

2021 HOUSE APPROPRIATIONS

HB 1380

2021 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1380
2/2/2021

Relating to an economic diversification research fund, a legacy sinking and interest fund, a career and technical education support fund, a legacy earnings fund, a behavioral health support fund, a legacy infrastructure project fund, a state building maintenance and project fund

9:00 Chairman Delzer Called the meeting to order;

Representatives	P/A
Representative Jeff Delzer	P
Representative Keith Kempenich	A
Representative Bert Anderson	P
Representative Larry Bellew	P
Representative Tracy Boe	P
Representative Mike Brandenburg	P
Representative Michael Howe	P
Representative Gary Kreidt	P
Representative Bob Martinson	P
Representative Lisa Meier	P
Representative Alisa Mitskog	P
Representative Corey Mock	P
Representative David Monson	P
Representative Mike Nathe	P
Representative Jon O. Nelson	P
Representative Mark Sanford	P
Representative Mike Schatz	P
Representative Jim Schmidt	P
Representative Randy A. Schobinger	P
Representative Michelle Strinden	P
Representative Don Vigesaa	P

Discussion Topics:

- Legacy Fund Streams
- Research Grant Fund
- Clean Energy Authority
- PERS Fund
- Affordable Housing

9:00 Representative Lefor- District 37-Dickinson in the House; Introduces HB 1380 (testimony # 4886)

9:15 Senator Ronald Sorvaag- Testifies in favor of HB 1380 (**testimony #4830**)

9:25 Senator Patten- Testifies in Favor of HB 1380

9:28 Brian Johnson- CEO of Choice Bank & Vice- Chair of the Valley Prosperity Partnership (VPP) - Testifies in Favor of HB 1380 (**testimony #4783**)

9:40 Dr. Dean Bresciani- President NDSU; Testifies in favor of HB 1380

9:43 Andy Armacost- University of ND; Testifies in favor of HB 1380

9:46 Steve Shirley- President Minot State University; Testifies in favor of HB 1380 (**testimony # 4845**)

9:59 Terry Traynor- ND Association of Counties (**testimony #4772**)

10:00 Blake Crosby-Executive Director, ND League of Cities (**testimony # 4888**)

10:01 Arik Spenser- President/CEO of the Greater ND Chamber (**Testimony #5986**)

10:05 David Flohr- ND Housing (**testimony #4638**)

10:10 Jim Morrissette- Director of the Office of Management and Budget (**testimony # 4833 and #5987**)

10:14 Kevin Ford- ND IT Department (**testimony # 4758**)

10:18 Dan Madler –CEO/Chief Executive Officer- Beyond Shelter Inc. (BSI) (**testimonies #4707 & #4708**)

10:24 Scott Miller- NDPERS; Testifies in Favor of HB 1380 (**testimony # 4256**)

10:26 James Leimon – ND Department of Commerce; Testifies in favor of HB 1380 (**testimony # 4826**)

Additional written testimony: In Favor of HB 1380 #4507, #4360, #4831, #4795, #4789, #4760, #4728, #4688, #4657, #4645, #4513, #4262 and #4343. In opposition to #4778, #4607, and #4608. Neutral testimony #4719, #4720, #4709 and #4846

10:28 Chairman Delzer closed the hearing for HB 1380

Risa Berube,

House Appropriations Committee Clerk

Rep. Mike Lefor

Testimony – HB 1380

Good morning, Chairman Delzer and members of the House Appropriations Committee, for the record my name is Mike Lefor and I represent District 37 – Dickinson in the House. Today, I bring HB 1380 for your consideration.

When I began to work on this legislation, I incorporated the thoughts of numerous individuals and entities on a plan to utilize a portion of the Legacy fund earnings to benefit the citizens of the state of North Dakota. It is designed for flexibility, which is why they are called funding “streams” as they are always subject to change or updates. There is nothing in this legislation which could not be changed other than the bonding portion to meet any obligations put forward by the legislature.

As everyone knows, few things in life remain static, the world is always changing, I firmly believe we need to embrace change. That is one of the best attributes of the bill, the streams can be changed, the percentages can be made higher, lower or eliminated. They can have caps or have a sunset attached to them.

The public is looking to the legislative assembly for leadership on how we are going to deal with the legacy fund going forward. The streams can take pressure off of the general fund when it comes to appropriating dollars. Additionally, we would be able to leverage more fed funds. This bill does not appropriate any dollars and does not take affect until 2023, it is a concept. Each one of these streams are real issues we will have to deal with sooner or later, they are not going away.

I will briefly go through the contents of the bill. First, there is created in code, the legacy earnings fund. The dollar amount equal to seven percent of the five-year rolling average would be deposited into the fund. The last year in the calculation would be an even numbered year. This means the legislative assembly would know how much could be allocated for the next biennium even though the total funds are not deposited until the following year.

Contained in my testimony, is an attachment with the title “Legacy Fund Streams” which is an example of how this might work. You will note the actual and projected five year rolling average would about \$7.1 billion and 7% for the biennium would be just under \$500 million.

The earnings, at 5% would be around \$800 million. In it’s current form, the excess dollars would go into a reserve fund. There are several options that may be done, including capping the reserve fund, return it to the principal of the legacy fund or utilize the dollars for a pressing need down the road. There are 14 proposed streams and approximate dollar amounts listed on the attachment as an example. The theme is to invest in our state’s citizens.

