6 and subsection 5 of~~
23 section 57-15-06.7; provided, that the initial resolution authorizing the tax levy
24 dedication and general obligation bonds must be published in the official newspaper,
25 and any owner of taxable property within the county may, within sixty days after
26 publication, file with the county auditor a protest against the adoption of the resolution.
27 Protests must be in writing and must describe the property which is the subject of the
28 protest. If the governing body finds such protests to have been signed by the owners
29 of taxable property having an assessed valuation equal to five percent or more of the
30 assessed valuation of all taxable property within the county, as theretofore last finally
31 equalized, all further proceedings under the initial resolution are barred.

1 **SECTION 6. AMENDMENT.** Section 21-03-19 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **21-03-19. Bonds - Terms.**

4 Bonds issued under this chapter must be authorized by resolution, bear such date or dates,
5 be in such denomination or denominations, be in such form, be subject to redemption with or
6 without premium, and be subject to such other terms or conditions as in the judgment of the
7 municipality are in the public interest of the municipality, and must provide that the last
8 installment of principal falls due not more than twenty years from the date of the bonds or not
9 more than thirty years for bonds sold to the entities under section 21-03-30. The requirements
10 of this section apply to each new issue of bonds, or if so determined by the governing body, to
11 the bonds of a new issue combined with all of the outstanding bonds of one or more designated
12 issues of bonds previously issued and similarly payable from taxes or other sources of
13 revenues, or both, as the case may be.

14 **SECTION 7. AMENDMENT.** Section 57-15-06.6 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **57-15-06.6. County capital projects levy.**

- 17 1. The board of county commissioners of each county may levy an annual tax not
18 exceeding ten mills plus any voter-approved additional levy as provided in
19 subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:
- 20 4. a. Constructing and equipping and maintaining structural and mechanical
21 components of regional or county corrections centers or for the purpose of
22 contracting for corrections center space capacity from another public or private
23 entity.
- 24 2. b. Acquiring real estate as a site for public parks and construction and equipping
25 and maintaining structural and mechanical components of recreational facilities
26 under section 11-28-06.
- 27 3. c. Acquiring real estate as a site for county buildings and operations and
28 constructing and equipping and maintaining structural and mechanical
29 components of county buildings and property.

- 1 4. d. Acquiring real estate as a site for county fair buildings and operations and
2 constructing and equipping and maintaining structural and mechanical
3 components of county fair buildings and property as provided in section 4-02-26.
- 4 5. e. Acquiring and developing real estate, capital improvements, buildings, pavement,
5 equipment, and debt service associated with financing for county supported
6 airports or airport authorities.
- 7 6. f. Expenditures for the cost of leasing as an alternative means of financing for any
8 of the purposes for which expenditures are authorized under subsections 4 a
9 through 5 e.
- 10 g. Improvement of the county road system, including the acquisition of land,
11 construction of new paved and unpaved roads and bridges, replacement of
12 existing paved and unpaved roads and bridges, and maintenance and repair of
13 existing paved and unpaved roads and bridges.
- 14 2. Any voter-approved levy for the purposes specified in this section approved by the
15 electors before January 1, 2015, remains effective through 2024 or the period of time
16 for which it was approved by the electors, whichever is less, under the provisions of
17 law in effect at the time it was approved. After January 1, 2015, approval or
18 reauthorization by electors of increased levy authority under this section may not be
19 effective for more than ten taxable years.

20 **SECTION 8. AMENDMENT.** Section 57-47-02 of the North Dakota Century Code is
21 amended and reenacted as follows:

22 **57-47-02. County authorized to borrow - Term - Interest rate.**

23 Whenever in the judgment of the board of county commissioners all taxes authorized to be
24 levied in any one year for general or special county purposes are insufficient to carry on the
25 primary governmental functions, or to pay the mandatory obligations imposed by law upon a
26 county, then such a county may borrow money in such an amount as the board shall determine
27 to be necessary to meet the deficiencies existing in its general or special funds, or to carry on
28 primary governmental functions, and to pay mandatory obligations. For the purpose of
29 borrowing, a county may issue evidences of indebtedness, which must consist of an agreement
30 by the county to pay a stated sum on a specified date, or on or before a specified date, not
31 more than fivetwenty years in the future, together with interest thereon at a rate or rates

1 resulting in an average annual net interest cost not to exceed twelve percent per annum if sold
2 privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or
3 any of its agencies or instrumentalities. A public sale must comply with the procedures set out in
4 chapter 21-03. There is no requirement for an advertisement for bids if an evidence of
5 indebtedness is sold privately or to the state of North Dakota or any of its agencies or
6 instrumentalities.

7 **SECTION 9. REPEAL.** Section 61-02-78 of the North Dakota Century Code is repealed.

8 **SECTION 10. TRANSFER INFRASTRUCTURE REVOLVING LOAN FUND FOR WATER**
9 **PROJECTS TO INFRASTRUCTURE REVOLVING LOAN FUND.** The ~~Bank of North Dakota~~
10 ~~State Water Commission~~ shall transfer any outstanding loans from the infrastructure revolving
11 loan fund undersection 61-02-78 to the infrastructure revolving loan fund during the biennium
12 beginning July 1, 2019, and ending June 30, 2021. ~~The Bank of North Dakota shall transfer to the~~
13 ~~North Dakota Resources Trust Fund, from the first bond issuance, an amount equal to the loan~~
14 ~~balances in the State Water Commission Infrastructure Revolving Loan Fund.~~

15 **SECTION 11. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE LIMITATION.** Pursuant
16 to the bonding authority under section 6-09.4-06, the public finance authority may issue up to
17 \$500,000,000 of evidences of indebtedness, but not in an amount that would cause the
18 repayments to exceed \$55,000,000 per biennium, for the purpose of supporting the
19 infrastructure revolving loan fund during the biennium beginning July 1, 2019, and ending
18 June 30, 2021. The term of any evidences of indebtedness issued under this section may not
19 exceed thirty years.

20 ~~**SECTION 12. ANTICIPATION FINANCING APPROPRIATION - BANK OF NORTH**~~
~~**DAKOTA - LINE OF CREDIT.**~~The

21 ~~Bank of North Dakota may extend a line of credit, not to exceed \$100,000,000, to the~~
22 ~~infrastructure revolving loan fund established under section 6-09-49. The Bank may access the~~
23 ~~line of credit, to the extent necessary, the sum of which is appropriated, for the purpose of~~
24 ~~financing loans under the infrastructure revolving loan fund prior to a bond issuance by the~~
25 ~~public finance authority, for the biennium beginning July 1, 2019, and ending June 30, 2021. The~~
26 ~~interest rate associated with the line of credit must be the same as the prevailing interest rate~~
27 ~~charged by the Bank to North Dakota governmental entities. The Bank shall repay the line of~~
28 ~~credit from bond proceeds associated with the bonds issued by the public finance authority to~~
29 ~~support the infrastructure revolving loan fund. The Public Finance Authority may issue bond~~
30 ~~anticipation notes to allow for financing of loans prior to a bond issuance.~~

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Legislative Assembly

- 1 **SECTION 13. APPROPRIATION.** There is appropriated out of any moneys in the general
- 2 fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of
- 3 the sum as may be necessary, to the public finance authority for the purpose of debt service
- 4 repayments associated with bonds issued to support the infrastructure revolving loan fund, for
- 5 the biennium beginning July 1, 2019, and ending June 30, 2021.
- 6 **SECTION 14. EFFECTIVE DATE.** Section 9 of this Act becomes effective July 1, 2021.

SB2275

Appropriations Committee

February 13, 2019

Jed M. Shivers, VP Finance and COO University of North Dakota
Michael C. Pieper, Associate VP Facilities University of North Dakota

(701) 777-3511 | jed.shivers@und.edu

(701) 777-6862 | michael.pieper@und.edu

Chair Holmberg and Committee Members: Our names are Jed M Shivers and Michael C. Pieper and we are the VP Finance and COO UND and the Associate VP for Facilities at UND respectively. We are here today in support of and to provide information on SB2275. The bill would enable UND and its sister institutions of higher education to access the Infrastructure Revolving Loan Fund for specific deferred maintenance projects related to water mains, water and sewer lines, and the curbs and gutters that cover them.

The University of North Dakota (UND) has over \$500 million in deferred maintenance. UND believes this level of deferred maintenance is detrimental to both the good order and operation of its campus and is a deterrent to recruit students. This has been a long term problem. UND has been addressing this problem in the following ways:

1. In accordance with legislative directives, reducing its campus square footage by demolishing buildings;
2. Rebuilding campus infrastructure by engaging in Public Private Partnerships (P-3) e.g., the construction of a new steam plant and associated systems in a \$93 million dollar bond issue in conjunction with Johnson Controls, Inc.;
3. Seeking innovative ways of obtaining capital in addition to State appropriations. The proposed bill is a key example of generating capital through the Revolving Loan Fund.
4. Fund raising from private donors for capital campaigns; and,
5. Requesting capital appropriations from the Legislature

Universities, similar to political subdivisions, own and control miles of sewer and water pipes, water mains, and the roads that are paved on top of them. UND seeks to utilize capital from the Revolving Fund at a level similar to the larger cities in the State of North Dakota (i.e. up to \$25 million) in order to reduce the deferred maintenance associated with these systems. These are projects where private donations and P-3 partnerships are rare. Funding from State appropriations for these purposes is also atypical.

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UND has an inventory of projects which exceeds the \$25 million level (see attachment 1 “Infrastructure FCNI Report.pdf). We also have provided a map and pictorial evidence to show how the private roadways, gutters and curbs which are paved over the water and sewer infrastructure has also deteriorated (see attachment 2 Infrastructure Revolving Loan Program Data and Notes.docx). Accessing this fund will enable us to do work consistent with the projects described in the infrastructure revolving loan fund if access to the Fund is granted to the SBHE institutions of higher education as noted below:

- 24 | 1. The ~~essential~~ infrastructure revolving loan fund is a special fund in the state treasury
- 25 | administered by the Bank of North Dakota. The Bank shall use moneys in the fund to
- 26 | provide loans to ~~counties and cities~~ political subdivisions for eligible infrastructure
- 27 | projects pursuant to subsections 6 and 7 and to provide loans to institutions of higher
- 28 | education for eligible infrastructure projects pursuant to subsection 8.

And

- 14 | ~~c. An applicant must submit a completed loan application to the Bank.~~ An applicant
- 15 | shall issue an evidence of indebtedness as authorized by law. An institution of
- 16 | higher education shall identify at least one funding source for the debt repayment
- 17 | including:
- 18 | a. Tuition or fee revenue collected by the institution of higher education;
- 19 | b. Distributions of state aid received by the institution of higher education under
- 20 | chapter 15-18.2; or
- 21 | c. Other sources of revenue.

AND

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- 25 8. Eligible infrastructure projects for institutions of higher education are capital
- 26 construction projects to construct new infrastructure or to replace existing
- 27 infrastructure, which provide the fixed installations necessary for the function of the
- 28 institution and are in the public interest. Capital construction projects exclude routine
- 29 maintenance and repair projects, but include the following:
- 30 a. Sewer lines and water lines;
- 31 b. Storm water infrastructure, including curb and gutter construction; and

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- 1 c. Road infrastructure.

Successful completion of these projects will provide for improved operations and fit and finish as it relates to the UND campus. UND can defray the principal and interest payment of the loan as an ongoing operating expense which it allocates to the revenue generating portions of the University through its Resource Allocation Budget Methodology.

We respectfully request that you do pass on SB2275 and we are available to answer your questions.

Thank you.

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UND Non-Building Infrastructure

With the understanding that not all non-building infrastructure capital-renewal projects are eligible for the revolving loan program today, below is a summary of UND's non-building infrastructure.

Transportation Infrastructure

In 2012 CPS, Ltd. prepared a parking lot and roadway inspection and survey report. The following information was extracted from that report.

- Data collected by CPS in 2012 was used to create a pavement management system with enhanced capabilities to model future pavement degradation; facilitating the ability to prioritize maintenance and rehabilitation (M&R) projects for various planning scenarios. UND can implement this system to analyze how future budget spending levels and various maintenance and rehabilitation projects would affect the overall condition of the pavement network. These capabilities are the most significant benefits of the pavement management system because they allow UND to determine the most cost-effective strategies for maintaining its vast pavement network.

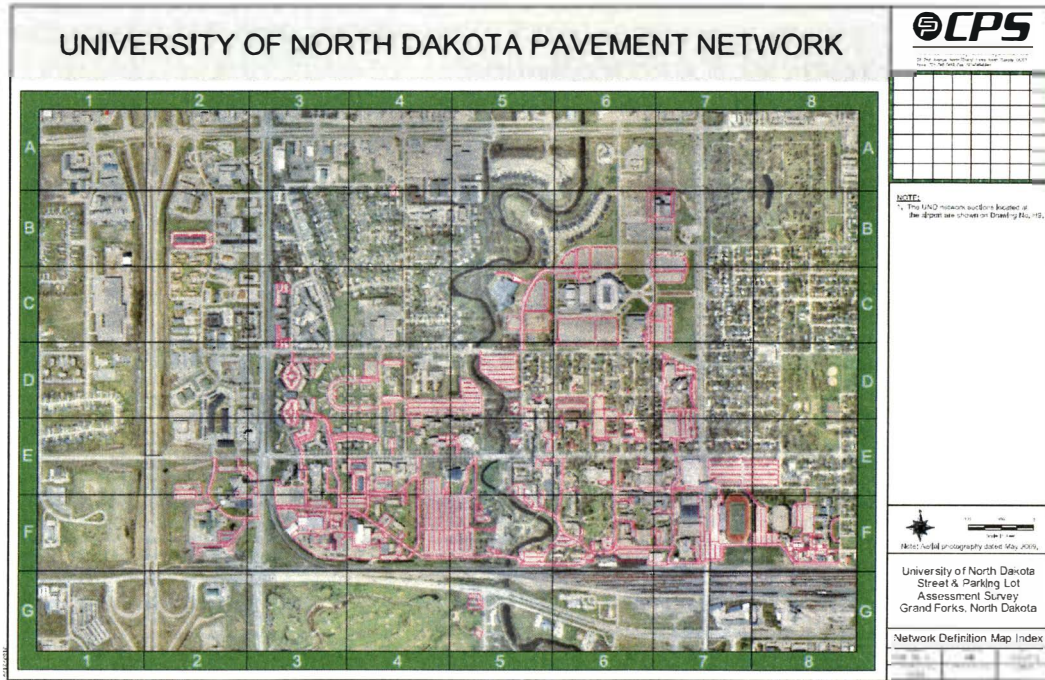


Table 3.01.A: UND Pavement Uses

Branch Use	Pavement Area (ft ²)	% of Total Pavement Area
Parking Lot	4,364,997	84
Roadway	816,990	16
Total	5,181,988	100

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Table 3.03.A: UND Pavement Age

Age at Inspection	Pavement Area (ft ²)	% of Total Pavement Area
0-2	93,968	2
3-5	163,070	3
6-10	1,514,230	29
11-15	243,936	5
16-20	183,592	4
21-25	689,402	13
26-30	205,164	4
31-35	265,240	5
36-40	606,763	12
41-50	753,809	15
Over 50	462,814	9
Total	5,181,988	100

The UND's network is comprised of 216 pavement sections. When all of the sections are considered, the area-weighted PCI of the UND network is 55 (in the "Poor" category). Table 4.02A below illustrates the percent of the network currently in each condition level.

Table 4.02.A: Percent of UND Network in Each Pavement Condition Category

Area-Weighted Average PCI	Pavement Condition Category	Pavement Area (ft ²)	% of Total Pavement Area
86-100	Good	641,155	12
71-85	Satisfactory	1,331,632	26
56-70	Fair	1,123,761	22
41-55	Poor	379,780	7
26-40	Very poor	866,045	17
11-25	Serious	515,436	10
0-10	Failed	324,178	6
Total		5,181,988	100

Table 5.02.A: Typical Repair Strategies

Pavement Condition Index (PCI)	Pavement Condition Category	Typical Repair Strategy
86 – 100	Good	Preventive
71 – 85	Satisfactory	Maintenance
56 – 70	Fair	Major
41 – 55	Poor	Rehabilitation
26 – 40	Very poor	Reconstruction
11 – 25	Serious	
0 – 10	Failed	

Scenario 1: Budget to Increase PCI to 71 ("Satisfactory") by 2016 and Maintain PCI of 71 ("Satisfactory") through 2021,

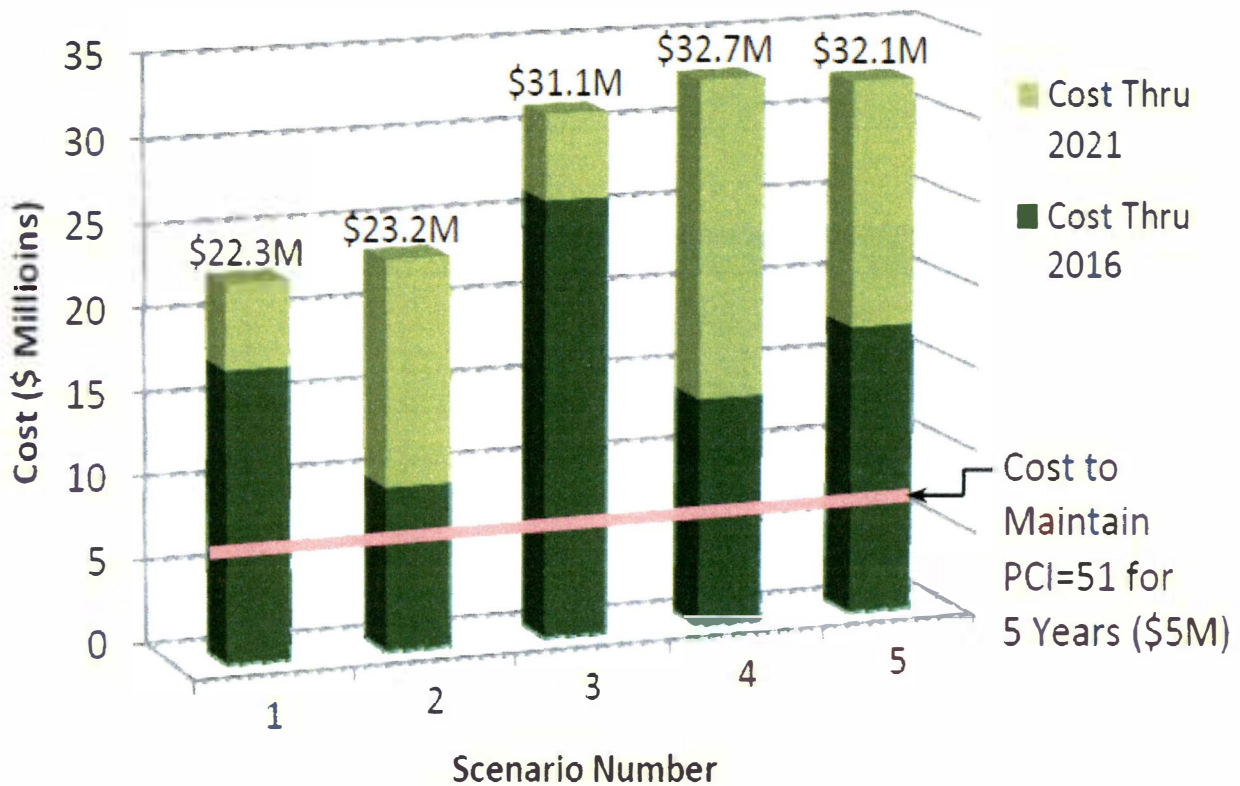
Scenario 2: Budget to Increase PCI to 71 ("Satisfactory") by 2021,

Scenario 3: Budget to Increase PCI to 85 ("Good") by 2016 and Maintain PCI of 85 ("Good") through 2021,

Scenario 4: Budget to Increase PCI to 85 ("Good") by 2021,

Scenario 5: Budget to Increase PCI to 71 ("Satisfactory") by 2016, then Increase PCI to 85 ("Good") by 2021.

Figure 5.05.B: Pavement Funding Projection Scenario Costs



**These costs pertain to pavement improvements, and do not include associated utility costs (e.g. storm water). Plus, UND as added costs due to life-safety upgrades (e.g. lighting, security cameras).*

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Non-Transportation Infrastructure

In 2018 ISES Corporation prepared an all campus non-building infrastructure report quantifying UND's assets and related capital renewal needs. The following information was extracted from that report.

FACILITIES RENEWAL FCNI COMPARISON

ASSET CODE	ASSET NAME	USE	YR. BLT.	GSF	CHV	NONREC. COST	DEFERRED RENEWAL	REC. COMP. COST	10-YR. TOT. NEEDS	FCNI	FCI
CHWD	COOLING DISTRIBUTION	OTH	1999	1	30,987	50	50	50	50	0.00	0.00
CRDS	CONDENSATE RETURN DISTRIBUTION SYSTEM	OTH	1999		26,701,651	50	521,304,456	52,283,656	523,588,112	0.88	0.80
DWFP	DOMESTIC WATER AND FIRE PROTECTION SYS	OTH	1907		12,413,392	50	54,284,485	51,735,640	56,020,124	0.48	0.35
ELED	ELECTRICAL DISTRIBUTION	OTH	1935		73,610,527	5183,190	54,878,000	511,257,961	516,019,744	0.22	0.06
HPLL	HEAT PUMP LOOP	OTH	1999		196,577	57,547	50	5188,118	5195,665	1.00	0.00
HTGD	STEAM DISTRIBUTION	OTH	1999		51,974,136	5352,322	50	50	5352,322	0.01	0.00
MHL-01	STEAM MANHOLE 1-1	OTH	1999	150	40,758	510,502	56,594	57,389	528,572	0.70	0.21
MHL-02	STEAM MANHOLE 1-2	OTH	1999	150	40,758	516,053	57,667	57,389	531,059	0.76	0.19
MHL-03	STEAM MANHOLE 1-3	OTH	1999	150	40,758	518,817	56,639	57,389	522,865	0.56	0.16
MHL-04	STEAM MANHOLE 1-4	OTH	1999	150	40,758	515,535	56,052	57,389	528,375	0.71	0.15
MHL-05	STEAM MANHOLE 1-5	OTH	1999	150	40,758	527,827	56,000	57,389	534,601	0.35	0.24
MHL-06	STEAM MANHOLE 1-6	OTH	1999	150	51,240	57,644	512,840	57,389	527,469	0.54	0.24
MHL-07	STEAM MANHOLE 1-7	OTH	1999	250	47,094	526,613	55,074	54,715	546,402	0.99	0.11
MHL-08	STEAM MANHOLE 1-8	OTH	1999	150	40,758	521,279	57,617	51,129	530,024	0.74	0.19
MHL-09	STEAM MANHOLE 1-9	OTH	1999	150	40,758	529,795	56,625	57,389	543,104	1.06	0.16
MHL-10	STEAM MANHOLE 1-10	OTH	1999	150	40,758	529,795	56,625	57,389	543,824	1.08	0.16
MHL-11	STEAM MANHOLE 1-11	OTH	1999	150	40,758	528,795	56,594	57,389	545,778	1.12	0.21
MHL-12	STEAM MANHOLE 1-12	OTH	1999	150	40,758	528,795	57,517	56,389	544,081	1.08	0.19
MHL-13	STEAM MANHOLE 1-13	OTH	1999	150	40,758	511,351	56,052	57,389	524,792	0.61	0.15
MHL-14	STEAM MANHOLE 1-14	OTH	1999	150	40,758	56,631	513,024	51,129	520,784	0.48	0.30
MHL-15	STEAM MANHOLE 1-15	OTH	1999	150	40,758	57,644	56,625	56,389	520,212	0.50	0.14
MHL-16	STEAM MANHOLE 1-16	OTH	1999	150	40,758	58,239	56,625	51,129	515,933	0.39	0.16
MHL-17	STEAM MANHOLE 1-17	OTH	1999	150	40,758	50	55,662	57,389	513,051	0.32	0.14
MHL-18	STEAM MANHOLE 1-18	OTH	1999	150	40,758	510,637	57,617	57,389	525,643	0.63	0.19

ASSET CODE	ASSET NAME	USE	YR. BLT.	GSF	CHV	NONREC. COST	DEFERRED RENEWAL	REC. COMP. COST	10-YR. TOT. NEEDS	FCNI	FCI
MHL-20	STEAM MANHOLE 1-20	OTH	1999	150	40,758	510,541	56,639	57,389	524,569	0.60	0.16
MHL-01	STEAM MANHOLE 2-1	OTH	2000	150	45,974	513,463	511,526	57,389	532,378	0.70	0.25
MHL-02	STEAM MANHOLE 2-2	OTH	2000	150	40,758	512,765	56,389	51,129	522,488	0.55	0.21
MHL-03	STEAM MANHOLE 2-3	OTH	2000	150	40,758	512,098	55,662	57,389	525,180	0.62	0.14
MHL-04	STEAM MANHOLE 2-4	OTH	2000	150	43,990	510,024	513,315	57,389	530,728	0.71	0.31
MHL-05	STEAM MANHOLE 2-5	OTH	2000	150	43,556	54,166	57,517	51,129	512,912	0.30	0.17
MHL-06	STEAM MANHOLE 2-6	OTH	2000	150	40,758	523,447	59,571	540,000	543,173	1.06	0.23
MHL-07	STEAM MANHOLE 2-7	OTH	2000	150	40,758	58,344	56,625	57,389	522,317	0.35	0.14
MHL-08	STEAM MANHOLE 2-8	OTH	2000	150	40,758	58,340	56,389	57,389	523,368	0.57	0.16
MHL-09	STEAM MANHOLE 2-9	OTH	2000	150	49,144	58,914	515,312	513,998	535,725	0.73	0.32
MHL-10	STEAM MANHOLE 2-10	OTH	2000	150	40,758	529,795	57,617	57,389	544,801	1.10	0.19
MHL-11	STEAM MANHOLE 2-11	OTH	2000	150	40,758	516,263	58,594	51,129	525,986	0.54	0.21
MHL-13	STEAM MANHOLE 2-13	OTH	2000	150	40,758	58,180	52,932	57,389	516,561	0.41	0.07
MHL-14	STEAM MANHOLE 2-14	OTH	2000	150	40,758	52,353	56,625	57,389	516,382	0.40	0.16
MHL-15	STEAM MANHOLE 2-15	OTH	2000	150	40,758	524,143	57,517	57,389	539,149	0.96	0.19
MHL-16	STEAM MANHOLE 2-16	OTH	2000	150	49,144	55,210	510,549	58,314	524,883	0.51	0.21
MHL-17	STEAM MANHOLE 2-17	OTH	2000	150	40,758	38,179	511,714	57,389	527,282	0.67	0.29
MHL-18	STEAM MANHOLE 2-18	OTH	2000	150	40,758	56,241	511,526	57,389	525,155	0.62	0.28
MHL-19	STEAM MANHOLE 2-19	OTH	2000	150	40,758	56,684	56,639	57,389	520,712	0.51	0.16
MHL-20	STEAM MANHOLE 2-20	OTH	2000	150	40,758	57,644	56,625	57,389	520,596	0.51	0.14
MHL-21	STEAM MANHOLE 2-21	OTH	2000	150	40,758	57,644	55,662	57,389	520,696	0.51	0.14
MHL-22	STEAM MANHOLE 2-22	OTH	2000	150	40,758	59,487	55,662	56,905	522,054	0.54	0.14
MHL-23	STEAM MANHOLE 2-23	OTH	2000	150	40,758	59,930	56,389	57,389	525,913	0.64	0.21
MHL-24	STEAM MANHOLE 2-24	OTH	2000	150	40,758	515,803	55,662	57,389	528,854	0.71	0.14

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ASSET CODE	ASSET NAME	USE	YR. BLT.	GSF	CRV	NONREC. COST	DEFERRED RENEWAL	REC. COMP. COST	10-YR. TOT. NEEDS	FCNI	FCI
MH2-25	STEAM MANHOLE 2-25	OTH	2000	150	40,758	\$11,220	\$5,662		\$16,882	0.41	0.14
MH2-26	STEAM MANHOLE 2-26	OTH	1990	150	40,758		50	\$7,389	\$7,389	0.18	0.00
MH3-01	STEAM MANHOLE 3-1	OTH	2005	150	40,758	\$8,526	\$11,722	\$1,129	\$21,378	0.52	0.29
MH4-01	STEAM MANHOLE 4-1	OTH	2008	150	40,758	\$7,644	50	\$7,792	\$15,437	0.38	0.00
MH5-01	STEAM MANHOLE 5-1	OTH	2008	150	44,362	\$1,778	\$977	\$7,792	\$10,548	0.24	0.02
MH5-02	STEAM MANHOLE 5-2	OTH	2008	150	44,362	\$1,778	\$977	\$10,828	\$13,583	0.31	0.02
MH5-03	STEAM MANHOLE 5-3	OTH	2008	150	44,362	\$1,081	\$977	\$9,584	\$16,653	0.38	0.02
NGDS	NATURAL GAS DISTRIBUTION SYSTEM	OTH	1935		15,325		50	50	\$0	0.00	0.00
SANI	SANITARY SEWER SYSTEM	OTH	1887		8,201,226	\$1,080,348	\$1,192,338	\$98,489	\$3,211,175	0.39	0.15
STRM	STORMWATER SEWER	OTH	1903		13,189,100	\$1,825,535	\$466,728	\$220,012	\$2,512,274	0.19	0.04
GRAND TOTALS:				7,459	\$190,388,154	\$4,040,045	\$32,181,093	\$16,959,277	\$53,180,415	0.28	0.17

- UND's Non-building Infrastructure: Heating/cooling lines, electrical distribution, utility vaults, natural gas distribution lines, sanitary sewer system, domestic water system and fire protection system and storm water sewer
 - 11 miles of water lines
 - 8 miles of domestic sewer lines
 - 14 miles of electrical distribution lines
- Current replacement value (CRV) = \$190.4M
 - OMB's estimated annual capital renewal (2.0% of CRV) = \$3.8M
- Deferred Capital Renewal as if FY2017 (DM) = \$32.2M
- Facility Condition Needs (10 year capital renewal projections + DM) = \$53.2M

North Dakota Legacy Fund

#8 SB 22 75
2-13-2019
pg 1

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

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

*Indicates original committee members 2009-10

For more information contact:

Robert Harms, 701.471.0959
Robert@harmsgroup.com

BONDING INCLUDED IN PROPOSED LEGISLATION AS OF CROSSOVER

Bill No.	Revenue Bonds	Bond Authorization Amount	Estimated Biennial Bond Payment	Estimated Total Bond Payments
2003	University of North Dakota - Memorial Union (revenue bonds)	\$80,000,000	N/A	N/A
2003	North Dakota State University - University Village replacement - Phase II (revenue bonds)	37,600,000	N/A	N/A
Total revenue bonds		\$117,600,000		
Bill No.	Appropriation Bonds			
2214	Authorizes the Public Finance Authority to issue up to \$250 million of evidences of indebtedness for supporting the school construction assistance revolving loan fund at the Bank of North Dakota for providing school construction loans under North Dakota Century Code Section 15.1-36-08. The debt service is to be paid from the foundation aid stabilization fund.	250,000,000	\$33,800,000 ¹	\$338,000,000 ¹
2268	Authorizes the Public Finance Authority to issue up to \$100 million of evidences of indebtedness, but not in an amount that would cause the repayments to exceed \$16 million per biennium, for the purpose of the corridors of commerce program. The debt service is to be paid from legacy fund earnings deposited in the general fund.	100,000,000	13,500,000 ¹	135,200,000 ¹
2275	Authorizes the Public Finance Authority to issue up to \$500 million of evidences of indebtedness, but not in an amount that would cause the repayments to exceed \$55 million per biennium or terms exceeding 20 years, for the purpose of issuing loans from the essential infrastructure revolving loan fund administered by the Bank of North Dakota. The debt service is to be paid from legacy fund earnings deposited in the general fund.	500,000,000 ²	55,000,000 ^{1,2}	549,990,000 ^{1,2}
2297	Authorizes the Industrial Commission to issue up to \$151.98 million of evidences of indebtedness for various institutions of higher education building projects. The debt service is to be paid by funds received from lease payments from general fund appropriations.	151,975,000	20,550,000 ¹	205,470,000 ¹
Total appropriation bonds		\$1,001,975,000	\$122,850,000	\$1,228,660,000
Total proposed debt		\$1,119,575,000		

¹Biennial bond payments are calculated using the following assumptions:

- Bonds will mature in 20 years;
- Bonds are issued up to the maximum amount on the August 1, 2019 and mature on August 1, 2039;
- Bond payments are made semiannually;
- Bond coupon (3.38 percent) and yield (3.03 percent) rates are based on 30-year treasury yields; and
- Bond issuance costs are not financed; which if they are, would increase the biennial payments.

²Bond issuance at full authority using assumptions listed in footnote 1 would result in biennial bond payments of \$67.6 million exceeding the maximum biennial bond payment allowed. Using the same assumptions as listed in footnote 1, a \$55 million biennial bond payment would provide a bond issuance of \$406.8 million.

SALES TAX LIMITATION - BOND PAYMENTS

North Dakota Century Code Section 54-17.2-23 limits the amount of bonding that may be issued by the State Building Authority for capital construction projects to 10 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax.

The following table shows the projected fund portion of the bond payments for the 2017-19 through 2023-25 biennium and what the 10 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax is projected to generate (using the March 2017 Legislative Assembly budget forecast for the 2017-19 biennium and using the January Legislative Assembly budget forecast for the 2019-21 biennium with a 0 percent growth in sales tax revenues for future bienniums and no prepayments of nongeneral fund am

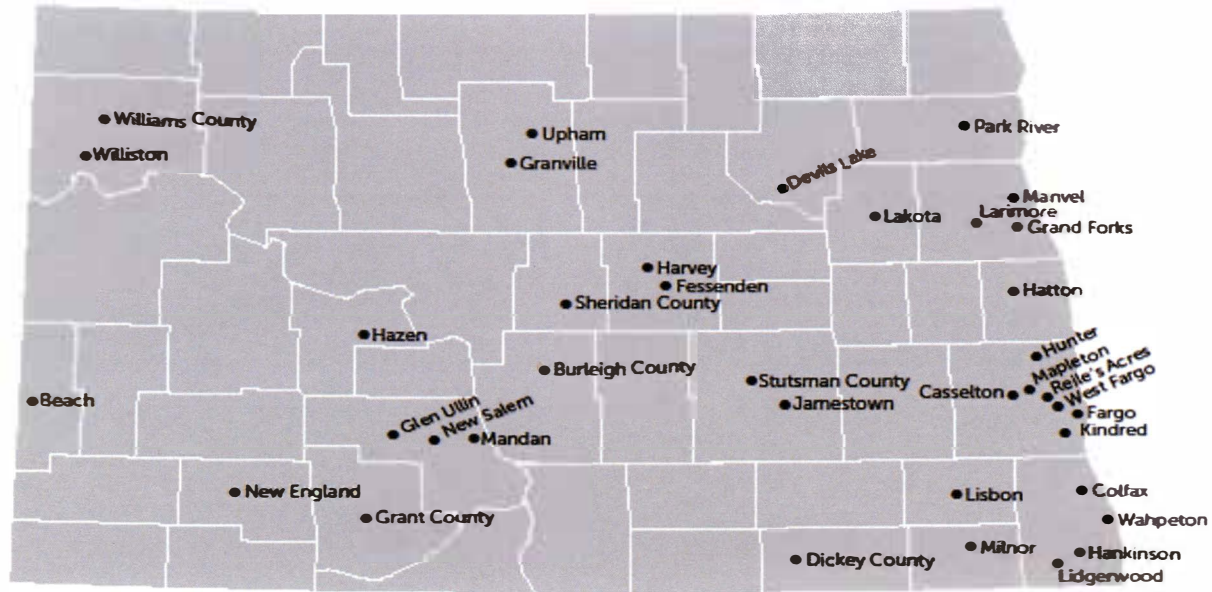
Biennium	Total Payments	Other Funds	General Fund	10 Percent of the Equivalent of 1 Percent	Estimated Excess General Fund Resources Available for Bond Payments
2017-19	\$12,702,698*	\$1,046,882	\$11,655,816	\$42,095,500	\$30,439,684
2019-21	\$10,076,922*	\$1,057,160	\$9,019,762	\$47,621,008	\$38,601,246
2021-23	\$7,651,211*	\$840,392	\$6,810,819	\$47,621,008	\$40,810,189
2023-25	\$3,041,207*	\$499,317	\$2,541,890	\$47,621,008	\$45,079,118

*The future biennium bond payments do not reflect any other future bond issues that may be authorized by future Legislative Assemblies. During the 2017-19 biennium, the 2006 Series A bond issue was paid off.