Legacy Earnings Streams

1. Legacy Sinking and Interest Fund – The moneys in this stream would be spent by the public finance authority pursuant to legislative appropriations to meet debt service obligations. This would include the possibility of a bond which is being considered this session. In the current environment, as proposed this amount supports over \$1 billion in bonds or allows for early payoff bonds.
2. Highway Tax Distribution Fund – Utilizing the existing funding formula to provide additional funding support to our roads, bridges and transportation infrastructure which would give state and local political subdivisions the ability to address needs sooner. This will protect lives and enhance our communities with better infrastructure while keeping costs lower for taxpayers.
3. Legacy Projects – Working with the people of North Dakota to create legacy projects throughout the state. I believe that as a legislative body we have a responsibility to listen to the people of North Dakota and invest in unique projects that enhance, enrich and ensure a brighter future for the state.
4. School Construction Assistance Revolving Loan Fund. – This fund would be capped at \$500 million in the bill. This would increase our capacity to loan dollars to school districts to lower the cost of their projects. The dollars going into this fund would follow the same criteria of the current program.
5. Infrastructure Revolving Loan Fund – which provides infrastructure funding for local political subdivisions following the current terms and requirements.
6. LIFT Fund – to support technology advancement in the state. This is the innovation loan fund through the department of commerce and would follow the current guidelines.
7. Behavioral Health Support Fund – Moneys in this fund would be spent by the Department of Human Services pursuant to legislative appropriations. The intent would be to serve areas that are underserved in the state. I have spoken to judges, social workers and addiction counselors who state there is a high percentage of repeat offenders due to not getting the treatment they need. Hopefully, this would assist in lowering repeat offenders.
8. Public Employees Retirement Plan – this stream would go to reducing the unfunded liability in the fund. At present, we have an estimated \$1.44 billion in unfunded liability, we are among the lowest in the country with 68.3% of our plan funded.
9. Career and Tech Education Support Fund – The dollars would be allocated for career and technical educational centers and programs.
10. State Building Maintenance and Project Fund – this would allow us to maintain and improve the state's own facilities for the betterment of everyone who utilizes them. It would also accelerate those investments to reduce maintenance costs.
11. Economic Diversification Research Fund – this provides grants to our higher education system through a committee which includes the president of the Bank of North Dakota, four appointees with venture capital experience and members of the higher education

system. The purpose of the grants would be to stimulate economic activity across the state through innovation of new technology, concepts and products. To promote job creation and career and wage growth. Finally, the committee is required to develop reporting outcomes assessing performance outcomes relating to the grants.

12. Clean Sustainable Energy Fund – the fund is created to provide for investment in innovation in the energy sector. Our state is blessed with an abundance of natural resources. How do we efficiently and effectively remove them from the ground and create by-products.
13. Information Technology Cybersecurity Fund – The state of North Dakota faces over 2.1 billion cyberattacks every year. As we continue to move into a more digital and online way of doing business, it is imperative that we invest to protect the citizens and state's information.
14. Housing Incentive Fund – to provide for investment in the housing investment fund for housing projects and programs throughout the state as the fund currently does.

As you can see, through the streams as proposed we are making a difference for our citizens with the Legacy Fund. The streams include savings for our citizens, both through investments in funding for infrastructure and support programs that improve the quality of life for North Dakotan's.

They support the ability to appropriate levels of bonding to move projects forward more rapidly. The streams invest more than \$65 million in research, innovation and technology to help diversify our economy and this would be a big step toward driving more investment capital into our state.

Chairman Delzer and members of the committee, as I stated previously, this concept is designed for flexibility and change. When implemented, the dollars would not be allocated until the 2023-2025 biennium, however, it could serve as a foundation to share with the people of the state of North Dakota how the legacy fund is being used for future ideas and concepts to better serve the citizens of North Dakota.

I thank you for your time and consideration of HB 1380. I would be happy to answer any questions.

LEGACY STREAMS 2023-2025 Biennium

Assumptions:

Five Year Rolling Average

<u>Fiscal Year</u>	<u>Legacy Fund Balance</u>
June 30, 2018	\$5.577 Billion (Actual)
June 30, 2019	\$6.581 Billion (Actual)
June 30, 2020	\$7.000Billion (Actual)
June 30, 2021	\$7.900 Billion (Forecast)
<u>June 30, 2022</u>	<u>\$8.600 Billion (Forecast)</u>
Five Year Total	\$35.658 Billion
Five Year Average	\$ 7.131 Billion

Return

<u>5% Annual Earnings</u>	
Total Earnings -	\$800 million
Less: Streams	\$499.2 million
Earnings Returned	\$300.8 million

Biennium: 7.0%

Total Dollars available for the Biennium from Legacy Earnings \$7.131 Billion x .07 = \$499.2 million

Proposed Streams

Debt Service – Bonds	26%	129.79 million
Department of Transportation	14%	69.88 million
Legacy Projects	10%	49.92 million
Low Interest Loan Fund School Construction	8%	39.36 million Cap at \$500m
Low Interest Loan Fund City Infrastructure	5%	24.96 million Cap at \$500m
LIFT Fund	5%	24.96 million
Behavioral Health Programs	5%	24.96 million
PERS Retirement	5%	24.96 million Cap at 90%
Deferred Maintenance - State Buildings/Grounds	4%	19.96 million
Economic Diversification Fund	4%	19.96 million
Career and Tech Projects	4%	19.96 million
Clean Sustainable Energy Fund	4%	19.96 million
Legacy Cybersecurity Fund	3%	14.97 million
Housing Incentive Fund	3%	14.97 million

Feb. 2, 2021

HB1380, Section 1: Economic Diversification through Research Grant Program

Today, I am pleased to present testimony on the Research Section of House Bill 1380, I see this as a landmark investment in the future of North Dakota's economy.

I believe research is a worthy cause for the state to support in efforts to diversity North Dakota's economy, which will ease the burdens of volatility in energy and agriculture that affect all areas of the state.