Legacy Fund Infrastructure Funding Concept

Prepared for Senator Rich Warder
March 2018

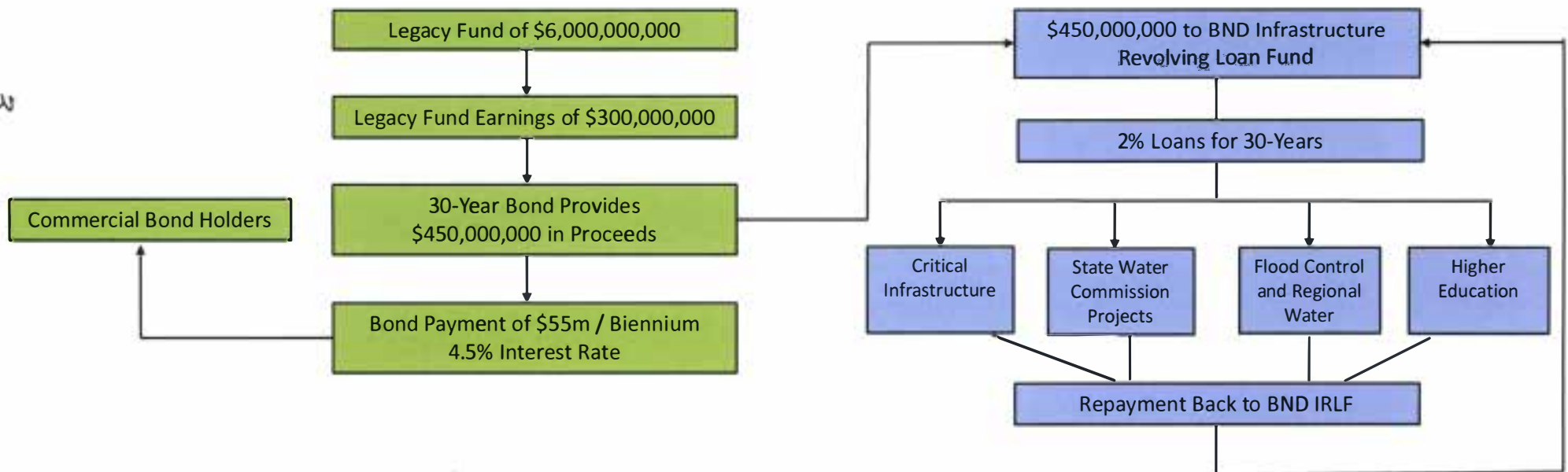
Communities Utilizing The BND Infrastructure Revolving Loan Fund



City of Beach	\$3,888,000	Burleigh County	\$6,000,000	City of Devils Lake	\$789,000	City of Casselton	\$1,090,000
City of Glen Ullin	\$1,282,000	City of Fessenden	\$150,000	City of Devils Lake	\$625,000	City of Colfax	\$1,875,000
City of Hazen	\$710,665	City of Granville	\$267,160	City of Devils Lake	\$1,876,000	City of Fargo	\$15,000,000
City of Hazen	\$9,924,650	City of Harvey	\$7,500,000	City of Devils Lake	\$1,704,756	City of Hankinson	\$1,300,000
City of New England	\$300,000	City of Jamestown	\$3,347,000	City of Grand Forks	\$2,670,000	City of Kindred	\$1,420,000
City of New Salem	\$1,255,000	City of Jamestown	\$3,000,000	City of Grand Forks	\$5,175,000	City of Lidgerwood	\$2,200,000
City of Williston	\$8,000,000	City of Mandan	\$322,896	City of Grand Forks	\$7,155,000	City of Lisbon	\$4,514,000
Grant County	\$295,000	City of Mandan	\$6,000,000	City of Hatton	\$4,430,000	City of Mapleton	\$3,490,000
Williams County	\$370,000	City of Upham	\$184,000	City of Hunter	\$1,015,000	City of Milnor	\$1,545,400
Williams County	\$2,860,000	Dickey County	\$1,000,000	City of Lakota	\$4,160,000	City of Reile's Acres	\$2,056,120
		Shendan County	\$1,260,000	City of Lanmore	\$3,150,000	City of Wahpeton	\$600,000
		Stutsman County	\$15,000,000	City of Park River	\$413,485	City of Wahpeton	\$286,000
				City of Park River	\$900,000	City of West Fargo	\$10,000,000
				City of Marvel	\$785,000	City of West Fargo	\$5,000,000

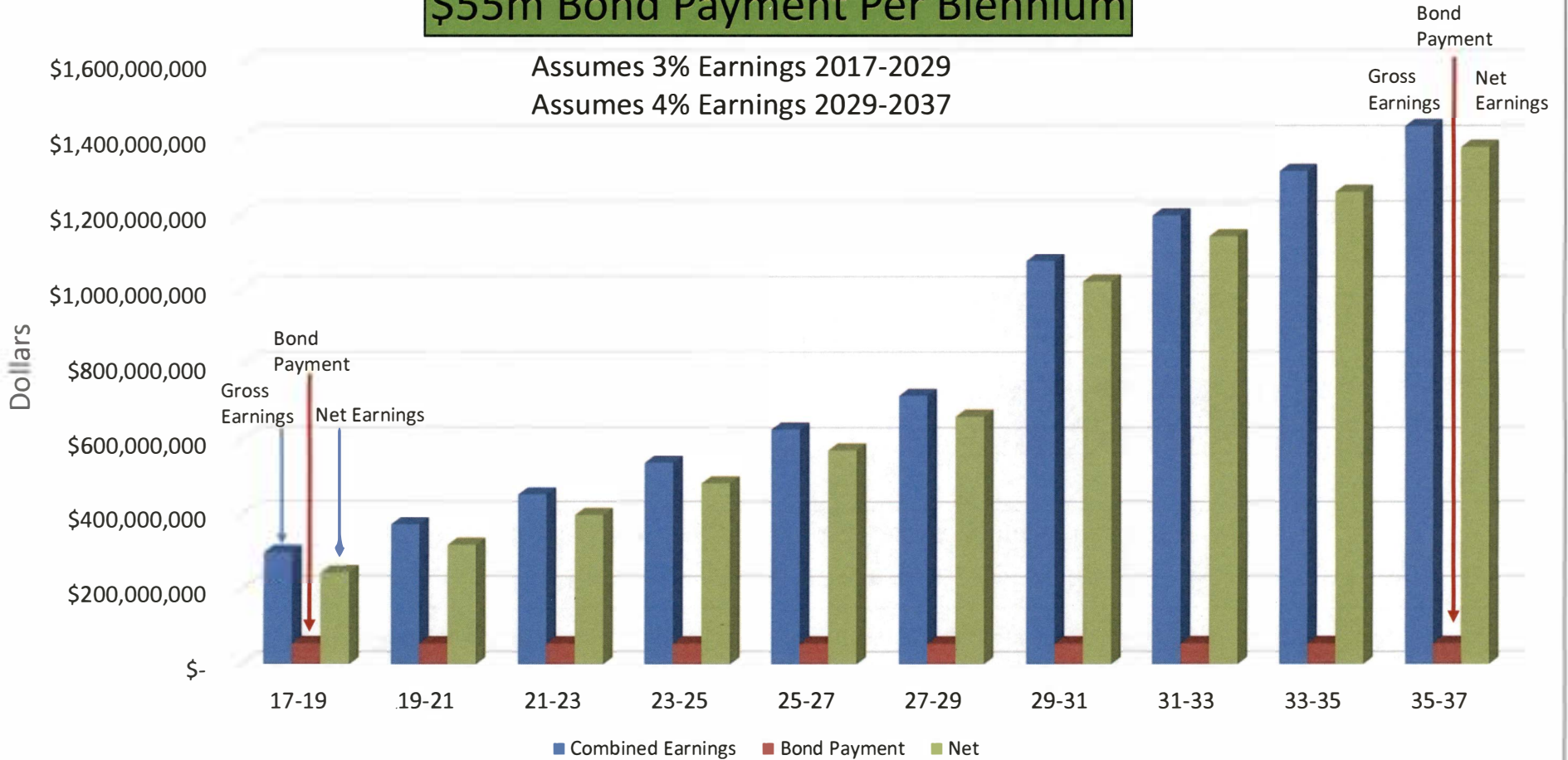
Utilizing Legacy Fund Earnings As A Repayment Source For Infrastructure Funding

Concept: To “Disconnect” the Repayment and Interest Rate of A Revenue Bond from the Repayment and Interest Rate of a Loan to A Local Political Subdivision.



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

Assumes 3% Earnings 2017-2029
Assumes 4% Earnings 2029-2037



Overview of Infrastructure Revolving Loan Fund Return on Investment

Current Status BND IRLF

Loans Funded:	\$80,922,793
Outstanding Commitments:	\$73,144,674
SIIF Funds Used:	\$50,000,000
BND Funds Used To Date:	\$40,000,000
Remaining BND Funds:	\$60,000,000
Current Cash Balance:	\$12,929,379
Outstanding Loan Balance	\$77,896,178
Fund Balance	
\$150,470,850	

Assumption

Bond	\$450,000,000
(Total Amount Advanced in 3-Years.)	

BND IRLF Evolution Through 2035

<u>As of June 2021</u>		<u>As of June 2025</u>		<u>As of June 2035</u>	
Loans Funded	\$354,067,467	Loans Funded	\$712,067,467	Loans Funded	\$1,061,115,291
Outstanding	\$338,772,368	Outstanding	\$642,002,404	Outstanding	\$746,153,284
Ann. Repayments	\$12,252,372	Ann. Repayments	\$30,651,592	Ann. Repayments	\$45,585,940
Loan Loss Res.	\$5,081,585	Loan Loss Res	\$9,630,036	Loan Loss Res	\$11,192,300
Cash	\$271,122,357	Cash	\$537,906	Cash	\$222,680
Total Assets		Total Assets		Total Assets	
\$604,813,140		\$632,910,274		\$735,183,664	

Savings to North Dakota Residents

- Assuming a 4.5% Market Rate, Tax Payers Will Save \$527,852,894 in Interest costs by 2035.
- Under the Assumptions, by 2035, the IRLF will have Loaned over \$1B to local political subdivisions.
- Accelerated construction schedule protect against inflation and increasing costs of construction.
- The ability to borrow money as needed.

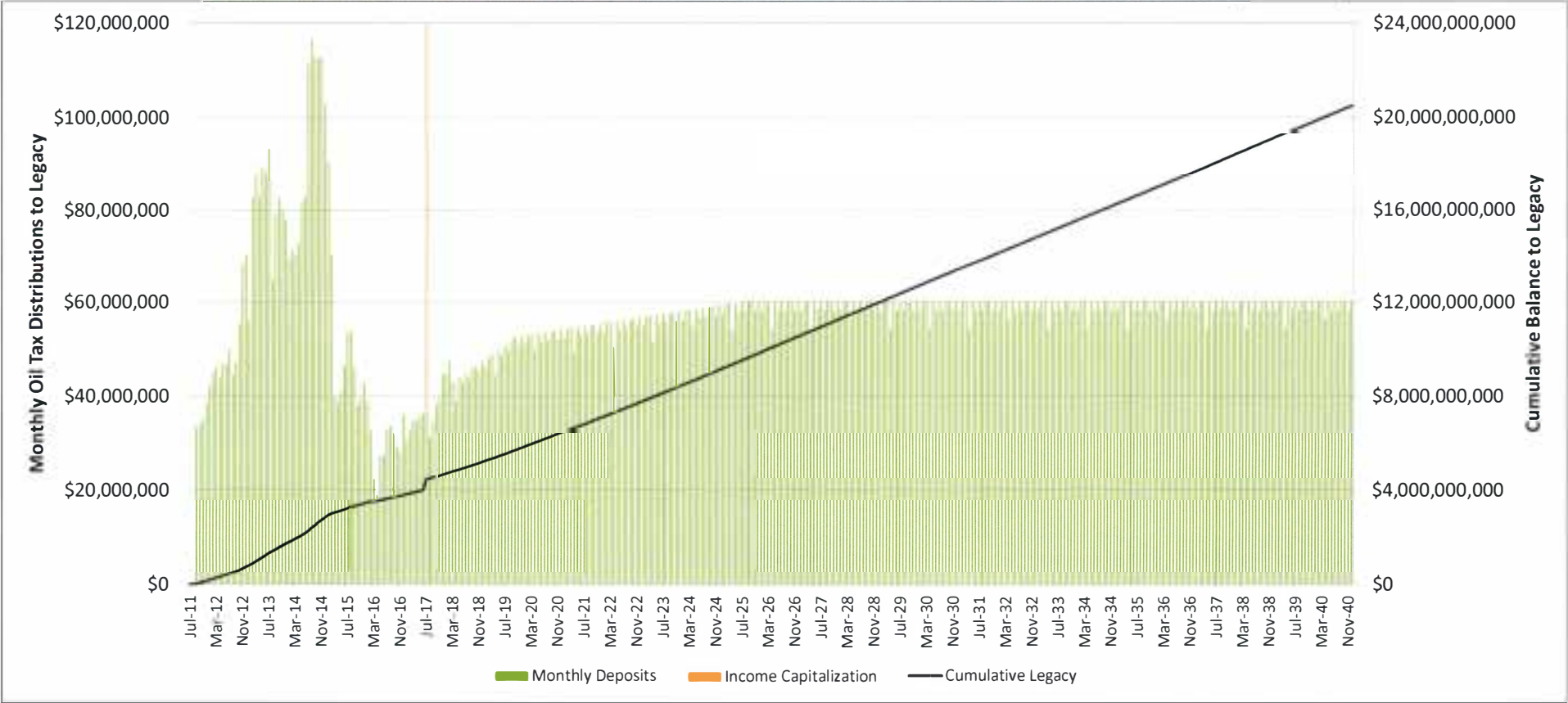
Note (Interest on \$1.09B / 30 Years @ 4.5% = \$882,971,755) (Interest on \$1.09B / 30 Years @ 2% = \$355,118,861)

Project Cost Comparison

<u>\$5 Million Dollar Project</u>	<u>30-Year Cost</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$6.63m	\$1,630,000	\$2,380,000
Market Rate Loan	\$9.01m	\$4,010,000	
<u>\$20 Million Dollar Project</u>	<u>30-Year Cost</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$26.53m	\$6,530,000	\$9,510,000
Market Rate Loan	\$36.04m	\$16,040,000	
<u>\$50 Million Dollar Project</u>	<u>30-Year Cost</u>	<u>Interest Paid</u>	<u>Savings</u>
Infrastructure Revolving Loan	\$66.32m	\$16,320,000	\$23,780,000
Market Rate Loan	\$90.10m	\$40,100,000	

Estimated Market Interest Rate 4.5%

Legacy Fund Projection Through 2040



Assumptions
 Monthly Production Gain = 10,000
 Daily Oil Production Cap = 1,300,000
 Starting Bakken Price = \$47.00
 Bakken Price Cap = \$56.00

Principal Income Only with No Assumption Of Gains from Interest or Earni

March 12, 2019
SB 2275
House Appropriations Committee
Representative Jeff Delzer, Chair

Chairman Delzer and members of the Committee. For the record, Blake Crosby, Executive Director of the North Dakota League of Cities. I am testifying today in support of SB 2275.

SB 2275 adds additional funding to the Infrastructure Revolving Loan Fund (IRLF) that was created by the legislature in the 2015-17 Session. SB 2275 utilizes a portion of Legacy Fund earnings to make bond payments to capitalize the IRLF and will provide property tax relief by lowering interest rate costs. Over 20 years it could save taxpayers over \$500 million in interest rate costs.

SB 2275 also expands the definition of "Essential Infrastructure" which will build the economic diversification of North Dakota, and also provide for public safety in the area of flood control and water management.

This is a long-term, low interest revolving loan that provides what political subdivisions need as they look to the future...certainty and affordability. Additionally, this is North Dakota investing in itself and factoring in the potential cost savings to tax payers as mentioned earlier, SB 2275 will have a substantial ROI.

Thank you for your time and consideration. I respectfully ask for a DO-PASS on SB 2275 and will try to answer any questions.

March 12, 2019 8:15 AM

House Appropriations Committee

SB 2275

Representative Delzer and members of the committee, for the record I am Diane Affeldt, city auditor for the City of Garrison and a board member for the North Dakota League of Cities. I am providing written testimony today to express support of SB 2275, Infrastructure Revolving Loan Fund.

I would like a big DO PASS from the committee on SB 2275. This bill will allow cities to acquire a 2% interest long term loan for essential infrastructure projects such as water supply and management. The fund would use a portion of **Legacy Fund Earnings**, not principal.

A cities ability to acquire 2% interest long term loans will be a major boost for infrastructure needs especially water projects. With old aging infrastructure in many rural communities, this loan will allow cities to budget improvements with very little or no increase in water rates to property owners. New and improved infrastructure will make our cities, counties and State better on the Grade Level.

I urge the committee to vote DO PASS on SB 2275.

Thank you for your time and consideration.

From: CandoBilling <candobilling@gondtc.com>
Date: Monday, March 11, 2019 12:00 PM
To: Blake Crosby
Subject: SB 2275

Attn Legislatures and House Appropriations Committee

RE: HB2275

The City of Cando asks for a DO PASS on HB 2275. Our City has several infrastructure repair and replacement needs in the near future. By passing this it would be a benefit to the citizens of this town, and reduce the burden of special assessments to the approximate 600 tax payers in this small city.

Thank you for your DO PASS vote

Annette Johnson
City Auditor
City of Cando
701-968-3632

From: flygare@restel.com
To: Monday, March 11, 2019 12:00 PM
Subject: Blake Crosby
Infrastructure Revolving Loan Fund (IRLF), SB 2275

March 11, 2019

Re: Infrastructure Revolving Loan Fund (IRLF), SB 2275

To The House Appropriations Committee:

If passed, this bill will give North Dakota cities another avenue of funding which will benefit all citizens, communities, and surrounding areas.

It is essential to growth and, as we move into the future, will positively contribute to the sustaining and maintaining of our vibrant cities and communities.

As Mayor of Kenmare, I, Dwight Flygare, am requesting a "DO-PASS" on SB 2275. In closing, I would like to thank everyone for their time and consideration.


Sincerely,

Dwight Flygare
Mayor of Kenmare

March 12, 2019

Chairman Delzer, Vice-Chairman Kempenich and Committee Members

Thank you for the opportunity to speak to you today in support of SB2275.

The City of Hazen has applied and received funding from the Infrastructure Revolving Loan Fund on two (2) occasions. The first was for street improvements in 2016 when we were awarded just over \$500,000 from the loan fund and financed another \$720,000 through conventional Refunding Improvement Bonds. Loan funds and the Improvement Bonds were at 2%, or slightly less, interest rates.

In 2018, the City of Hazen applied for, and was approved for Infrastructure Revolving Loan Funds in excess of \$9,000,000 for major (and minor) street, curb & gutter reconstruction, and water and sewer line improvements or replacement. Every street in the city and vital underground utilities were addressed, as part of the project. The total project cost is likely to be around \$7,000,000 when complete. The loan funds are again at an interest rate of 2%. The city utilizes local sales tax funds to “buy-down” project costs no less than 10%.

Based on previous bond issues with an effective interest rate of 2.75% (or greater) the savings to the residents of Hazen, over the term of the assessment, is \$1,039,394, before the “buy-down” savings for the projects discussed. When the interest rates increase to 4%, this is a savings in excess of \$2.8 million. These are direct savings to our residents because of the loan program, which ensures another funding source for projects.

From: Dave Carlsrud <dave.carlsrud@gmail.com>
To: Saturday, March 09, 2019 8:02 PM
dmonson@nd.gov; Alisa Mitskog; masanford@nd.gov; mischatz@nd.gov; Schreiber-Beck, Cynthia; phatlestad@nd.gov; jddockter@nd.gov
Subject: SB 2275

Hello,

Thank you for serving our North Dakota Citizens.

Will you please give careful consideration to supporting **SB 2275**? I believe it important to maintain a healthy Legacy Fund and this seems like a great way to utilize the fund while maintaining and growing the principle. This would be a wonderful tool to utilize in updating dangerously old infrastructure.

From the NDLC, "By 2035 it is estimated this fund could save taxpayers over \$500,000,000 in interest rate costs and, this is North Dakota money being invested in North Dakota."

Thank you for your consideration and please support **SB 2275**.

Sincerely,

Dave

Dave Carlsrud

House of Representatives Appropriations Committee

Representative Jeff Delzer, Chairman

Keith Kempenich, Vice-Chairman

March 12, 2019

Chairman Delzer, Members of the Committee:

My name is Keith Hunke and I am the City Administrator for the City of Bismarck.

I am providing written testimony on behalf of the City of Bismarck in support of Senate Bill 2275.

The Bismarck City Commission voted unanimously at its January 22, 2019 city commission meeting to support SB 2275.

SB 2275 allocates legacy fund earnings to establish a revolving infrastructure loan program for critical infrastructure projects.

Bismarck's capital improvement plan for streets is near \$250 million dollars including \$50 million dollars for State Street. Our water utility capital improvement plan is near \$100 million dollars including \$27 million dollars for our wastewater treatment plant expansion. Our Airport is in the midst of a three phase \$65 million-dollar runway reconstruction project.

SB 2275 is a critical piece of legislation that has the opportunity to provide Bismarck with a sustainable low interest loan program which will help pay for portions of the greatly needed infrastructure improvements to our streets, wastewater treatment plant, and airport.

Thank you for the opportunity to provide our support for Senate Bill 2275.

Keith J. Hunke, City Administrator

City of Bismarck

701-355-1300

khunke@bismarcknd.gov



**Testimony on SB 2275
Presented to the House Appropriations Committee**

**Presented by Bernie Dardis, Commission President, City of West Fargo
Supported by Commissioner Mike Thorstad, Vice President of West Fargo City
Commission; Tina Fisk, City Administrator; Dustin Scott, City Engineer; Chris Brungardt,
Director of Public Works; Tim Solberg, Director of Planning and Zoning; and Matthew
Marshall, Director of Economic Development**

Tuesday, March 12, 2019

1 Chairman Delzer and members of the House Appropriations Committee: I
2 appear before you today in support of Senate Bill 2275. If this bill passes, the City of West
3 Fargo would use the Infrastructure Revolving Loan Fund to support the reconstruction
4 and maintenance of existing infrastructure to lessen the burden on taxpayers. In fact,
5 the funding mechanism that this bill would allow has the potential to reduce the overall
6 tax burden to our citizens.

7 When I look at SB 2275, of particular hope to us is that the funding from this bill
8 could support the infrastructure needs of the core area of West Fargo. This core area is
9 143 blocks with issues of deteriorating sanitary sewer pipes, rough roads and overtaxed
10 storm and water sewer systems and deficiencies in regional infrastructure. In some areas
11 of town, pipes have completely disintegrated – meaning water and sewage is flowing
12 through voids in the system.

13 The City of West Fargo is currently engaged in a comprehensive study of this
14 area and initial estimates have identified more than \$50 million worth of projects that
15 need completion over the next 20 years. This is in addition to the projects already
16 included in the capital improvement plan, which in 2018 identified \$352.1 million worth

The City of West Fargo supports SB 2275.

17 of important infrastructure projects for the next 20 years. The core area projects needed
18 are essential to the health, safety and quality of life for the residents in this area.

19 What concerns us most about this situation is that the core area of town is West
20 Fargo's primary source of affordable housing for our residents. Placing large special
21 assessment burdens in this area of town will be a tremendous obstacle for the future
22 prosperity of our city, as it will result in a major blow to the affordable housing
23 options. Some of these existing homeowners simply do not have the means to carry
24 large increases to their tax bill in the form of special assessments that would be
25 necessary to fund these projects.

26 The City of West Fargo has used a multifaceted approach when funding these
27 improvement projects – using collected sales tax, special assessments to the benefiting
28 property owners and low interest Bank of North Dakota loan. However, we need more
29 or expanded tools for funding, such as direct aid from the state and new loan
30 opportunities. The City of West Fargo has carried the burden of infrastructure
31 improvement projects largely on the backs of its taxpayers for the past 20 years during
32 our exponential growth. We now ask for your assistance in helping your voters maintain
33 an affordable cost of living by passing SB 2275 to establish a Bank of North Dakota
34 Infrastructure Revolving Loan Fund.

35 For these reasons, the City of West Fargo supports SB 2275. I would answer any
36 questions that you have at this time, or you can certainly contact me later by email at
37 bernie.dardis@westfargond.gov.



City of Grand Forks

255 North Fourth Street • P.O. Box 5200 • Grand Forks, ND 58206-5200

Michael R. Brown
Mayor

SB 2275
March 12th 2019

(701) 746-2607
Fax: (701) 787-3773
Attachment 3

TESTIMONY ON SENATE BILL 2275

House Appropriations Committee

**Maureen Storstad, Finance Director
City of Grand Forks, ND**

March 12, 2019

Mr. Chairman and members of the House Appropriations Committee, thank you for this opportunity to testify in support of Senate Bill 2275. My name is Maureen Storstad and I am the Finance Director for the City of Grand Forks, which is a member of the Lake Agassiz Water Authority (LAWA).

I am providing testimony from the viewpoint of someone who has utilized the infrastructure revolving loan fund program, which has allowed us to borrow at a favorable rate and term. We have many infrastructure needs in the City of Grand Forks and money is very strained. Programs such as this help with cash flow in stretching the dollars. Thank you for putting this program into place.

Today, I want to speak more specifically as it relates to the Red River Valley Supply Project (RRVWSP). LAWA and Garrison Diversion are cosponsors of one the most critical water project in the State, the Red River Valley Water Supply Projects (RRVWSP). This project will serve over 35 communities, including the City of Grand Forks, and rural water systems to protect nearly 50 percent of the population of North Dakota against the devastating effects of major drought.

As cosponsors of the project, LAWA and Garrison Diversion, have completed long-term financial planning for the project, which is projected to cost \$1.16 billion. Through this analysis, it was determined that accessing the traditional bond market would be more difficult for a project of this size, scale, and complex user structure. It is estimated that the use of the

traditional bond market would ultimately necessitate the use of BBB bond financing and result in borrowing costs of more than \$500 million on an 80/20 cost share, which is nearly 44 percent of the project capital costs.

The cosponsors have also evaluated how a state loan program such as the one proposed in Senate Bill 2275 could save hundreds of millions of dollars for end users. Borrowing at two percent over 40 years, as is proposed in Senate Bill 2275, would reduce interest cost by 75 percent to the Red River Valley Water Supply Project's end users. This is critical to its affordability to end users.

The loan program outlined in Senate Bill 2275 not only benefits this project, but many infrastructure projects throughout the State. As an end user, we view this bill, along with an 80/20 cost share for end users, as critical steps to make the RRVWSP a reality.

Thank you Mr. Chairman and Committee members, for hearing my testimony this morning in support of this legislation.

House Appropriations Committee
Chairman Jeff Delzer
March 12, 2019

By: Shaun Sipma
Mayor, City of Minot
shaun.sipma@minotnd.org
701.857-4750

SB 2275

Chairman Delzer and Members of the House Appropriations Committee, my name is Shaun Sipma. As the Mayor of Minot, and on behalf of the citizens of Minot and our surrounding regional servicing area, I want to thank you for the opportunity to speak in strong support of SB 2275. This year the Legislature has seen more than 950 Bills and resolutions. For Minot, and hundreds of other political subdivisions across our great State, SB 2275 represents one of the most important and impactful bills of this Legislature.

Allowing communities across the State to leverage low interest loans into critical infrastructure is an idea whose time has come. And while low interest rates are key, even more key to managing the debt service on substantial infrastructure investments are lengthy terms. On page 3, lines 1 and 2, of this Bill we see that the maximum term for most of the loans is 30 years, but for certain projects – namely flood control, water supply, and water management – it is 40 years. We very much urge the committee to preserve this framework as you consider this Bill.

The key funding mechanism in this Bill is the issuance of bonds by the public finance authority. As originally introduced, the debt service on these bonds was tied to general fund moneys derived from the Legacy Fund. Some had concerns about that Legacy Fund tie, and so the Bill was amended to remove the reference to the Legacy Fund. The debt service is now simply tied to an appropriation request from the general fund that the public finance authority will make to the Legislature. To that end, it is important to note that there is a two-pronged cap

in this Bill. The public finance authority may only issue up to \$500 million of evidences of indebtedness, but not in an amount that would cause repayments to exceed \$55 million per biennium. So, the program being presented here has financial boundaries that protect the State, while allowing for meaningful progress on State infrastructure investments.

The City of Minot has a lot going on in the way of large infrastructure projects. Construction is currently underway to expand the City's water treatment facility and design is set to begin for the biota treatment plant near Max. Completion of these pieces of the NAWS project are essential to continue to provide clean, quality and reliable water to nearly 90,000 residents of North Central North Dakota. Plans are also underway to extend the pipeline to provide service to Bottineau.

Construction is also underway on Phases 1, 2 and 3 of the Mouse River Enhanced Flood Control Project. This project is designed to provide protection to the flood of record to the residents of four counties and 12 cities throughout the Mouse River Valley to prevent what we experienced in 2011.

The NAWS and Flood Control projects are both essential to provide safety and security to the residents of our region and also to protect essential public infrastructure that is located in the valley. These projects represent two of the largest construction projects our City has ever undertaken. And as luck would have it, we are taking them on at the same time. The local share of these projects is estimated to be in excess of \$250,000,000 over the next ten-year period. Minot currently dedicates nearly 60% (or 1.17 cents) of its 2 cent sales tax to support these two projects alone. SB 2275 provides a vehicle that will greatly enhance the City's ability to finance these two crucial projects.

There are numerous factors to consider when putting together a package to finance projects of this size. I would like to focus on three of these factors and explain how the Infrastructure Revolving Loan Fund would mitigate these challenges.

The first factor is the coverage ratio required to service this type of debt using traditional funding sources. Typically, we would expect a coverage ratio of 1.2 when selling Sales Tax Bonds. In the fall of 2018, the City of Minot cancelled an anticipated bond sale due to the required coverage ratio being 2.0. This ratio means that the City would have to collect twice as much sales tax as would be required to service the debt. While the City currently maintains an Aa2 bond rating – the highest rating we can achieve, the bonding companies out of concern for the enormous debt our community will have to take on to complete these important projects, have deemed our debt as more risky and have guarded against that risk by effectively reducing our borrowing capacity by half.

The second factor that is critical is the effective interest rate. In the recent bond issue that we cancelled, it was projected that the blended interest rate for a 20-year issue would be 3.9%. This rate, coupled with the anticipated 2 times coverage ratio would mean that the City of Minot would be unable to finance the flood control project after 2020 at the current level of sales tax funding (see Figure 1 below).

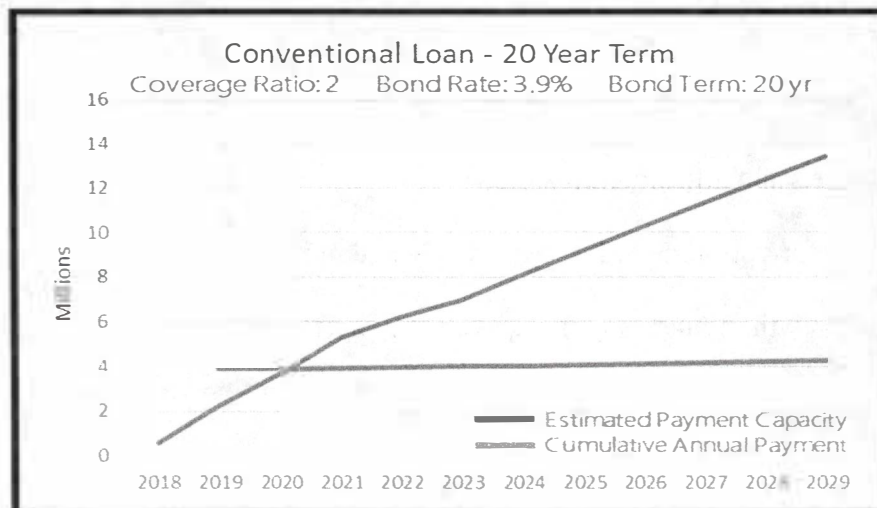


Figure 1.

However, if you combine the reduced coverage ratio of 1, the 2% interest rate and the 40-year term as proposed in SB 2275 for projects such as the Mouse River Enhanced Flood Control

Project, we would be able to fund the project with our current allocation of sales tax (see Figure 2). I cannot stress enough the importance or significance of this Bill in this regard. SB 2275 allows our City to finance our local share

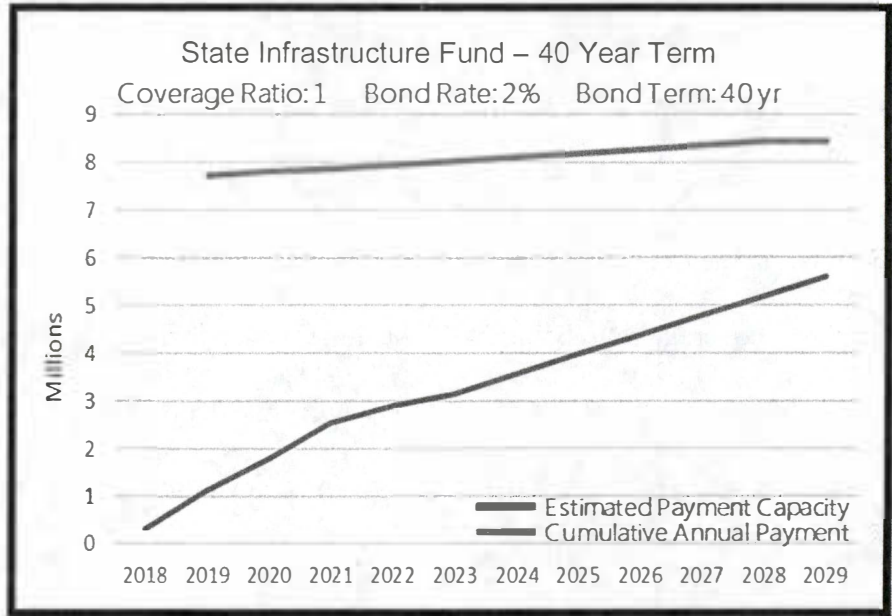


Figure 2.

of both the regional NAWS and regional Flood Control Project without raising taxes, period.

In summary, the combination of all of the factors included in the Infrastructure Revolving Loan Fund will allow our community to push forward with these projects without further negative impacts to the taxpayers and it will save our tax payers millions of dollars in unnecessary interest costs. Simply put, SB 2275 creates an innovative and essential financing tool, that, when combined with others, could save our city more than \$100 million in long term financing costs and administrative fees. These are dollars we will not have to find in property or sales tax – effectively representing tax relief for our citizens and all citizens across our state facing similar large scale infrastructure needs.

Thank you for your time today. Affordable and modern infrastructure is critical for the future economic growth of our State. I urge you to give SB 2275 a “do pass” recommendation.

**Testimony on Senate Bill 2275
House Appropriations Committee
March 12, 2019**

**Kent Costin, Director of Finance
Fargo, ND**

Chairman Delzer and members of the House Appropriations Committee, my name is Kent Costin, Finance Director of the City of Fargo. I am also the Chair of the Lake Aggasiz Water Authority's Financial Advisory Committee. Thank you for the opportunity to testify on SB 2275.

I have testified in past sessions about the urgent need to develop a State Infrastructure Revolving Loan Fund. It is especially important to have a program like this in place as major needs are emerging for water supply, flood control, and the continued growth of communities across the State of North Dakota. These urgent projects will have a positive impact on the State economy for years into the future.

We support SB 2275 as it has a very positive impact on loans made to political subdivisions. Borrowing money using traditional bonding has disadvantages that include higher interest rates and additional fixed costs that drive up our long-term debt costs.

This bill has an enormous impact on the ability to fund projects, especially larger projects like the Lake Aggasiz Water Authority (LAWA) pipeline project. The fixed interest rate provisions currently contained in this bill allows us to afford this project and amortize its' costs over a longer term. **This bill will save the water supply project \$385 million in interest by using the State controlled 2% rate.** This is just for one project! I repeat, this is just for one project. The impact across the State of North Dakota will be profound and will keep taxpayer money recirculating within the State.

Looking at this from a different perspective, one loan using a bill cap of \$25 million at 2% interest will cost taxpayers about \$8.5 million in interest over the life of the loan. Using traditional bond market

rates on the same loan would cost taxpayers about \$19.5 million over the life of the loan. **That is over double the cost to taxpayers! The difference can be avoided by the passage of this bill.**

I managed debt issuances for the City of Fargo for the past twenty years. Traditional bonding contains additional costs that would not be present within a State Infrastructure Revolving Loan Fund. Cost avoidance will be immediately recognized by eliminating the closing costs typically involved in bond transactions. These include Wall Street underwriters, financial advisors, bond attorneys, and bond rating agencies and IRS audit risk. These costs are incurred every time a bond is issued by a political subdivision, but are not widely understood or communicated. The Bank of North Dakota recently approved an infrastructure loan under the existing infrastructure loan program. We found this process to be very streamlined and efficient. Working directly with the Bank of North Dakota officials was a positive experience that did not have all of the traditional bonding costs associated with our loan.

Should we continue to allow Wall Street investors and other parties to profit from political subdivisions borrowing? This bill helps lower costs to everyone and will be able to self-sustain into the future as loans are repaid. Now is the time to create a borrowing alternative that saves taxpayer money!

We strongly urge the passage of SB 2275. It will have a tremendous finance impact on our Communities for years to come and will allow essential infrastructure to be funded at affordable rates.

Please vote yes in support of this bill.

**TESTIMONY ON SENATE BILL 2275
House Appropriations Committee**

**Maureen Storstad, Finance Director
City of Grand Forks, ND**

March 12, 2019

Mr. Chairman and members of the House Appropriations Committee, thank you for this opportunity to testify in support of Senate Bill 2275. My name is Maureen Storstad and I am the Finance Director for the City of Grand Forks, which is a member of the Lake Agassiz Water Authority (LAWA).

I am providing testimony from the viewpoint of someone who has utilized the infrastructure revolving loan fund program, which has allowed us to borrow at a favorable rate and term. We have many infrastructure needs in the City of Grand Forks and money is very strained. Programs such as this help with cash flow in stretching the dollars. Thank you for putting this program into place.

Today, I want to speak more specifically as it relates to the Red River Valley Supply Project (RRVWSP). LAWA and Garrison Diversion are cosponsors of one the most critical water project in the State, the Red River Valley Water Supply Projects (RRVWSP). This project will serve over 35 communities, including the City of Grand Forks, and rural water systems to protect nearly 50 percent of the population of North Dakota against the devastating effects of major drought.

As cosponsors of the project, LAWA and Garrison Diversion, have completed long-term financial planning for the project, which is projected to cost \$1.16 billion. Through this analysis, it was determined that accessing the traditional bond market would be more difficult for a project of this size, scale, and complex user structure. It is estimated that the **use of the traditional bond market would ultimately necessitate the use of BBB bond financing and result in borrowing costs of more than \$500 million on an 80/20 cost share, which is nearly 44 percent of the project capital costs.**

The cosponsors have also evaluated how a state loan program such as the one proposed in Senate Bill 2275 could save hundreds of millions of dollars for end users. **Borrowing at two percent over 40 years, as is proposed in Senate Bill 2275, would reduce interest cost**

by 75 percent to the Red River Valley Water Supply Project's end users. This is critical to its affordability to end users.