This section of this bill creates a research grant program and advisory committee for the purpose of stimulating economic activity across the state – through the innovation of new technologies, businesses, and products in North Dakota's critical industries of value-added energy and agriculture, but also developing sectors from autonomous vehicles and UAS technologies to advanced data and healthcare.

The legislation specifies that 4% of Legacy Fund earnings would be transferred to the economic diversification research grant fund and 90% awarded equally between our state's two research universities, the University of North Dakota (UND) and North Dakota State University (NDSU), and the remaining 10% between the other institutions controlled by the state board of higher education.

Making a significant and predictable investment in research will:

- sustain and boost our competitive advantages in agriculture and energy, and
- produce discoveries and innovations in emerging sectors that translate into
 - new 21st century economic opportunities,
 - a more skilled workforce, and
 - higher-paying jobs for North Dakotans.

Sen. Ronald Sorvaag



Testimony
House Appropriations Committee
HOUSE BILL NO. 1380
February 2, 2021

Good morning Chairman Delzer and members of the House Appropriations Committee. I am Brian Johnson the CEO of Choice Bank and Vice Co-Chair of the Valley Prosperity Partnership (VPP), an initiative led by business executives to advance and advocate for shared strategic economic development opportunities for the Red River Valley region and for North Dakota.

The business executives who lead companies across the state of North Dakota that comprise the VPP desire to strengthen and diversify our economy. They feel that investing in research and development and workforce development are critical to insuring a robust and prosperous future for all North Dakotans. Thanks to the vision of these business leaders and to public policy leaders like yourself, the legislature will have multiple proposals to consider that seek to diversify the state's economy by investing state dollars into the research and workforce development.

HB 1380's provisions relating to an economic diversification research fund and a career and technical education support fund are right on target. My experience tells me that North Dakota faces both a need & perception challenge. We are proud of ag & oil but we are so heavily identified with these labels that it keeps outside investment away because capital can go to other places without the swings that often affect ag & oil.

I have experienced this directly while serving as the Chair of the Community Depository Institutions Advisory Council of the Minneapolis Federal Reserve Board and while raising over \$100 million to diversify our ag bank both geographically and in terms of our business lines (insurance, wealth, health benefits, Fintech space)

We need to find ways to attract outside capital, whether it is to build upon our existing economic base or by attracting new talent and ideas that are outside of ag & oil. HB 1380 can be the start and an example to accomplish both of these. Likewise, the VPP also supports House Bill No. 1141, which continues a legacy innovation fund to support technology



advancement in the state, and House Bill 1425 that will enable the state investment board to allocate funding to qualified investment firms and financial institutions for the purpose of making fixed income investments and equity investments within the state.

The VPP also believes that career workforce academies offer the specialized training that is urgently needed by employers throughout North Dakota. They will expand career and technical education and training that focuses on career pathway programs that align with industry growth clusters with the highest potential for creating growth and shared prosperity.

Thank you for your consideration of these important investments in research that will lead to new innovations and enable the expansion of opportunity in North Dakota



The Valley Prosperity Partnership (VPP) is focused on developing a unified, shared vision for high value and sustained economic growth for all Red River Valley residents. A steering committee of private sector industry and higher education leaders, joined by economic development partners, work to advance strategic economic development opportunities for the Red River Valley region of North Dakota and Minnesota and for the entire State of North Dakota.

Marshal Albright, President & CEO
Cass County Electric Cooperative,
Co-Chair, Valley Prosperity Partnership

Steve Burian, President & CEO
Burian & Associates
Co-Chair, Valley Prosperity Partnership

Judd Graham, CEO Fargo Region
Bremer Bank, Vice Co-Chair

Brian Johnson, CEO
Choice Financial Group, Vice Co-Chair

Andrew Armacost, President
University of North Dakota

Tom Astrup, President & CEO
American Crystal Sugar

Barry Batcheller, Chairman
Appareo Systems

Dean Bresciani, President
North Dakota State University

Dan Conrad, President & CEO
Blue Cross Blue Shield North Dakota

Tim Curoe, CEO
RD Offutt Company

Mylo Einarson, President & CEO
Nodak Electric Cooperative

Chad Flanagan, Partner
Eide Bailly

Shawn Gaddie, Director of Infrastructure
Management Services
AE2S

Jim Galloway, Principal
JLG Architects

Keith Lund, President & CEO
Grand Forks Region EDC

William C. Marcil, Sr. Chairman
Forum Communications Company

Pat McAdaragh, President & CEO
Midco

Jeff Melgaard, Vice President
Construction Engineers

Dave Molmen, CEO
Altru Health System

Bryan Nermoe, President
Sanford Medical Center Fargo

Tony Grindberg, ND Principal Manager
Xcel Energy

Joe Raso, President & CEO
Greater Fargo Moorhead EDC

John Richman, President
North Dakota State College of Science

Jim Roers, President & CEO
Roers Construction & Development

Thomas Shorma, President & CEO
WCCO Belting, Inc.

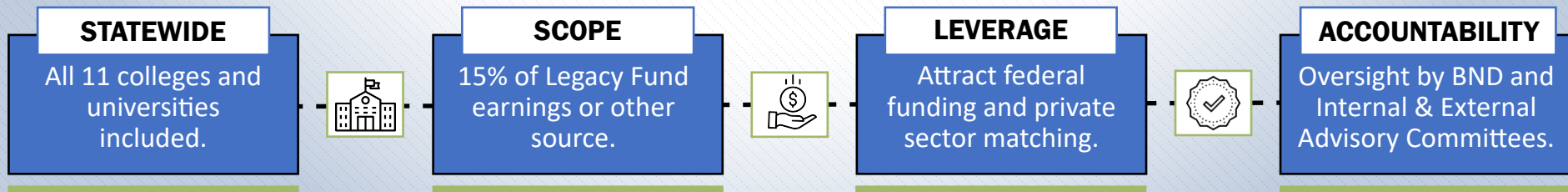
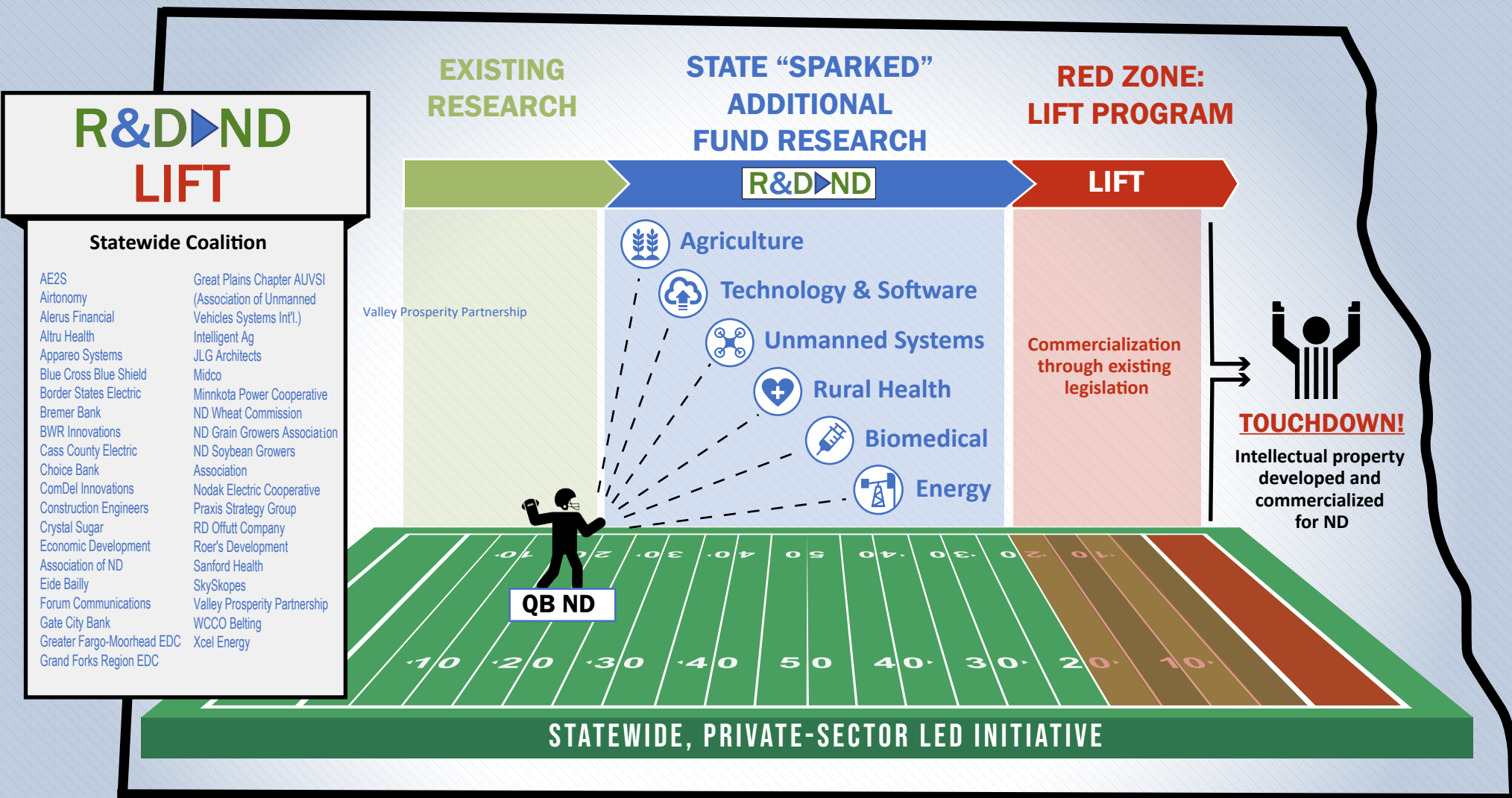
Richard Solberg, Chairman & CEO
Bell State Bank & Trust

Steve Swiontek, Executive Chair
Gate City Bank

David White, President
Border States Electric

Chris Wolf, North Valley Market President
Alerus Financial

STRENGTHENING AND DIVERSIFYING NORTH DAKOTA'S ECONOMY BY INVESTING IN RESEARCH AND DEVELOPMENT



ND House Appropriations Committee
HB 1380, 67th Session, February 2, 2021
Dr. Steve Shirley, President, Minot State University

Chair Delzer and members of the Appropriations committee, for the record, my name is Steve Shirley, and I have the privilege of serving as president of Minot State University. I am here speaking in support of House Bill 1380, in particular the portion of the bill establishing the economic diversification research fund.