The loan program outlined in Senate Bill 2275 not only benefits this project, but many infrastructure projects throughout the State. As an end user, we view this bill, along with an 80/20 cost share for end users, as critical steps to make the RRVWSP a reality.

Thank you Mr. Chairman and Committee members, for hearing my testimony this morning in support of this legislation.

Testimony to the
House Appropriations Committee
March 12, 2019
Vice Chairman Chad Peterson, Cass County Commission

Regarding: Reengrossed Senate Bill 2275

Chairman Delzer and committee members, I am Chad Peterson, Vice Chairman of the Cass County Commission. I support Reengrossed Senate Bill 2275. If there is one criticism I have it's that the bill does not go far enough. I would support investments far beyond the value proposed. The Legacy Fund and the Bank of North Dakota also have billions in assets that could be used to benefit taxpayers statewide.

As it stands, the bill accomplishes a number of things. Here are just a few of the many positive outcomes;

1. It preserves principle dollars and future revenue is predictable

It preserves the principle fund balance into perpetuity. The revenue will be stable and predictable forever regardless of outside market forces. The investments in North Dakota as proposed will be paid off over time with little to no risk to the principal. As these projects are paid off, we create room for the next generation of investment using these same dollars and the revenue they've made. This is North Dakota money helping all North Dakotans, forever.

2. It creates the potential to ease parochial fighting

If dollars were increased far beyond that proposed many "shovel ready" projects, large and small, could be funded today. With predictable, stable investment returns, future and yet unknown projects could more easily be funded as they were capitalized. If Bank of North Dakota assets and Legacy Fund assets were invested, even more could be accomplished.

3. Opportunity cost shouldn't be the burden of tax payers

Whether we use only this fund or seek additional capital as I suggest, opportunity cost becomes a concern. But we often forget the opportunity cost exists regardless. It's whether or not North Dakota leaders want the opportunity cost to be the burden of the state or leave the burden on the backs of North Dakota citizens. I would rather have taxpayers invest their resources as they see fit than have them fund one time expenditures while the state sits on billions of dollars that could safely invested.

Chairman Delzer and committee members, this list of positive outcomes could continue for quite some time. The only negative I've seen discussed is that the state funds won't grow because investment returns would be too conservative (i.e. opportunity cost as addressed above). To that I say, "So what?" Is the goal to have an infinitely large general fund or bank account that will eventually be... larger? Again, I'd rather let tax payers on invest freely and take this capital and invest it in one time, needed investments.

I'd be happy to talk more about the items listed above and any others any time you wish. Again, I support Reengrossed Senate Bill 2275.

Testimony of Jerry Blomeke, Cass Rural Water Users District General Manager
Senate Bill 2275
House Appropriations Committee
Bismarck, North Dakota – March 12, 2019

Good morning Chairman Delzer and members of the House Appropriations Committee. Thank you for the opportunity to testify in support of Senate Bill 2275. My name is Jerry Blomeke and I am the General Manager of the Cass Rural Water Users District, which is a member of the Lake Agassiz Water Authority (Lake Agassiz).

Lake Agassiz represents the local water systems in the Red River Valley Water Supply Project. When it's completed, the Project will benefit 35 cities and rural water system users by delivering an emergency water supply from the Missouri River to users from central to eastern North Dakota via a buried pipeline.

Since Cass Rural Water is one of the users of this project, I want this Committee to understand how crucial it is to the project's success that the Red River Valley Water Supply remain affordable for all users over the long term.

Senate Bill 2275 would ensure affordability in two important ways. The flexibility included in Senate Bill 2275 will allow the Bank of North Dakota to take unique project circumstances into account when setting terms and repayment sources. This flexibility will ensure the needs of all the Red River Valley Water Supply Project's users are met while providing a good return on the investment to the State.

The second way Senate Bill 2275 will ensure affordability for users like Cass Rural Water is twofold. Section 7 of the bill includes the creation of a revolving loan fund from Legacy Fund earnings. This fund would not utilize any of the Fund's principal and it would be devoted to funding flood control, water management, and water supply projects such as the Red River Valley Water Supply.

In addition, the revolving loan fund would allow the Project to borrow at two percent over 40 years. There are already other programs that have a two percent interest rate – for instance, the existing infrastructure revolving loan fund. The difference with Senate Bill 2275 is the 40-year term which would allow large, complex water projects like the Red River Valley Water Supply to save a substantial amount of money in financing costs for the water systems involved.

The 40-year term along with an 80/20 State and local cost share, would allow the project to reduce its interest costs by 75 percent. In contrast, if the project had to use the traditional bond market, Lake Agassiz's financial modeling shows borrowing costs could skyrocket to more than \$500 million - nearly 44 percent of the project's capital costs.

Please support Senate Bill 2275 to ensure Cass Rural Water Users District and the 34 other users of the Red River Valley Water Supply Project can afford this necessary emergency water supply. The bill had unanimous support in the Senate because it is a wonderful opportunity to fund the State of North Dakota's legacy water projects.

Thank you Chairman Delzer and Committee members for your time this morning.

SB2275

House Appropriations Committee

March 12, 2019

Jed M. Shivers, VP Finance and COO University of North Dakota
Michael C. Pieper, Associate VP Facilities University of North Dakota

(701) 777-3511 | jed.shivers@und.edu

(701) 777-6862 | michael.pieper@und.edu

Chair Delzer and Committee Members: Our names are Jed M Shivers and Michael C. Pieper and we are the VP Finance and COO UND and the Associate VP for Facilities at UND respectively. We are here today in support of and to provide information on SB2275. The bill would enable UND and its sister institutions of higher education to access the Infrastructure Revolving Loan Fund for specific deferred maintenance projects related to water mains, water and sewer lines, and the curbs and gutters that cover them.

The University of North Dakota (UND) has over \$500 million in deferred maintenance. UND believes this level of deferred maintenance is detrimental to both the good order and operation of its campus and is a deterrent to recruit students. This has been a long term problem. UND has been addressing this problem in the following ways:

1. In accordance with legislative directives, reducing its campus square footage by demolishing buildings;
2. Rebuilding campus infrastructure by engaging in Public Private Partnerships (P-3) e.g., the construction of a new steam plant and associated systems in a \$93 million dollar bond issue in conjunction with Johnson Controls, Inc.;
3. Seeking innovative ways of obtaining capital in addition to State appropriations. The proposed bill is a key example of generating capital through the Revolving Loan Fund.
4. Fund raising from private donors for capital campaigns; and,
5. Requesting capital appropriations from the Legislature

Universities, similar to political subdivisions, own and control miles of sewer and water pipes, water mains, and the roads that are paved on top of them. UND seeks to utilize capital from the Revolving Fund at a level similar to the larger cities in the State of North Dakota (i.e. up to \$25 million) in order to reduce the deferred maintenance associated with these systems. These are projects where private donations and P-3 partnerships are rare. Funding from State appropriations for these purposes is also atypical.

UND has an inventory of projects which exceeds the \$25 million level (see attachment 1 “Infrastructure FCNI Report.pdf). We also have provided a map and pictorial evidence to show how the private roadways, gutters and curbs which are paved over the water and sewer infrastructure has also deteriorated (see attachment 2 Infrastructure Revolving Loan Program Data and Notes.docx). Accessing this fund will enable us to do work consistent with the projects described in the infrastructure revolving loan fund if access to the Fund is granted to the SBHE institutions of higher education as noted below:

- 21 **Infrastructure revolving loan fund - Bank of North Dakota - Continuing appropriation.**
22 1. The infrastructure revolving loan fund is a special fund in the state treasury
23 administered by the Bank of North Dakota. The Bank shall use moneys in the fund to
24 provide loans to political subdivisions for eligible infrastructure projects pursuant to
25 subsections 6 and 7 and to provide loans to institutions of higher education for eligible
26 infrastructure projects pursuant to subsection 8.

And

- 11 4. An applicant shall issue an evidence of indebtedness as authorized by law. An
12 institution of higher education shall identify at least one funding source for the debt
13 repayment, including:
14 a. Tuition or fee revenue collected by the institution of higher education;
15 b. Distributions of state aid received by the institution of higher education under
16 chapter 15-18.2; or
17 c. Other sources of revenue.

AND

- 21 8. Eligible infrastructure projects for institutions of higher education are capital
22 construction projects to construct new infrastructure or to replace existing
23 infrastructure, which provide the fixed installations necessary for the function of the
24 institution and are in the public interest. Capital construction projects exclude routine
25 maintenance and repair projects, but include the following:
26 a. Sewer lines and water lines;
27 b. Storm water infrastructure, including curb and gutter construction; and
28 c. Road infrastructure.

Successful completion of these projects will provide for improved operations and fit and finish as it relates to the UND campus. UND can defray the principal and interest payment of the loan as an ongoing operating expense which it allocates to the revenue generating portions of the University through its Resource Allocation Budget Methodology.

We respectfully request that you do pass on SB2275 and we are available to answer your questions.

Thank you.

UND Non-Building Infrastructure

With the understanding that not all non-building infrastructure capital-renewal projects are eligible for the revolving loan program today, below is a summary of UND's non-building infrastructure.

Transportation Infrastructure

In 2012 CPS, Ltd. prepared a parking lot and roadway inspection and survey report. The following information was extracted from that report.

- Data collected by CPS in 2012 was used to create a pavement management system with enhanced capabilities to model future pavement degradation; facilitating the ability to prioritize maintenance and rehabilitation (M&R) projects for various planning scenarios. UND can implement this system to analyze how future budget spending levels and various maintenance and rehabilitation projects would affect the overall condition of the pavement network. These capabilities are the most significant benefits of the pavement management system because they allow UND to determine the most cost-effective strategies for maintaining its vast pavement network.

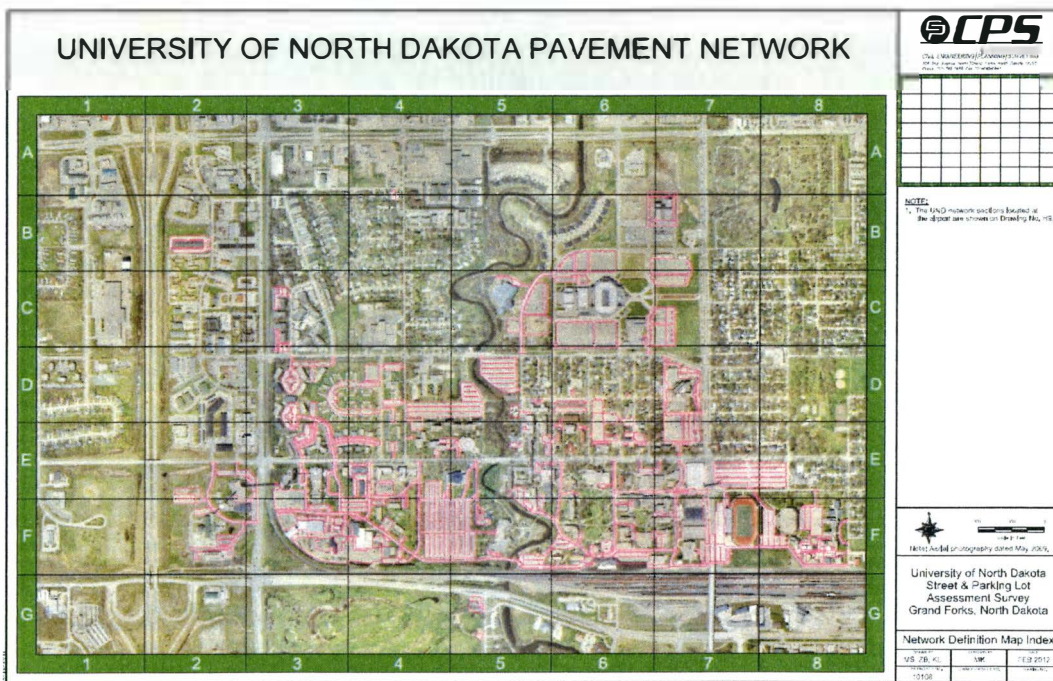


Table 3.01.A: UND Pavement Uses

Branch Use	Pavement Area (ft ²)	% of Total Pavement Area
Parking Lot	4,364,997	84
Roadway	816,990	16
Total	5,181,988	100

Table 3.03.A: UND Pavement Age

Age at Inspection	Pavement Area (ft ²)	% of Total Pavement Area
0-2	93,968	2
3-5	163,070	3
6-10	1,514,230	29
11-15	243,936	5
16-20	183,592	4
21-25	689,402	13
26-30	205,164	4
31-35	265,240	5
36-40	606,763	12
41-50	753,809	15
Over 50	462,814	9
Total	5,181,988	100

The UND's network is comprised of 216 pavement sections. When all of the sections are considered, the area-weighted PCI of the UND network is 55 (in the "Poor" category). Table 4.02A below illustrates the percent of the network currently in each condition level.

Table 4.02.A: Percent of UND Network in Each Pavement Condition Category

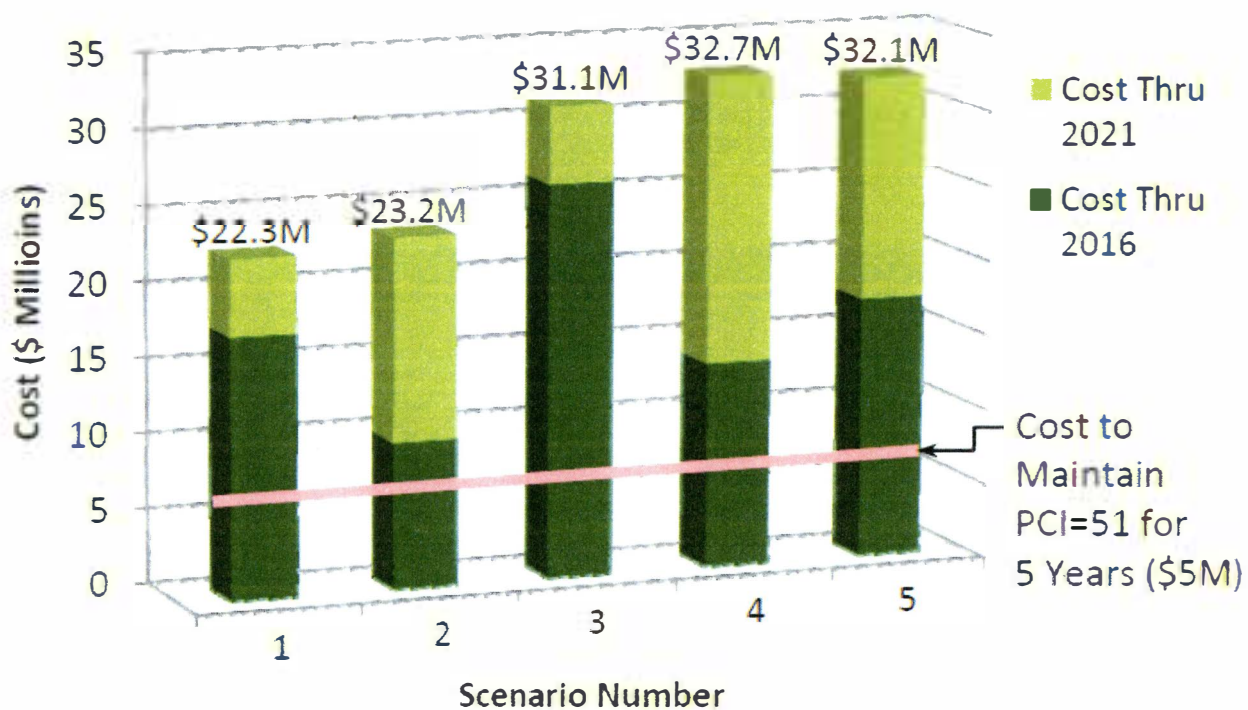
Area-Weighted Average PCI	Pavement Condition Category	Pavement Area (ft ²)	% of Total Pavement Area
86-100	Good	641,155	12
71-85	Satisfactory	1,331,632	26
56-70	Fair	1,123,761	22
41-55	Poor	379,780	7
26-40	Very poor	866,045	17
11-25	Serious	515,436	10
0-10	Failed	324,178	6
Total		5,181,988	100

Table 5.02.A: Typical Repair Strategies

Pavement Condition Index (PCI)	Pavement Condition Category	Typical Repair Strategy
86 – 100	Good	Preventive Maintenance
71 – 85	Satisfactory	
56 – 70	Fair	Major Rehabilitation
41 – 55	Poor	
26 – 40	Very poor	Reconstruction
11 – 25	Serious	
0 – 10	Failed	

- Scenario 1:** Budget to Increase PCI to 71 (“Satisfactory”) by 2016 and Maintain PCI of 71 (“Satisfactory”) through 2021,
- Scenario 2:** Budget to Increase PCI to 71 (“Satisfactory”) by 2021,
- Scenario 3:** Budget to Increase PCI to 85 (“Good”) by 2016 and Maintain PCI of 85 (“Good”) through 2021,
- Scenario 4:** Budget to Increase PCI to 85 (“Good”) by 2021,
- Scenario 5:** Budget to Increase PCI to 71 (“Satisfactory”) by 2016, then Increase PCI to 85 (“Good”) by 2021.

Figure 5.05.B: Pavement Funding Projection Scenario Costs



***These costs pertain to pavement improvements, and do not include associated utility costs (e.g. storm water). Plus, UND as added costs due to life-safety upgrades (e.g. lighting, security cameras).**

Non-Transportation Infrastructure

In 2018 ISES Corporation prepared an all campus non-building infrastructure report quantifying UND's assets and related capital renewal needs. The following information was extracted from that report.