Currently in my seventh year as president of MSU, I also serve as president of Dakota College at Bottineau. Prior to MSU and DCB, I served for six years as president of Valley City State University. And so I offer a unique perspective in having the distinction over the past 13 years of leading fully one-third of the state's nine primarily undergraduate institutions comprising the North Dakota University System. In that time, I have seen first-hand the research capabilities of our talented faculty across the state:

Impressive aquatic and wildlife research is occurring at Valley City State, including undergraduate-driven work at the Prairie Waters Education & Research Center which I was proud to help launch while there. VCSU continues engaging students and community with research opportunities in Fisheries & Wildlife, Software Engineering, and Physics, where faculty and students are involved in helping build a sophisticated particle detector one mile underground as part of the Deep Underground Neutrino Experiment, a truly international collaboration;

At Dakota College at Bottineau, through our unique mission of Nature, Technology, & Beyond, faculty have led the way with hands-on research in horticulture, aquaponics, and specialty crop production, and they have helped ensure vital conservation efforts for North Dakota's outdoors, including active wildlife research on ecosystems in such important areas as the Turtle Mountains north of Bottineau;

And, at Minot State, I have watched our faculty in chemistry, geology, addiction studies, education, the biological sciences, and other areas conduct impressive research in such varied areas as behavior and addiction effects of methamphetamines, optimizing usage of the most effective fracking sand, understanding the genetics of certain types of leukemia, design of fungicides for medicine, veterinary, and agricultural uses, and research in the area of Alzheimer's, just to name a few. For a number of years, Dr. Mikhail Bobylev's chemistry students have been selected for the prestigious Posters on the Hill event at Capitol Hill in Washington DC to present their research; MSU has been the only North Dakota campus to have students selected the past several years, and they have presented

alongside students from the likes of UCLA, Purdue, the University of Chicago, the University of Oregon, and Texas A&M; a veritable “Who’s Who” of some of the finest colleges and universities in the country. With some skilled mentoring and support, it is clear our North Dakota students can and do compete against the very best in the land. Minot State’s faculty have been incredibly active with publications, research, and grant activities supported by both federal and state agencies, and this bill would allow us to continue and expand research opportunities for our students, thereby benefiting North Dakota’s future.

There are numerous examples from the other six NDUS campuses, and we’ve seen those examples highlighted during the State Board of Higher Education’s Research Committee’s meetings – this included a presentation just a couple weeks ago on the impressive research being done at Lake Region State College in precision agriculture and wind energy technology.

Many of these research opportunities across our state’s colleges and universities may not get the headlines or the attention of a glitzier project at NDSU or UND, but please know the research efforts by professors and students all across your other nine campuses are equally important and have incredibly meaningful potential in further unleashing economic diversification as our undergraduate students, the next generation of North Dakota’s leaders, complete their associates and bachelors degrees.

On a final note, with our unified University System, students can seamlessly move from one campus to another, and an important aspect of that movement is when students at a primarily undergraduate campus pursues a graduate degree at one of the larger institutions; I can think of many students over the past 13 years who have moved on to UND for Medical School or students who have gone on to do a PhD in a science-based program at NDSU. In so many of those examples, the research opportunities afforded during their undergraduate schooling played a critical role in preparing them for success - both getting accepted into the graduate program and then succeeding while there. All 11 campuses of the NDUS are collectively excited about this program’s potential for our students, our faculty and staff, and most importantly, our state, and I appreciate your time today. Thank you.

Testimony Prepared for the
House Appropriations Committee

Tuesday, February 2, 2021

By: Terry Traynor, NDACo14 Executive Director



RE: House Bill 1380

Chairman Delzer and committee members, thank you for the opportunity to briefly address you regarding this bold proposal to invest in our State's infrastructure.

Counties recognize the challenges that state government has with maintaining and improving state infrastructure, and the members of this committee surely recognize that county officials struggle with the same issues for county road infrastructure, but with fewer, and lessor, sources of revenue.

The local roads study, recently completed by the Upper Great Plains Transportation Institute, states: *"...the combined estimate of infrastructure needs for all county and township roads is \$9.3 billion over the next 20 years. If averaged over the next 20 years, the annualized infrastructure need is equivalent to \$466 million per year."*

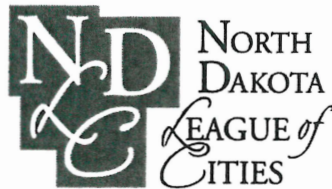
To put this into perspective, the annual portion of the State Highway Distribution Fund (Vehicle Taxes) that is distributed to all 53 counties is about \$60 million, and the annual road levies from the 53 counties also currently generate about \$60 million (although \$16 million of this will statutorily expire in 2024 unless voter approved). The county share of federal USDOT funding averages about \$12 million per year, for a grand total of \$132 million – to address a \$466 million need.

Granted, we have a handful of counties that have a fourth major revenue source – the local share of gross production tax. This is truly needed and truly appreciated by these counties where the infrastructure is so heavily impacted by the energy industry. For the remainder of the counties however, the unmet need has only been addressed when the Legislature has found it possible to assist.

And indeed, counties did have highway infrastructure revenue to meet the annual need in CY2015 and CY2016, due to the Legislatures “surge” funding. This injection of state funding into local roads was tremendous. Counties were very hopeful that the Operation Prairie Dog legislation would provide this sort of injection on an ongoing basis, but of course, for the near term at least, it could not.

As you discuss and debate the state’s ability to support local road infrastructure, through fuel taxes, the Legacy Fund or bonding, a point in favor of doing something now, rather than later, may be another statement from the UGPTI study comparing costs from four years ago. It states: *“The current 2020 study also shows an increase of approximately \$400 million in 20-year pavement needs compared to the 2016 study. Much of the increase is because of inflation of construction and maintenance costs for pavements over the 4 years.”*

Thank you again for the opportunity to support this important bill.



February 2, 2021
House Appropriations
Rep. Delzer, Chairman
HB 1380

Good morning Chairman Delzer and members of the House Appropriations Committee. For the record Blake Crosby, Executive Director, North Dakota League of Cities.

We are here in support of HB 1380. This is another bill that recognizes the time for the State to bond to address infrastructure needs, capitol construction, career and technical education, economic diversification, energy resources and more is now.

At last week's meeting of the Federal Reserve, they announced keeping interest rates steady at a range of 0 to .25 percent until the economy has weathered the effects of the coronavirus. That decision drives municipal bond rates which are at historic lows. As an example, I have had cities tell me that they are issuing refunding bonds, or sometimes combinations of refunding bonds and regular bonds, at interest rates in the 1.4% to 1.9% range. We cannot ignore these rates. The longer we kick the can, the more expensive it becomes.

This bill, like the other bonding bills, will undergo some changes as it works its way through the political process. I ask you in your discussion, to think about the needs of the citizens and how this bill could quickly get some projects started and finished and save them some money. Paying back a 2% loan is a lot cheaper than paying back a 5% loan.

Thank you for your time. I will try to answer any questions.

**Greater North Dakota Chamber
HB 1380
House Appropriations Committee
February 2, 2021**

Mr. Chairman and members of the House Appropriations Committee, my name is Arik Spencer, President and CEO of the Greater North Dakota Chamber. GNDC is North Dakota's largest statewide business advocacy organization. We are also affiliated with the US Chamber of Commerce and the National Association of Manufacturers and stand in support of House Bill 1380.

The Greater North Dakota Chamber (GNDC) believes HB 1380 to be one of the most important Legacy Fund bills of the session. For years, lawmakers and citizens have debated what the purpose of the Legacy Fund should be and how its earnings should be used. While HB 1380 is silent on the long-term purpose of the fund, it creates in statute a plan for the earnings that can be modified over time.

Beginning in the 23-25 biennium, HB 1380 directs the Legacy Fund earnings to a number of uses that demonstrate the value of the fund to North Dakotans. While GNDC supports many of the streams, specifically those related to infrastructure, economic diversification, and workforce development, other streams we are more skeptical of. That being said, we recognize that perfect is the enemy of good and urge you adopt the general framework created by HB 1380.

GNDC offers several suggestions to enhance HB 1380. First some of the Legacy Fund streams are very specific. While these no doubt represent "needs", GNDC would prefer to see more general or high-level streams that interest groups can compete for each session. Again, we believe these should focus on infrastructure development, workforce development, and economic diversification and support one-time projects. These high-level streams are needed to

reenforce the concept that no particular interest should become accustomed to receiving Legacy Fund earnings year after year.

We also suggest that projects funded by the Legacy Fund should be easily identified. To us this means that earnings should not be co-mingled with existing funds before eventual distribution, because then it is impossible to know which projects across the state were specifically supported by the Legacy Fund.

Using the 14% directed to the Highway Tax Distribution Fund as an example, GNDC believes that HB 1380 should instead create a “Legacy Highway Tax Distribution Fund” which can have the same or a similar purpose and distributions as the existing Highway Tax Distribution Fund. This separation will allow one-time projects funded by the earnings to be easily identified and for the citizens of our state to know exactly which specific projects are benefiting their community and our state.

I’ll conclude by saying that HB 1380 strives to set a plan for the responsible use of Legacy Fund earnings, which we strongly support. We stand ready to provide input to the committee as needed and thank the bill sponsors for their leadership on this issue.

Mr. Chairman, this concludes my remarks. I urge the committee to generally support the earnings plan created by HB 1380 and I would be happy to stand for any questions you have.



David A. Flohr Executive Director

INDUSTRIAL COMMISSION

Doug Burgum Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

North Dakota Housing Finance Agency
 Division of the State Industrial Commission
 HB 1380 – Testimony of David A. Flohr, Executive Director
 House Appropriations Committee

February 2, 2021

TESTIMONY IN FAVOR OF HB 1380

North Dakota Housing Finance Agency (NDHFA) supports HB 1380 and the allocation for the Housing Incentive Fund (Section 6.5.m. pg. 5 line 30).

HOUSING INCENTIVE FUND (HIF)