FACILITIES RENEWAL FCNI COMPARISON

ASSET CODE	ASSET NAME	USE	YR. BLT.	GSF	CRV	NOMREC. COST	DEFERRED RENEWAL	REC. COMP. COST	10-YR. TOT. NEEDS	FCNI	FCI
CHWD	COOLING DISTRIBUTION	OTH	1999	1	30,987	50	50	50	50	0.00	0.00
CRDS	CONDENSATE RETURN DISTRIBUTION SYSTEM	OTH	1999	1	16,701,651	50	\$21,304,456	\$1,283,696	\$23,588,112	0.88	0.80
DWFP	DOMESTIC WATER AND FIRE PROTECTION SYS	OTH	1907	1	12,413,392	50	\$4,184,485	\$1,735,640	\$6,020,124	0.48	0.35
ELDD	ELECTRICAL DISTRIBUTION	OTH	1935	1	73,610,527	\$183,190	\$4,578,593	\$11,257,961	\$16,019,744	0.22	0.06
HPL5	HEAT PUMP LOOP	OTH	1990	1	196,577	\$7,547	50	\$188,118	\$195,665	1.00	0.00
HTGO	STEAM DISTRIBUTION	OTH	1999	1	\$8,874,188	\$352,322	50	50	\$352,322	0.01	0.00
MH1-01	STEAM MANHOLE 1-1	OTH	1999	150	40,758	\$10,502	\$8,594	\$9,475	\$28,572	0.70	0.21
MH1-02	STEAM MANHOLE 1-2	OTH	1999	150	40,758	\$16,053	\$7,617	\$7,389	\$31,059	0.76	0.19
MH1-03	STEAM MANHOLE 1-3	OTH	1999	150	40,758	\$8,837	\$8,439	\$7,389	\$22,865	0.56	0.16
MH1-04	STEAM MANHOLE 1-4	OTH	1999	150	40,758	\$15,535	\$6,052	\$7,389	\$28,975	0.71	0.15
MH1-05	STEAM MANHOLE 1-5	OTH	1999	150	40,758	\$17,317	\$8,889	\$7,389	\$34,601	0.85	0.24
MH1-06	STEAM MANHOLE 1-6	OTH	1999	150	40,758	\$17,844	\$12,436	\$7,389	\$27,469	0.54	0.24
MH1-07	STEAM MANHOLE 1-7	OTH	1999	150	47,094	\$26,613	\$5,074	\$14,715	\$46,402	0.99	0.11
MH1-08	STEAM MANHOLE 1-8	OTH	1999	150	40,758	\$11,719	\$7,617	\$11,229	\$30,024	0.74	0.19
MH1-09	STEAM MANHOLE 1-9	OTH	1999	150	40,758	\$29,795	\$6,539	\$8,889	\$43,104	1.06	0.16
MH1-10	STEAM MANHOLE 1-10	OTH	1999	150	40,758	\$29,795	\$6,539	\$7,389	\$43,824	1.08	0.16
MH1-11	STEAM MANHOLE 1-11	OTH	1999	150	40,758	\$29,795	\$8,594	\$7,389	\$45,778	1.12	0.21
MH1-12	STEAM MANHOLE 1-12	OTH	1999	150	40,758	\$29,795	\$7,617	\$6,569	\$44,081	1.08	0.19
MH1-13	STEAM MANHOLE 1-13	OTH	1999	150	40,758	\$11,351	\$6,052	\$7,389	\$24,792	0.61	0.15
MH1-14	STEAM MANHOLE 1-14	OTH	1999	150	43,611	\$8,811	\$13,024	\$11,129	\$30,784	0.48	0.30
MH1-15	STEAM MANHOLE 1-15	OTH	1999	150	40,758	\$7,644	\$5,662	\$6,905	\$20,212	0.50	0.14
MH1-16	STEAM MANHOLE 1-16	OTH	1999	150	40,758	\$8,184	\$8,439	\$1,129	\$15,933	0.39	0.16
MH1-17	STEAM MANHOLE 1-17	OTH	1999	150	40,758	50	\$3,865	\$7,389	\$13,051	0.32	0.14
MH1-18	STEAM MANHOLE 1-18	OTH	1999	150	40,758	\$10,817	\$7,617	\$7,389	\$25,643	0.63	0.19

ASSET CODE	ASSET NAME	USE	YR. BLT.	GSF	CRV	NOMREC. COST	DEFERRED RENEWAL	REC. COMP. COST	10-YR. TOT. NEEDS	FCNI	FCI
MH2-20	STEAM MANHOLE 2-20	OTH	1999	150	40,758	\$10,541	\$6,539	\$7,389	\$24,569	0.60	0.16
MH2-01	STEAM MANHOLE 2-1	OTH	2000	150	45,974	\$13,463	\$11,526	\$7,389	\$32,378	0.70	0.25
MH2-02	STEAM MANHOLE 2-2	OTH	2000	150	40,758	\$12,785	\$8,889	\$1,129	\$22,488	0.55	0.21
MH2-03	STEAM MANHOLE 2-3	OTH	2000	150	40,758	\$12,129	\$5,662	\$7,389	\$25,180	0.62	0.14
MH2-04	STEAM MANHOLE 2-4	OTH	2000	150	41,480	\$10,024	\$13,315	\$7,389	\$30,728	0.71	0.31
MH2-05	STEAM MANHOLE 2-5	OTH	2000	150	43,596	\$4,166	\$7,617	\$1,129	\$12,912	0.30	0.17
MH2-06	STEAM MANHOLE 2-6	OTH	2000	150	40,758	\$23,447	\$9,571	\$8,184	\$43,173	1.06	0.23
MH2-07	STEAM MANHOLE 2-7	OTH	2000	150	40,758	\$9,266	\$8,889	\$7,389	\$22,317	0.55	0.14
MH2-08	STEAM MANHOLE 2-8	OTH	2000	150	40,758	\$9,340	\$8,184	\$7,389	\$23,368	0.57	0.16
MH2-09	STEAM MANHOLE 2-9	OTH	2000	150	49,144	\$5,914	\$15,812	\$13,998	\$35,725	0.73	0.32
MH2-10	STEAM MANHOLE 2-10	OTH	2000	150	40,758	\$19,784	\$7,617	\$7,389	\$44,801	1.10	0.19
MH2-11	STEAM MANHOLE 2-11	OTH	2000	150	40,758	\$16,363	\$8,889	\$1,129	\$25,996	0.64	0.21
MH2-13	STEAM MANHOLE 2-13	OTH	2000	150	40,758	\$6,241	\$2,332	\$7,389	\$16,561	0.41	0.07
MH2-14	STEAM MANHOLE 2-14	OTH	2000	150	40,758	\$12,781	\$8,594	\$7,389	\$16,382	0.40	0.16
MH2-15	STEAM MANHOLE 2-15	OTH	2000	150	40,758	\$14,143	\$7,617	\$7,389	\$39,149	0.96	0.19
MH2-16	STEAM MANHOLE 2-16	OTH	2000	150	49,144	\$5,210	\$10,049	\$9,124	\$24,883	0.51	0.21
MH2-17	STEAM MANHOLE 2-17	OTH	2000	150	40,758	\$8,179	\$11,714	\$7,389	\$27,282	0.67	0.29
MH2-18	STEAM MANHOLE 2-18	OTH	2000	150	40,758	\$6,241	\$11,526	\$7,389	\$25,155	0.62	0.38
MH2-19	STEAM MANHOLE 2-19	OTH	2000	150	40,758	\$8,439	\$6,539	\$7,389	\$20,712	0.51	0.16
MH2-20	STEAM MANHOLE 2-20	OTH	2000	150	40,758	\$7,644	\$8,889	\$7,389	\$20,696	0.51	0.14
MH2-21	STEAM MANHOLE 2-21	OTH	2000	150	40,758	\$7,644	\$5,662	\$7,389	\$20,696	0.51	0.14
MH2-22	STEAM MANHOLE 2-22	OTH	2000	150	40,758	\$9,487	\$5,662	\$8,889	\$22,054	0.54	0.14
MH2-23	STEAM MANHOLE 2-23	OTH	2000	150	40,758	\$9,930	\$8,184	\$7,389	\$25,913	0.64	0.21
MH2-24	STEAM MANHOLE 2-24	OTH	2000	150	40,758	\$15,803	\$5,662	\$7,389	\$28,854	0.71	0.14

ASSET CODE	ASSET NAME	USE	YR. BLT.	GSF	CRV	NONREC. COST	DEFERRED RENEWAL	REC. COMP. COST	10-YR. TOT. NEEDS	FCM	FCI
MH2-25	STEAM MANHOLE 2-25	OTH	2000	150	40,758	\$11,220	55,662	\$0	\$16,882	0.41	0.14
MH2-26	STEAM MANHOLE 2-26	OTH	1999	150	40,758	50	50	\$7,389	\$7,389	0.18	0.00
MH3-01	STEAM MANHOLE 3-1	OTH	2005	150	40,758	\$8,526	\$11,722	\$1,129	\$21,378	0.52	0.29
MH4-01	STEAM MANHOLE 4-1	OTH	2008	150	40,758	57,644	50	\$7,792	\$15,437	0.38	0.00
MH5-01	STEAM MANHOLE 5-1	OTH	2008	150	44,362	\$1,778	\$977	\$7,792	\$10,548	0.24	0.02
MH5-02	STEAM MANHOLE 5-2	OTH	2008	150	44,362	\$1,778	\$977	\$10,828	\$13,583	0.31	0.02
MH5-03	STEAM MANHOLE 5-3	OTH	2008	150	44,362	\$4,091	\$977	\$9,584	\$16,653	0.38	0.02
NGDS	NATURAL GAS DISTRIBUTION SYSTEM	OTH	1935	1	\$5,215	50	50	\$0	\$0	0.00	0.00
SANI	SANITARY SEWER SYSTEM	OTH	1887	1	8,201,226	\$1,080,348	\$1,192,338	\$938,489	\$9,211,175	0.39	0.15
STRM	STORMWATER SEWER	OTH	1903	1	13,189,100	\$1,825,535	\$466,728	\$220,012	\$2,512,274	0.19	0.04
GRAND TOTALS:				7,459	\$190,388,154	\$4,040,045	\$32,183,093	\$16,959,277	\$53,180,415	0.28	0.17

- UND's Non-building Infrastructure: Heating/cooling lines, electrical distribution, utility vaults, natural gas distribution lines, sanitary sewer system, domestic water system and fire protection system and storm water sewer
 - 11 miles of water lines
 - 8 miles of domestic sewer lines
 - 14 miles of electrical distribution lines
- Current replacement value (CRV) = \$190.4M
 - OMB's estimated annual capital renewal (2.0% of CRV) = \$3.8M
- Deferred Capital Renewal as if FY2017 (DM) = \$32.2M
- Facility Condition Needs (10 year capital renewal projections + DM) = \$53.2M

Proposed Amendments to SB2275

- Page 5, Line 31, after ~~“section 6-09-49”~~ strike ~~“and to use the transferred proceeds to support the resources trust fund”~~
- Page 9, Line 5, Strike ~~“6.09.4-06”~~ and insert “11 of this act”
- Page 9, line 10, Strike ~~“Resources trust fund”~~
- Page 9, Line 14, Strike ~~“and the resources trust fund”~~
- Page 12, Line 12, after ~~“June 30, 2021.”~~ Insert “The Bank of North Dakota shall transfer to the Resources Trust Fund, from the first bond issuance under section 11 of this Act, an amount equal to the loan balances in the State Water Commission Infrastructure Revolving Loan Fund.”
- Page 12, Line 13, Strike ~~“Pursuant to the bonding authority under section 6-09.4-06,”~~
- Page 12, Line 17, after ~~“fund”~~, insert “,as provided in section 6-09.4-06, subsection 2(b),”
- Page 12, Line 17, Strike ~~“and the resources trust fund”~~
- Page 12, Line 18, Strike ~~“Of the total evidences of indebtedness issued by the public finance authority, an amount equal to the transfer under section 10 of this Act must be used to support the resources trust fund, and the remaining amount must be used to support the infrastructure revolving loan fund.”~~
- Page 12, Line 22, Strike ~~“The public finance authority may issue bond anticipation notes for the purpose of financing loans under the infrastructure revolving loan fund prior to a bond issuance.”~~
- Page 12, Line 25 insert, “Section 12. Anticipation Financing. The Public Finance Authority may issue bond anticipation notes to allow for financing of loans prior to a bond issuance, under section 11 of this act. Bank of North Dakota may provide an amount, not to exceed, \$100,000,000, to the infrastructure revolving loan fund, for the purpose of financing loans prior to a bond issuance, which amounts shall be reimbursed from the proceeds of the authority’s notes or bonds.”

Introduced by

Senators Wardner, Cook, Robinson

Representatives Lefor, Nathe, Porter

1 A BILL for an Act to create and enact section 6-09.4-28 of the North Dakota Century Code,
2 relating to the infrastructure revolving loan fund debt repayments; to amend and reenact
3 sections 6-09-49, 6-09.4-06, and 6-09.4-10, subsection 6 of section 21-03-07, and
4 sections 21-03-19, 57-15-06.6, and 57-47-02 of the North Dakota Century Code, relating to the
5 infrastructure revolving loan fund, borrowing and lending authority, reserve funds, and expanded
6 bonding authority for counties; to repeal section 61-02-78 of the North Dakota Century Code,
7 relating to a revolving loan fund for water projects; to provide a transfer; to provide a continuing
8 appropriation; to provide a bond issuance limitation; and to provide an effective date.

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

10 **SECTION 1. AMENDMENT.** Section 6-09-49 of the North Dakota Century Code is amended
11 and reenacted as follows:

12 **6-09-49. Infrastructure revolving loan fund – Continuing appropriation.**

13 1. ~~The infrastructure revolving loan fund is a special fund in the state treasury from which~~
14 ~~the Bank of North Dakota shall provide loans to political subdivisions for essential~~
15 ~~infrastructure projects. The Bank shall administer the infrastructure revolving loan~~
16 ~~fund. The maximum term of a loan made under this section is thirty years. A loan~~
17 ~~made from the fund under this section must have an interest rate that does not exceed~~
18 ~~two percent per year.~~

19 2. ~~For purposes of this section, "essential infrastructure projects" means capital~~
20 ~~construction projects for the following:~~

- 21 a. ~~New or replacement of existing water treatment plants;~~
22 b. ~~New or replacement of existing wastewater treatment plants;~~
23 c. ~~New or replacement of existing sewer lines and water lines; and~~

- 1 ~~d. New or replacement of existing storm water and transportation infrastructure,~~
2 ~~including curb and gutter construction.~~
- 3 ~~3. In processing political subdivision loan applications under this section, the Bank shall~~
4 ~~calculate the maximum loan amount for which a qualified applicant may qualify, not to~~
5 ~~exceed fifteen million dollars per loan. The Bank shall consider the applicant's ability to~~
6 ~~repay the loan when processing the application and shall issue loans only to~~
7 ~~applicants that provide reasonable assurance of sufficient future income to repay the~~
8 ~~loan.~~
- 9 ~~4. The Bank shall deposit in the infrastructure revolving loan fund all payments of interest~~
10 ~~and principal paid under loans made from the infrastructure revolving loan fund. The~~
11 ~~Bank may use a portion of the interest paid on the outstanding loans as a servicing fee~~
12 ~~to pay for administrative costs which may not exceed one half of one percent of the~~
13 ~~amount of the interest payment. All moneys transferred to the fund, interest upon~~
14 ~~moneys in the fund, and payments to the fund of principal and interest are~~
15 ~~appropriated to the Bank on a continuing basis for administrative costs and for loan~~
16 ~~disbursement according to this section.~~
- 17 ~~5. The Bank may adopt policies and establish guidelines to administer this loan program~~
18 ~~in accordance with the provisions of this section and to supplement and leverage the~~
19 ~~funds in the infrastructure revolving loan fund. Additionally, the Bank may adopt~~
20 ~~policies allowing participation by local financial institutions.~~

21 **Infrastructure revolving loan fund - Bank of North Dakota - Continuing appropriation.**

- 22 1. The infrastructure revolving loan fund is a special fund in the state treasury
23 administered by the Bank of North Dakota. The Bank shall use moneys in the fund to
24 provide loans to political subdivisions for eligible infrastructure projects pursuant to
25 subsections 6 and 7 and to provide loans to institutions of higher education for eligible
26 infrastructure projects pursuant to subsection 8.
- 27 2. The Bank may adopt policies and establish guidelines to administer the loan program
28 in accordance with this section, including policies to supplement and leverage the
29 moneys in the fund and policies to allow participation by local financial institutions. A
30 loan made from the fund must have an interest rate that does not exceed two percent
31 per year. The maximum term of a loan for an infrastructure project under

1 subsections 6 and 8 is thirty years, and the maximum term of a loan for an
2 infrastructure project under subsection 7 is forty years.

3 3. All principal and interest payments received on loans made from the infrastructure
4 revolving loan fund must be deposited into the fund. The Bank may use a portion of
5 the interest paid on the outstanding loans as a servicing fee to pay administrative
6 costs, which may not exceed one-half of one percent of the amount of the interest
7 payment. All moneys transferred to the fund, interest upon moneys in the fund, and
8 payments to the fund of principal and interest are appropriated to the Bank on a
9 continuing basis for administrative costs and for loan disbursement according to this
10 section.

11 4. An applicant shall issue an evidence of indebtedness as authorized by law. An
12 institution of higher education shall identify at least one funding source for the debt
13 repayment, including:

14 a. Tuition or fee revenue collected by the institution of higher education;

15 b. Distributions of state aid received by the institution of higher education under
16 chapter 15-18.2; or

17 c. Other sources of revenue.

18 5. In processing loan applications under this section, the Bank shall calculate the
19 maximum loan amount available to a qualified applicant. Each applicant may have up
20 to twenty-five million dollars of outstanding loans from the fund for infrastructure
21 projects under subsections 6 and 8. The Bank shall consider the ability of the applicant
22 to repay the loan when processing the application and shall issue loans only to
23 applicants that provide reasonable assurance of sufficient future income to repay the
24 loan. If an infrastructure project qualifies for funding through the state revolving fund
25 established pursuant to chapters 61-28.1 and 61-28.2, the Bank shall verify the loan
26 application only is for the portion of the project that is ineligible to receive funding from
27 the state revolving fund.

28 6. Eligible infrastructure projects are capital construction projects to construct new
29 infrastructure or to replace existing infrastructure, which provide the fixed installations
30 necessary for the function of a political subdivision and are in the public interest.

- 1 Capital construction projects exclude routine maintenance and repair projects, but
2 include the following:
- 3 a. Water treatment plants;
 - 4 b. Wastewater treatment plants;
 - 5 c. Sewer lines and water lines, including lift stations and pumping systems;
 - 6 d. Water storage systems, including dams, water tanks, and water towers;
 - 7 e. Storm water infrastructure, including curb and gutter construction;
 - 8 f. Road and bridge infrastructure, including paved and unpaved roads and bridges;
 - 9 g. Airport infrastructure;
 - 10 h. Electricity transmission infrastructure;
 - 11 i. Natural gas transmission infrastructure; and
 - 12 j. Communications infrastructure.

13 7. Eligible infrastructure projects are capital construction projects to construct new
14 infrastructure or to replace existing infrastructure, which provide the fixed installations
15 necessary for the function of a political subdivision and are in the public interest.

16 Capital construction projects exclude routine maintenance and repair projects, but
17 include the following:

- 18 a. Flood control;
- 19 b. Water supply; and
- 20 c. Water management.

21 8. Eligible infrastructure projects for institutions of higher education are capital
22 construction projects to construct new infrastructure or to replace existing
23 infrastructure, which provide the fixed installations necessary for the function of the
24 institution and are in the public interest. Capital construction projects exclude routine
25 maintenance and repair projects, but include the following:

- 26 a. Sewer lines and water lines;
- 27 b. Storm water infrastructure, including curb and gutter construction; and
- 28 c. Road infrastructure.