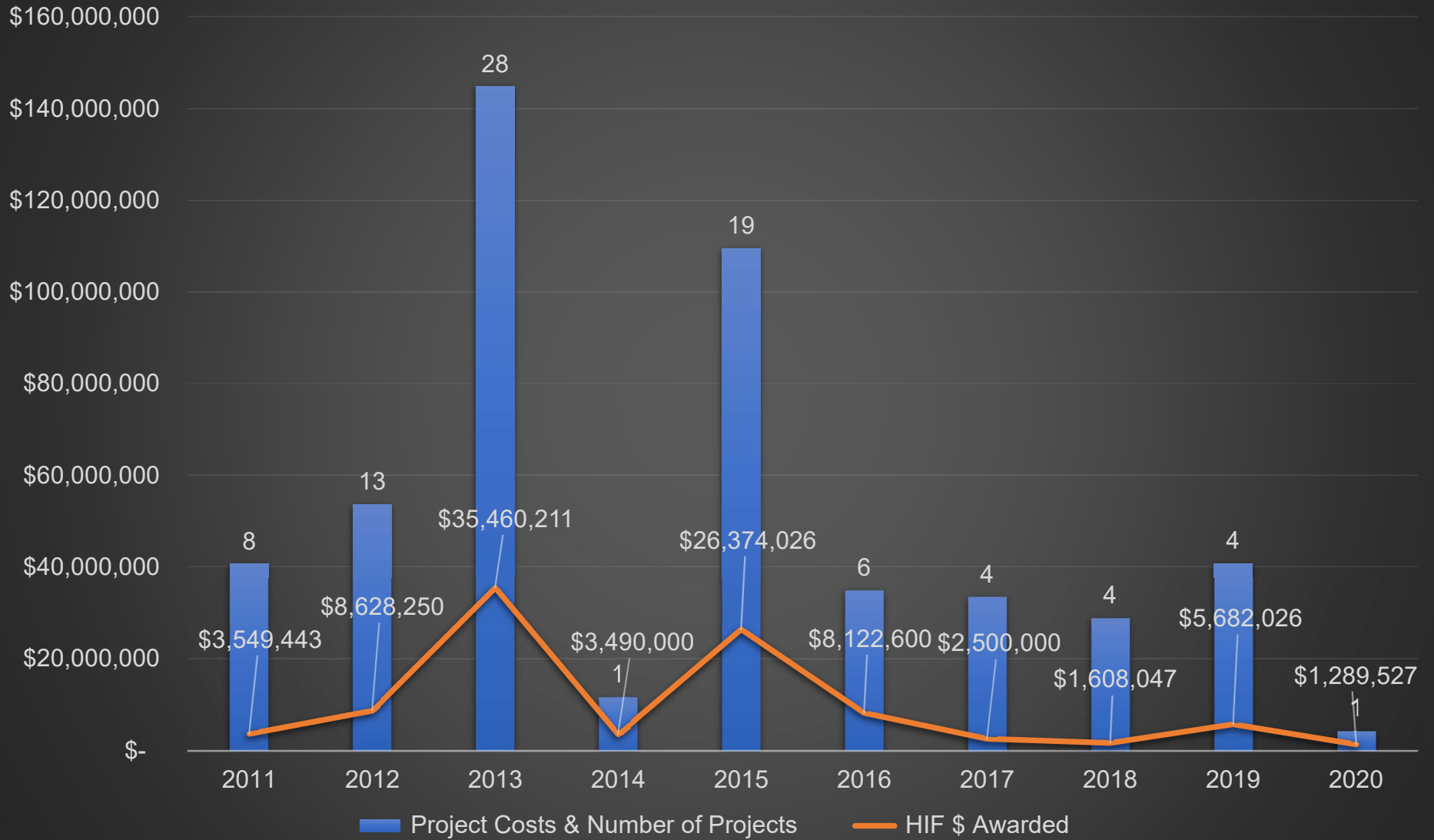
HIF is a state-funded gap financing program used with federal and private dollars to create affordable multifamily housing in urban and rural communities. NDHFA administers the program on behalf of the state of North Dakota. Leveraged as an upfront, one-time investment, HIF ensures rental homes in the supported projects will be affordable for a minimum of 15 years.

The state of North Dakota's 10-year investment in HIF has resulted in 84 unique projects and 2,704 affordable rental homes. Each project has a complex funding portfolio requiring multiple funding sources such as federal funds, private equity, loans, endowments, grants, and donations. Every \$1 of HIF funding invested has resulted in an additional \$4.93 leveraged.



Funding currently varies each biennium, dependent on legislative appropriation.

HIF Investments: Projects & Development Costs 2011-2020



2021-03 LEGISLATIVE FUNDING PROPOSED FOR HIF

During this session, Governor Burgum proposed \$8 million for HIF. There are three additional funding bills.

Estimated Future HIF Projects				
Proposed Funding	Amount	Funding Source	Use Period	HIF Projects Per Biennium**
Governor's Executive Budget	\$8 million	Legacy Fund Earnings	2021-23	4-6 projects
SB 2040	\$250 million	Bonds	TBD	100+ projects***
SB 2127	\$50 million	General Fund	2021-23	25 projects
HB 1380	\$15 million*	Legacy Fund Earnings	On-going	10-12 projects

*Calculation assumes \$500 million earnings of average Legacy Fund asset balance and the allocated 3% of that total for HIF.

** HIF projects per biennium calculated on past funding amounts and project awards.

***Based on total dollar amount available not by biennium.

PROJECT PIPELINE

Like any form of infrastructure, a community must decide if it can repair what it has or if it should build new. Urban and rural communities work with NDHFA and affordable housing partners to assess their housing needs and what type of project is feasible.

Risk of Losing Affordable Multifamily Housing

HIF is a solution to preserve older, affordable multifamily properties by financing rehabilitation and ensuring affordable rents for an additional 15 years.

Expiring Tax Credit Housing

Properties financed by affordable housing programs have periods of affordability that expire after a specific time period, typically 30 years or more. Between 2020 and 2025, there are 46 properties in the Low Income Housing Tax Credit (LIHTC) program that will no longer be obligated to maintain affordability requirements for 1,317 rental homes.