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

1 **6-09.4-06. Lending and borrowing powers generally.**

2 1. The public finance authority may lend money to political subdivisions or other
3 contracting parties through the purchase or holding of municipal securities which, in
4 the opinion of the attorney general, are properly eligible for purchase or holding by the
5 public finance authority under this chapter or chapter 40-57 and for purposes of the
6 public finance authority's capital financing program the principal amount of any one
7 issue does not exceed five hundred thousand dollars. However, the public finance
8 authority may lend money to political subdivisions through the purchase of securities
9 issued by the political subdivisions through the capital financing program without
10 regard to the principal amount of the bonds issued, if the industrial commission
11 approves a resolution that authorizes the public finance authority to purchase the
12 securities. The capital financing program authorizing resolution must state that the
13 industrial commission has determined that private bond markets will not be responsive
14 to the needs of the issuing political subdivision concerning the securities or, if it
15 appears that the securities can be sold through private bond markets without the
16 involvement of the public finance authority, the authorizing resolution must state
17 reasons for the public finance authority's involvement in the bond issue. The public
18 finance authority may hold such municipal securities for any length of time it finds to
19 be necessary. The public finance authority, for the purposes authorized by this chapter
20 or chapter 40-57, may issue its bonds payable solely from the revenues available to
21 the public finance authority which are authorized or pledged for payment of public
22 finance authority obligations, and to otherwise assist political subdivisions or other
23 contracting parties as provided in this chapter or chapter 40-57.

24 2. The public finance authority may lend or transfer money to the Bank of North Dakota
25 underas follows:

26 a. Under terms and conditions requiring the Bank to use the proceeds to make
27 loans for agricultural improvements that qualify for assistance under the revolving
28 loan fund program established by under chapter 61-28.2; and

29 b. Under terms and conditions requiring the Bank to use the transferred proceeds to
30 make loans for infrastructure projects that qualify for assistance under the

31 infrastructure revolving loan fund established under section 6-09-49 and to use

1 the transferred proceeds to support the resources trust fund. Bonds issued for
2 this purpose are payable in each biennium solely from amounts the legislative
3 assembly may appropriate for debt service for any biennium or from a reserve
4 fund established for the bonds. This section may not be construed to require the
5 state to appropriate funds sufficient to make debt service payments with respect
6 to the bonds or replenish a related reserve fund. The bonds are not a debt of the
7 Bank or the state, and the full faith, credit, and taxing powers of the state are not
8 pledged to the payment of the bonds. The obligation of the public finance
9 authority with respect to the bonds must terminate and the bonds are no longer
10 outstanding as of the date appropriated funds and reserves are not sufficient to
11 pay debt service on the bonds. In addition to providing funds for transfers to the
12 Bank, the public finance authority may use the bond proceeds to pay the costs of
13 issuance of the bonds and establish a reserve fund for the bonds.

14 3. Bonds of the public finance authority issued under this chapter or chapter 40-57 are
15 not in any way a debt or liability of the state and do not constitute a loan of the credit of
16 the state or create any debt or debts, liability or liabilities, on behalf of the state, or
17 constitute a pledge of the faith and credit of the state, but all such bonds are payable
18 solely from revenues pledged or available for their payment as authorized in this
19 chapter. Each bond must contain on its face a statement to the effect that the public
20 finance authority is obligated to pay such principal or interest, and redemption
21 premium, if any, and that neither the faith and credit nor the taxing power of the state
22 is pledged to the payment of the principal of or the interest on such bonds. Specific
23 funds pledged to fulfill the public finance authority's obligations are obligations of the
24 public finance authority.

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

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

1 **6-09.4-10. Reserve fund.**

2 1. The public finance authority shall establish and maintain a reserve fund in which there
3 must be deposited all moneys appropriated by the state for the purpose of the fund, all
4 proceeds of bonds required to be deposited therein by terms of any contract between
5 the public finance authority and its bondholders or any resolution of the public finance
6 authority with respect to the proceeds of bonds, any other moneys or funds of the
7 public finance authority which it determines to deposit therein, any contractual right to
8 the receipt of moneys by the public finance authority for the purpose of the fund,
9 including a letter of credit or similar instrument, and any other moneys made available
10 to the public finance authority only for the purposes of the fund from any other source
11 or sources. Moneys in the reserve fund must be held and applied solely to the
12 payment of the interest on and the principal of bonds and sinking fund payments as
13 the same become due and payable and for the retirement of bonds, including payment
14 of any redemption premium required to be paid when any bonds are redeemed or
15 retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if
16 the withdrawal would reduce the amount in the reserve fund to an amount less than
17 the required debt service reserve, except for payment of interest then due and payable
18 on bonds and the principal of bonds then maturing and payable and sinking fund
19 payments and for the retirement of bonds in accordance with the terms of any contract
20 between the public finance authority and its bondholders and for the payments on
21 account of which interest or principal or sinking fund payments or retirement of bonds,
22 other moneys of the public finance authority are not then available in accordance with
23 the terms of the contract. The required debt service reserve must be an aggregate
24 amount equal to at least the largest amount of money required by the terms of all
25 contracts between the public finance authority and its bondholders to be raised in the
26 then current or any succeeding calendar year for the payment of interest on and
27 maturing principal of outstanding bonds, and sinking fund payments required by the
28 terms of any contracts to sinking funds established for the payment or redemption of
29 the bonds.

30 2. If the establishment of the reserve fund for an issue or the maintenance of an existing
31 reserve fund at a required level under this section would necessitate the investment of

1 all or any portion of a new reserve fund or all or any portion of an existing reserve fund
2 at a restricted yield, because to not restrict the yield may cause the bonds to be
3 taxable under the Internal Revenue Code, then at the discretion of the public finance
4 authority no reserve fund need be established prior to the issuance of bonds or the
5 reserve fund need not be funded to the levels required by other subsections of this
6 section or an existing reserve fund may be reduced.

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

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

25 5. If the maturity of a series of bonds of the public finance authority is three years or less
26 from the date of issuance of the bonds, the public finance authority may determine that
27 no reserve fund need be established for that respective series of bonds. If such a
28 determination is made, holders of that respective series of bonds may have no interest
29 in or claim on existing reserve funds established for the security of the holders of
30 previously issued public finance authority bonds, and may have no interest in or claim

1 on reserve funds established for the holders of subsequent issues of bonds of the
2 public finance authority.

3 6. The industrial commission may determine ~~that~~ this section is inapplicable in whole or
4 in part for bonds issued ~~under section~~as follows:

5 a. Under section 11 of this Act~~6-09.4-06~~;

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

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

8 **SECTION 4.** Section 6-09.4-28 of the North Dakota Century Code is created and enacted
9 as follows:

10 **6-09.4-28. Debt service requirements - Infrastructure revolving loan fund -Resources**
11 **trust fund.**

12 Each biennium, the public finance authority shall request from the legislative assembly an
13 appropriation from the general fund to meet the debt service requirements for evidences of
14 indebtedness issued by the authority to support the infrastructure revolving loan fund ~~and the~~
15 resources trust fund.

16 **SECTION 5. AMENDMENT.** Subsection 6 of section 21-03-07 of the North Dakota Century
17 Code is amended and reenacted as follows:

18 6. The governing body of any county may also by resolution adopted by a two-thirds vote
19 dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of
20 section 57-15-06.7 and may authorize and issue general obligation bonds to be paid
21 by the dedicated levy for the ~~purpose of providing funds for the purchase, construction,~~
22 ~~reconstruction, or repair of regional or county correction centers, or parks and~~
23 recreational facilities~~purposes~~ identified under section 57-15-06.6 and subsection 5 of
24 section 57-15-06.7; provided, that the initial resolution authorizing the tax levy
25 dedication and general obligation bonds must be published in the official newspaper,
26 and any owner of taxable property within the county may, within sixty days after
27 publication, file with the county auditor a protest against the adoption of the resolution.
28 Protests must be in writing and must describe the property which is the subject of the
29 protest. If the governing body finds such protests to have been signed by the owners
30 of taxable property having an assessed valuation equal to five percent or more of the

1 assessed valuation of all taxable property within the county, as theretofore last finally
2 equalized, all further proceedings under the initial resolution are barred.

3 **SECTION 6. AMENDMENT.** Section 21-03-19 of the North Dakota Century Code is
4 amended and reenacted as follows:

5 **21-03-19. Bonds - Terms.**

6 Bonds issued under this chapter must be authorized by resolution, bear such date or dates,
7 be in such denomination or denominations, be in such form, be subject to redemption with or
8 without premium, and be subject to such other terms or conditions as in the judgment of the
9 municipality are in the public interest of the municipality, and must provide that the last
10 installment of principal falls due not more than twenty years from the date of the bonds or not
11 more than thirty years for bonds sold to the entities under section 21-03-30. The requirements
12 of this section apply to each new issue of bonds, or if so determined by the governing body, to
13 the bonds of a new issue combined with all of the outstanding bonds of one or more designated
14 issues of bonds previously issued and similarly payable from taxes or other sources of
15 revenues, or both, as the case may be.

16 **SECTION 7. AMENDMENT.** Section 57-15-06.6 of the North Dakota Century Code is
17 amended and reenacted as follows:

18 **57-15-06.6. County capital projects levy.**

19 1. The board of county commissioners of each county may levy an annual tax not
20 exceeding ten mills plus any voter-approved additional levy as provided in
21 subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:

22 4- a. Constructing and equipping and maintaining structural and mechanical
23 components of regional or county corrections centers or for the purpose of
24 contracting for corrections center space capacity from another public or private
25 entity.

26 2- b. Acquiring real estate as a site for public parks and construction and equipping
27 and maintaining structural and mechanical components of recreational facilities
28 under section 11-28-06.

29 3- c. Acquiring real estate as a site for county buildings and operations and
30 constructing and equipping and maintaining structural and mechanical
31 components of county buildings and property.

- 1 4. d. Acquiring real estate as a site for county fair buildings and operations and
2 constructing and equipping and maintaining structural and mechanical
3 components of county fair buildings and property as provided in section 4-02-26.
- 4 5. e. Acquiring and developing real estate, capital improvements, buildings, pavement,
5 equipment, and debt service associated with financing for county supported
6 airports or airport authorities.
- 7 6. f. Expenditures for the cost of leasing as an alternative means of financing for any
8 of the purposes for which expenditures are authorized under
9 subsections 1 subdivisions a through 5e.
- 10 g. Improvement of the county road system, including the acquisition of land,
11 construction of new paved and unpaved roads and bridges, replacement of
12 existing paved and unpaved roads and bridges, and maintenance and repair of
13 existing paved and unpaved roads and bridges.
- 14 2. Any voter-approved levy for the purposes specified in this section approved by the
15 electors before January 1, 2015, remains effective through 2024 or the period of time
16 for which it was approved by the electors, whichever is less, under the provisions of
17 law in effect at the time it was approved. After January 1, 2015, approval or
18 reauthorization by electors of increased levy authority under this section may not be
19 effective for more than ten taxable years.

20 **SECTION 8. AMENDMENT.** Section 57-47-02 of the North Dakota Century Code is
21 amended and reenacted as follows:

22 **57-47-02. County authorized to borrow - Term - Interest rate.**

23 Whenever in the judgment of the board of county commissioners all taxes authorized to be
24 levied in any one year for general or special county purposes are insufficient to carry on the
25 primary governmental functions, or to pay the mandatory obligations imposed by law upon a
26 county, then such a county may borrow money in such an amount as the board shall determine
27 to be necessary to meet the deficiencies existing in its general or special funds, or to carry on
28 primary governmental functions, and to pay mandatory obligations. For the purpose of
29 borrowing, a county may issue evidences of indebtedness, which must consist of an agreement
30 by the county to pay a stated sum on a specified date, or on or before a specified date, not
31 more than fivetwenty years in the future, together with interest thereon at a rate or rates

1 resulting in an average annual net interest cost not to exceed twelve percent per annum if sold
2 privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or
3 any of its agencies or instrumentalities. A public sale must comply with the procedures set out in
4 chapter 21-03. There is no requirement for an advertisement for bids if an evidence of
5 indebtedness is sold privately or to the state of North Dakota or any of its agencies or
6 instrumentalities.

7 **SECTION 9. REPEAL.** Section 61-02-78 of the North Dakota Century Code is repealed.

8 **SECTION 10. TRANSFER INFRASTRUCTURE REVOLVING LOAN FUND FOR WATER**
9 **PROJECTS TO INFRASTRUCTURE REVOLVING LOAN FUND.** The state water commission
10 shall transfer any outstanding loans from the infrastructure revolving loan fund under section
11 61-02-78 to the infrastructure revolving loan fund during the biennium beginning July 1, 2019,
12 and ending June 30, 2021. *The Bank of North Dakota shall transfer to the Resources Trust Fund,*
13 *from the first bond issuance under section 11 of this Act, an amount equal to the loan balances in*
14 *the State Water Commission Infrastructure Revolving Loan Fund.*

15 **SECTION 11. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE LIMITATION.** Pursuant
16 ~~to the bonding authority under section 6-09.4-06,~~ The public finance authority may issue up to
17 \$500,000,000 of evidences of indebtedness, but not in an amount that would cause the
18 repayments to exceed \$55,000,000 per biennium, for the purpose of supporting the
19 infrastructure revolving loan fund, *as provided in section 6-09.4-06, subsection 2(b) and the*
20 ~~resources trust fund~~ during the biennium beginning July 1, 2019, and ending June 30, 2021. ~~Of~~
21 ~~the total evidences of indebtedness issued by the public finance authority, an amount equal to the~~
22 ~~transfer under section 10 of this Act must be used to support the resources trust fund, and the~~
23 ~~remaining amount must be used to support the infrastructure revolving loan fund.~~ The term of any
24 evidences of indebtedness issued under this section may not exceed thirty years. ~~The public~~
25 ~~finance authority may issue bond anticipation notes for the purpose of financing loans under the~~
26 ~~infrastructure revolving loan fund prior to a bond issuance.~~

27 **SECTION 12. ANTICIPATION FINANCING** The Public Finance Authority may issue bond
28 anticipation notes to allow for financing of loans prior to a bond issuance under section 11 of this
29 Act. Bank of North Dakota may provide an amount, not to exceed \$100,000,000, to the
30 infrastructure revolving loan fund, for the purpose of financing loans prior to a bond issuance,
31 which amounts shall be reimbursed from the proceeds of the authority's notes or bonds.

32 **SECTION 123. APPROPRIATION.** There is appropriated out of any moneys in the general

1 fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of
2 the sum as may be necessary, to the public finance authority for the purpose of debt service
3 repayments associated with bonds issued to support the infrastructure revolving loan fund, for
4 the biennium beginning July 1, 2019, and ending June 30, 2021.

5 **SECTION 134. EFFECTIVE DATE.** Section 9 of this Act becomes effective July 1, 2021.

Box 2254
Bismarck, ND 58502
(701) 223-4330
FAX (701) 223-4645

Barnes Rural Water District
Cass County Government
Cass County Joint Board
Devils Lake
Devils Lake Basin Joint Board
Dickinson
Fargo
Garrison Diversion
Conservancy District
Grafton
Grand Forks
Grand Forks – Traill Water
District
Lake Agassiz Water Authority
Lisbon
Mandan
McLean-Sheridan Rural Water
Mercer County Water Resource
District
Minor
Missouri River Joint Board
North Central Regional Water
District
North Dakota Association of
Counties
North Dakota Farmers Union
North Dakota Irrigation
Association
North Dakota League of Cities
North Dakota Public Finance
Authority
North Dakota Rural Water
Systems Association
North Dakota Soybean
Growers Association
North Dakota State Water
Commission
North Dakota Water Resource
Districts Association
North Dakota Water Users
Association
North Dakota Weather
Modification Association
Northeast Regional Water
District
Northwest Area Water Supply
Red River Joint Water Board
Souris River Joint Board
South Central Regional Water
District
Southwest Water Authority
Towner Rural Water District
Wahpeton
West Fargo
Western Area Water Supply
Williston

**Testimony of Lance Gaebe, Executive Director
North Dakota Water Coalition
House Appropriations Committee
In Support of SB 2275
March 12, 2019**

Mr. Chairman and members of the House Appropriations Committee, my name is Lance Gaebe and I serve as executive director of the North Dakota Water Coalition.

The North Dakota Water Coalition formed in 1994 to **complete North Dakota's water infrastructure for economic growth and quality of life**. The Water Coalition represents more than 40 water project sponsors and groups to work toward unity for support of water projects across North Dakota.

Collaboration within the water community and building consensus regarding funding needs and priorities are essential in meeting the water resource management needs of North Dakota.

It is difficult to accomplish the projects with the revenues projected in the Resources Trust Fund and the Water Development Trust Fund for the next biennium thus the Water Coalition supports efforts conceived in SB 2275 to establish creative finance options for important water infrastructure projects.

SB 2275 would create an infrastructure revolving loan fund at the Bank of North Dakota with the lending terms supported with earnings from the Legacy Fund. This effort would truly support important water projects.

For the next biennium and beyond, there is a critical need for financial support for the state's water projects. These important water supply, flood control, irrigation and water management projects are planned and underway across the state. These projects are vital but, unfortunately collectively expensive, though each share a role in the advancement of North Dakota's water infrastructure. Project needs exceed revenue forecasts, so we have worked to prioritize the water funding needs. A low-interest long-term loan fund would help to get ready-to-go projects underway.

The North Dakota Water Coalition supports lending programs and credit options of using the Legacy Fund earnings to finance the completion of state water infrastructure, the Coalition and its members look forward to utilizing the infrastructure fund contemplated in this bill to help advance critical water projects.

We appreciate your past funding of water infrastructure and urge your continued support of North Dakota's water infrastructure financing with a positive recommendation and the adoption of SB 2275.

House Appropriations Committee

Chairman Jeff Delzer

March 12, 2019

By: Fritz Weisenberger

Mayor, City of Stanley

fritz@gooseneckimp.com

701-629-1979

SB 2275

March 12th 2019

Attachment 12

SB 2275

Chairman Delzer and Members of the House Appropriations Committee, my name is Fritz Weisenberger. As Stanley's Mayor, and on behalf of the City, thank you for the opportunity to provide this written testimony in support of SB 2275.

As a small town inundated with energy growth the past 10 years, our biggest concern, after financing our tremendous growth, is now swinging back around to repair and replace our aging infrastructure in the older parts of our city.

We need the kind of long term infrastructure funding you see in SB 2275. A low interest rate coupled with 30 year or 40 year loan terms would be one of the most significant ways you can help a community like ours. The State Revolving Fund covers water and sewer improvements, but this needs to be supplemented so that street improvements can be done at an affordable rate. SB 2275 fills that critical financing gap.

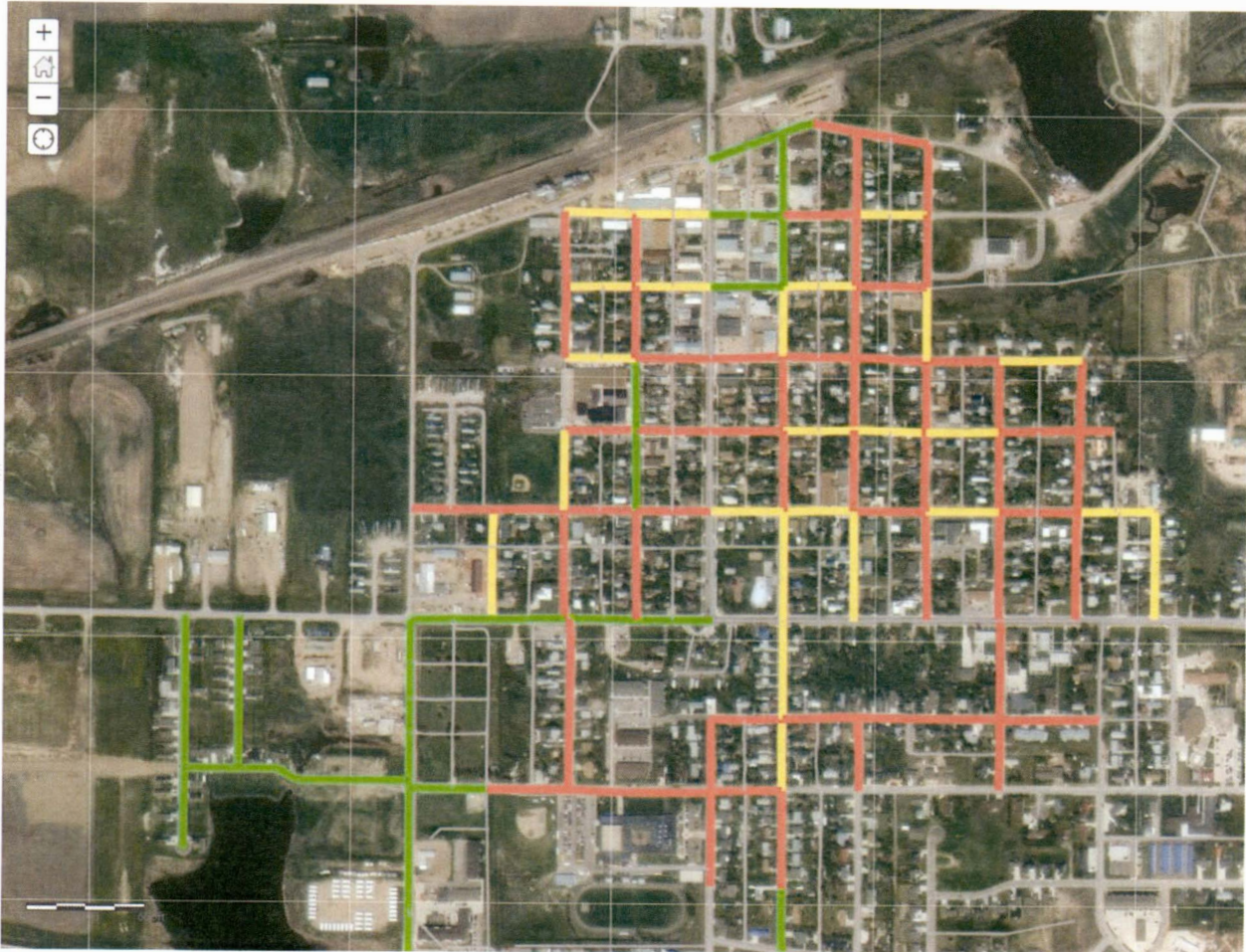
With the Bakken Boom, we simply had to defer keeping up with the older parts of town. As we now stand on the next decade of oil and gas development, we have a critical need to pave city streets and replace aging water and sewer lines. We have camera'd all the sewer lines in the last five years so we have a first hand look at all lines and have prioritized those. We also have an inventory of the old cast iron or asbestos cement water mains. That way we replace old pipes before paving.

Many of these old lines were installed 50 to 70 years ago and are starting to fail. We've had several water main breaks within the last few years, including one last week, and some sewer backups on the old clay tile sewer mains, including one on Christmas Day. The streets were constructed 40 to 50 years ago and most of them are in very poor condition.

We have projects almost shovel ready, but the specials would have been so high in the old original part of town that it was not feasible and would have been unaffordable to residents. We have been looking at changing our 80% property owner / 20% city ratio to maybe 25% to property owner and do an increase in base water and sewer rates to compensate. That way it would be a combination of property assessment, base rate increase for everybody, and revenue from our city sales tax or gross production tax to fund the projects. But this is a very difficult financing option for us to undertake. We need relief. We need 30 years at 2% interest to make it work.

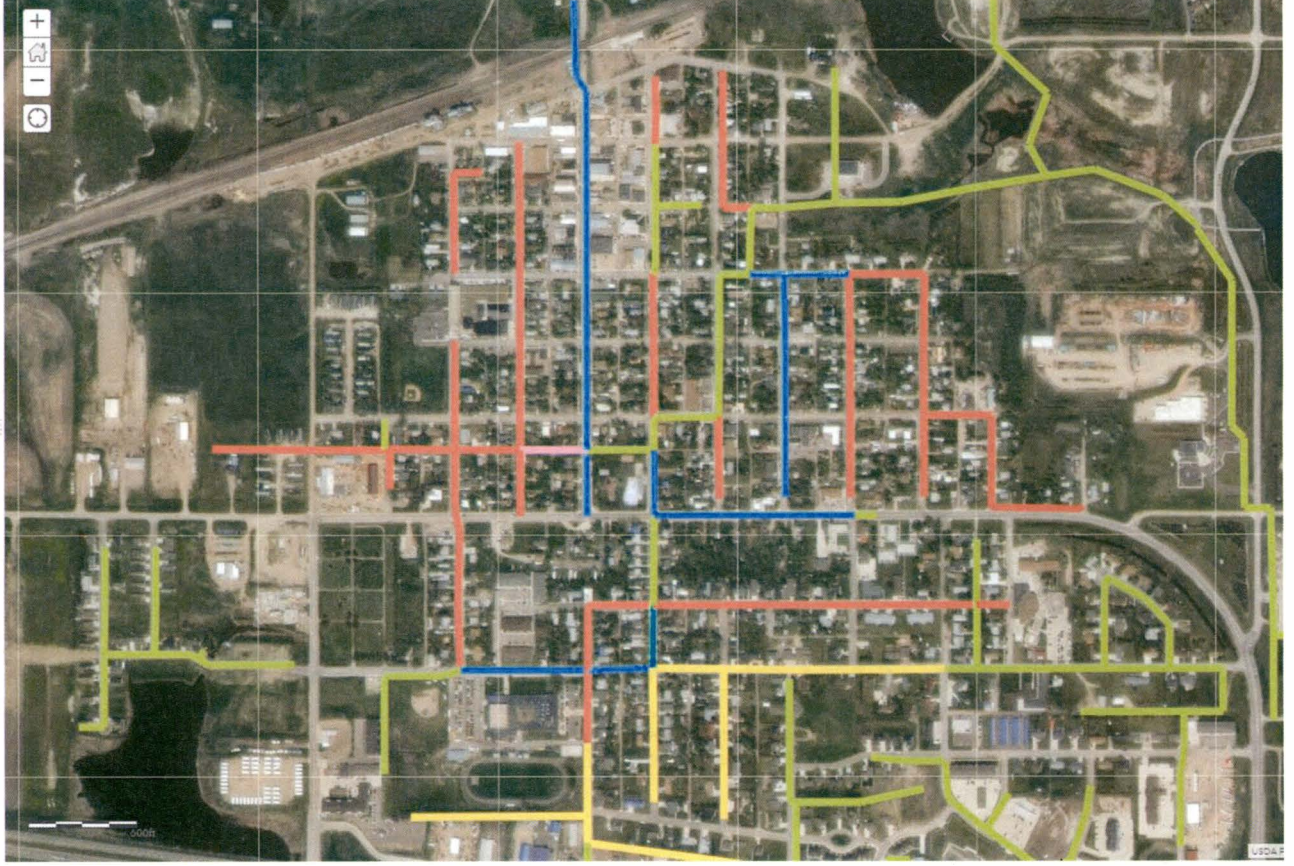
Thank you for your time. Please give this bill a "do pass" from your committee.

- About
- Content
- Legend
- Legend
- Street
- Failed
- Good
- Other



8

- Legend
- Sanitary Sewer Gravity Main
- CLAY
 - UNLINED VCP
 - 3 - UNKNOWN COND. MAT'L
 - 4 - CIPP LINED VCP OR CLAY
 - 5 - PVC
 - 6 - PE
 - Other

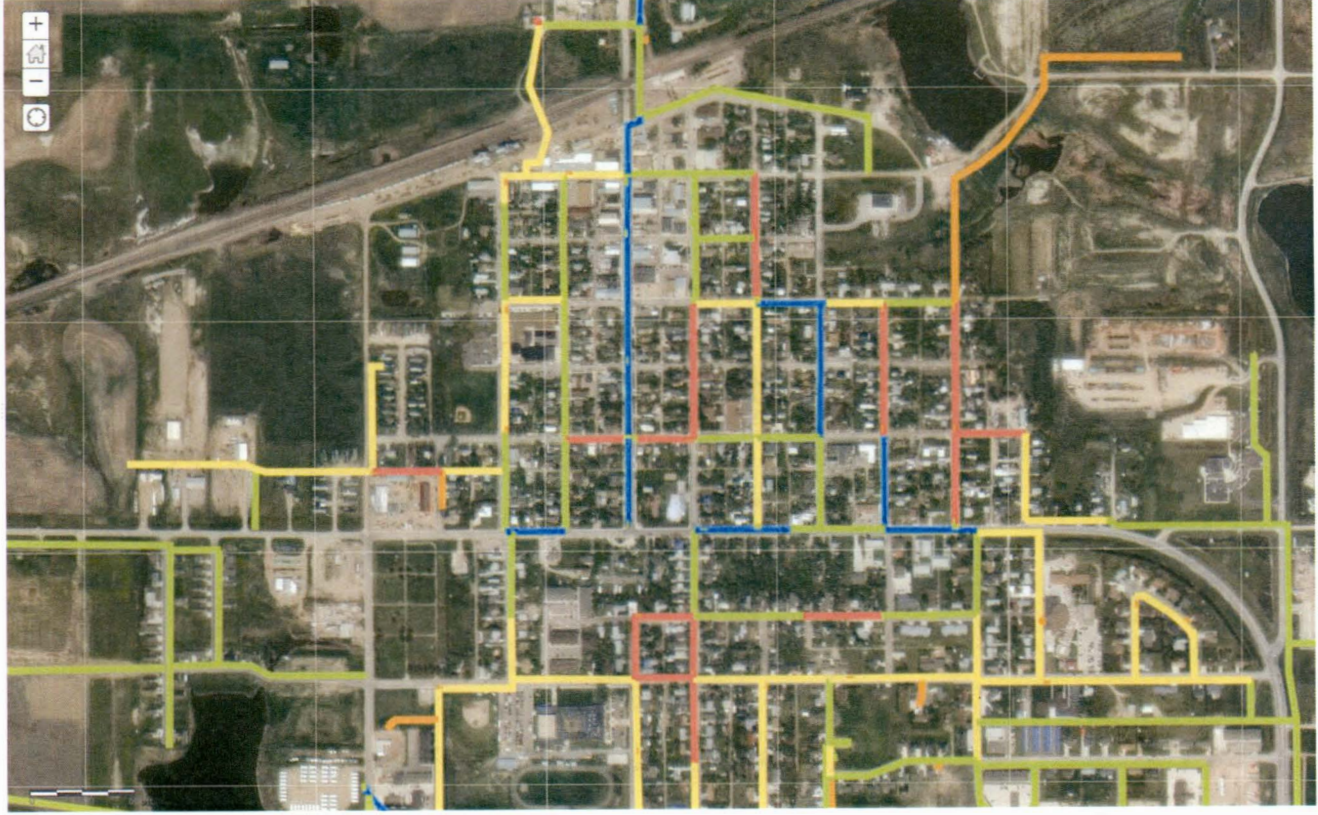


3

Water Map

Legend

- CU
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Senate Bill 2275
House Appropriations Committee
Keith Nilson Testimony
Walsh Rural Water District and Lake Agassiz Water Authority Board Member

March 12, 2019

Good morning Chairman Delzer and members of the House Appropriations Committee. Thank you for the opportunity to testify in support of Senate Bill 2275. My name is Keith Nilson and I represent the Walsh Rural Water District on the Lake Agassiz Water Authority (Lake Agassiz) Board of Directors.

Lake Agassiz is a cosponsor of the Red River Valley Water Supply, a project that will benefit 35 cities and rural water system users by delivering an emergency/supplemental water supply from the Missouri River to users from central to eastern North Dakota. It is extremely important that the project remains affordable for us AND the rest of the users, over the long term.

By getting involved with the Red River Valley Water Supply, Walsh Rural Water intends to attract industry to our region and in turn help rural northeastern North Dakota grow. I want to make sure the Committee understands that participation in this Project comes at an additional cost to water systems and communities. Walsh Rural Water needs to continue to operate and maintain our current system while also paying our share to participate in the Red River Valley Water Supply Project.

As a rural water system, we do not have any taxing authority. That means the only way to pay for our share of the project is through our customers' bills. As I stated, Walsh Rural Water hopes to attract new industry to our region. As of right now, to recoup our investment in the project, we do not have new industrial users to sell this water to. This important investment in a supplementary water supply rests on the shoulders of our current water users whose water bills typically average about \$80 per month.

Lake Agassiz has completed long-term financial planning for the Project, which is projected to cost \$1.16 billion. It is imperative that we find ways to ensure affordability for all the Red River Valley Water Supply's users.

One of ways Senate Bill 2275 will ensure affordability can be found in Section 7, which creates a revolving loan fund for flood control, water supply, and water management projects

using Legacy Fund earnings - not the principal. The revolving loan fund would allow the Project to borrow money over a longer term of 40 years at an affordable rate of two percent. The 40-year term is what creates opportunities for savings for large, complex water projects such as the Red River Valley Water Supply Project. As an example, the 40-year term along with an 80/20 State and local cost share would allow the project to **reduce interest costs by 75 percent**. That is significant for all participating systems.

Senate Bill 2275 had unanimous support in the Senate and it truly does represent an opportunity to fund Legacy Water Projects in North Dakota.

Thank you Chairman Delzer and Committee members for hearing my testimony today.



**Testimony of Gordon Johnson
Senate Bill 2275
House Appropriations Committee
Bismarck, North Dakota – March 12, 2019**

My name is Gordon Johnson and I am the General Manager for Northeast Regional Water District, which is a member of the Lake Agassiz Water Authority (LAWA). I am writing in support in support of Senate Bill 2275.

Northeast Regional Water District provides quality drinking water to a large portion of the northeast corner of the State including the cities of Langdon, Cavalier, and all other towns within our borders. The Red River Water Supply Project (RRVWSP) is an important project as it will provide emergency and supplemental water to our area. But that safety net does not come without cost to our system and users. Northeast Regional Water District must operate and maintain our system, while also paying a local share of the cost of the RRVWSP.

The long-term financing language in Senate Bill 2275 has the ability to keep the project affordable for our system and all end users. Borrowing at two percent over 40 years, as is proposed in Senate Bill 2275, would reduce interest cost by 75 percent to the Red River Valley Water Supply Project's end users.

The cosponsors of the project, LAWA and Garrison Diversion, have evaluated how a state loan program such as the one proposed in Senate Bill 2275 would affect long term financing. They have found that the loan program proposed in Senate Bill 2275 has the potential to literally save hundreds of millions of dollars for end users, while still returning over \$120 million in interest earnings to the loan program. Low interest rate programs, like the infrastructure revolving loan fund, are not new to North Dakota. However, this lower interest rate combined with the extended length of the loan provides for multiple project cost savings.

The flexibility of Senate Bill 2275 is also a benefit because it allows the Bank of North Dakota to take unique project circumstances into account when setting terms and repayment sources. This flexibility is important to ensure the needs of our communities are met while generating a return for the State.

The loan program outlined in Senate Bill 2275 not only benefits this project, but many water infrastructure projects throughout the State. As an end user, we view this bill, along with and 80/20 cost share for end users, as critical steps to make the RRVWSP a reality.

As a rural/regional water manager for over 43 years, I can tell you that it is a constant challenge to fund necessary improvements, to keep your water systems viable into the future, while also minimizing the financial burden on your customers.

Thank you Chairman Delzer and Committee members for the opportunity to provide testimony in support of Senate Bill 2275.

Sincerely,



Gordon L. Johnson, General Manager
Northeast Regional Water District



Grand Forks Traill Water District

SB 2275

March 12th 2019

Attachment 13

BOX 287
1401 7th AVENUE N.E.
THOMPSON, NORTH DAKOTA 58278
"Rural Water for a Better Rural Life"

Office: 1 Mile West of Thompson
Phone: 701-599-2963
Fax: 701-599-2056

Neil Breidenbach
System Manager
www.gftwd.com

**Testimony of Neil Breidenbach, Grand Forks Traill Water District
Senate Bill 2275
House Appropriations Committee
Bismarck, North Dakota – March 12, 2019**

Thank you for the opportunity to submit testimony in support of Senate Bill 2275. My name is Neil Breidenbach and I am the General Manager of Grand Forks Traill Water District. Grand Forks Traill Water District is a member of the Lake Agassiz Water Authority (LAWA), which is a cosponsor of the Red River Valley Water Supply Project.

The Red River Valley Water Supply Project is an important project that will serve 35 cities and regional water systems like Grand Forks Traill Water District with emergency and supplemental water during times of drought. As an end user of the project, we must contribute to its development. Currently, we are planning for an 80/20 state to local cost share. This 20 percent cost share is an addition to the cost of operating and maintaining our entire water system. To keep water affordable for our users, we need a long-term funding solution.

Senate Bill 2275 creates this opportunity for a long-term funding solution that benefits the end users of the project, while ensuring the State has the flexibility for funding parameters to safeguard its investments.

Section 7 of Senate Bill 2275 creates a revolving loan fund from Legacy Fund earnings specifically for water projects to address flood control, water management, and water supply like the Red River Valley Water Project. The unique aspect of this program is that project



**Testimony of Keith Lund
Economic Development Association of North Dakota
In Support of SB 2275
March 12, 2019**

Chairman Delzer and members of the House Appropriations Committee:

My name is Keith Lund, president of the Grand Forks Region Economic Development Corporation. I am also the secretary/treasurer of the Economic Development Association of North Dakota (EDND) and it is in this capacity I am testifying in support of SB 2275.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to promote the creation of new wealth throughout North Dakota to develop more vibrant communities and improve quality of life.

One of EDND's top six priorities is to strengthen the infrastructure investment in our state. We believe SB 2275 is one of the bills being introduced this session with the potential to address this vital need.

The growth of our state over the last decade, combined with aging infrastructure, has led to a critical need to complete road, water, electric, airport, and other essential projects. Local communities need funds and affordable financing, which is difficult to achieve without raising taxes. From EDND's perspective, updated infrastructure improves quality of life and helps address housing needs. It also provides support to North Dakota businesses already providing jobs and revenue to the state, as well as new businesses able to help diversify the economy.

Local developers understand the importance of infrastructure facilities to meet the needs of both homeowners and businesses. At the same time, we do not want to overburden our taxpayers. This bill allows affordable financing for continued growth of our communities.

Thank you for the opportunity to address the committee, and I strongly urge a do pass recommendation on SB 2275.