Multifamily Rehab Needs

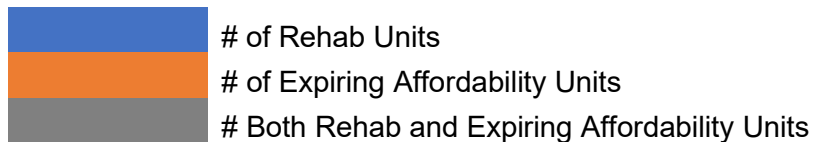
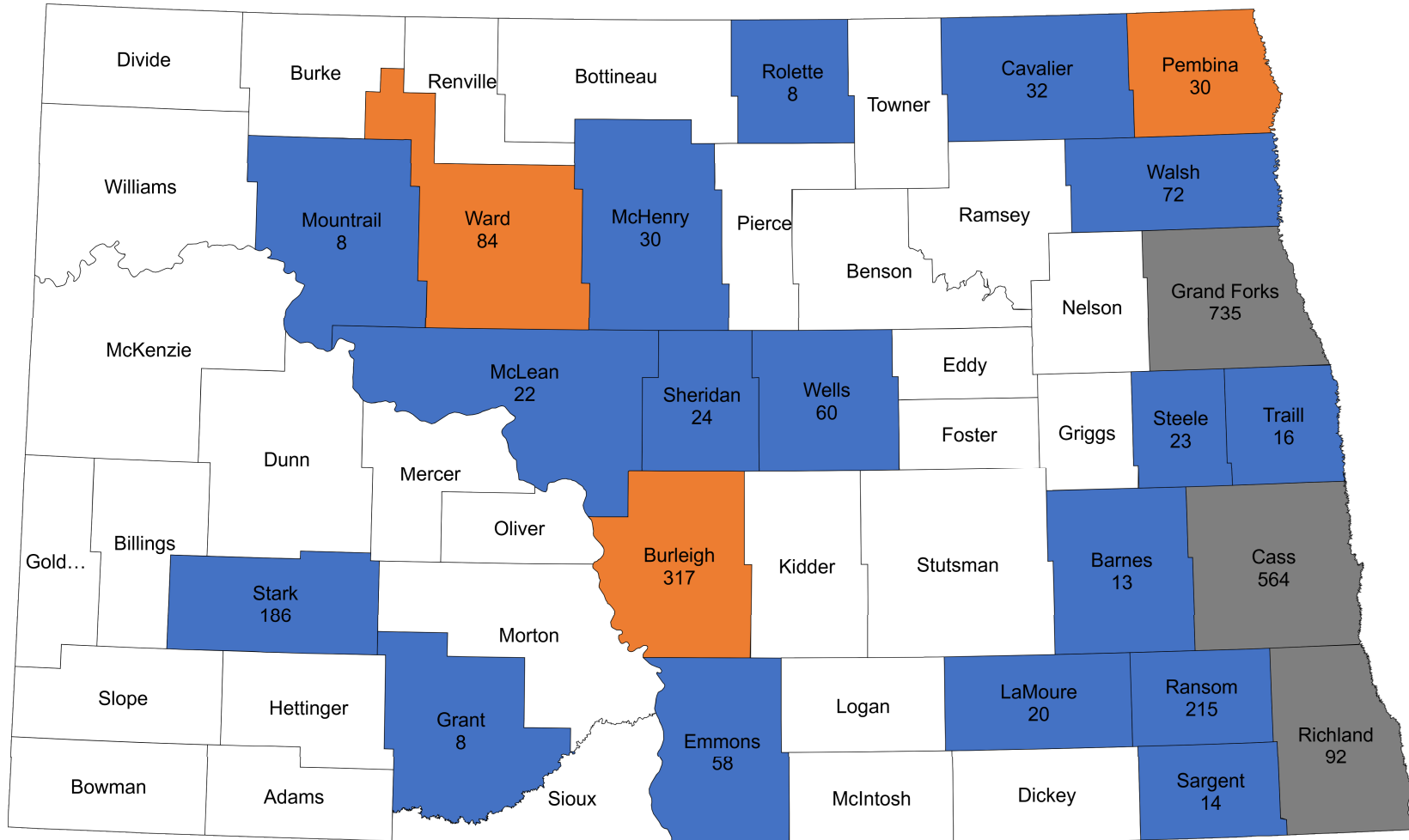
Rehabilitating existing affordable multifamily housing can be a cost-effective means to update windows, heating and cooling systems, increase physical accessibility and improve the functionality and aesthetics of the building.

In addition to the LIHTC properties that will age out of the affordability requirements, USDA Rural Development identified another 24 communities with USDA Rural Development properties needing rehabilitation totaling more than \$5 million to modernize 841 units.

The Grand Forks Housing Authority alone has a list of 17 properties with rehab needs at a cost of almost \$15 million.

As of today, 43 percent of counties, for a total of 23 counties, have identified either a need for rehabilitation of 1,314 affordable multifamily housing units or are at risk of losing 1,317 units due to expiring affordability requirements.

Affordable Multifamily Housing Units At Risk of Losing Affordability and/or Needing Rehabilitation



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HOUSING IS MORE THEN INFRASTRUCTURE, IT IS A HOME

No matter what shape a dwelling takes – single-family house, apartment, condo, manufactured housing, etc. – to the individuals who live there, it is home. HIF helps to ensure that low- to moderate-income individuals and families have access to safe and affordable homes in both our urban and rural communities.

To assess which North Dakotans have the greatest barriers to accessing affordable housing, NDHFA works with stakeholders, reviews public comments, and analyzes data trends. These decisions are critical as state, private and federal funding is extremely limited, never enough to meet our state’s housing needs. The program prioritizes the development of housing by targeting for specific populations including Seniors, Individuals who are Homeless/Chronically Homeless, and the Lower-Wage Workforce.

Seniors	Homeless/Chronically Homeless	Lower-Wage Workforce
Ages 75-85	\$30,000—\$50,000 <i>annual cost per chronically homeless person</i>	Who is experiencing a housing cost burden?
\$35,900 <i>annual median income</i>	75.5 <i>average chronically homeless population</i>	42,000 <i>renters</i>
76.1% <i>homeownership rate</i>	1,102 <i>average homeless population</i>	28.7% <i>Native Americans</i>
15.3% <i>two or more disabilities</i>	26,964 <i>living in extreme poverty</i>	33.4% <i>people of color</i>
\$898 <i>affordable monthly rent</i>	2,658 <i>homeless youth in the public school system</i>	Below the Poverty Level Socioeconomics
Ages 85+	4,482 <i>individuals experiencing homelessness needed support in 2019</i>	6.5% <i>of working adults (16-64)</i>
\$19,700 <i>annual median income</i>	3.6% <i>have been homeless for more than 3 years</i>	29.2% <i>non-working adults (16-64)</i>
62.8% <i>homeownership rate</i>	2,648 <i>women and children domestic violence survivors needed emergency, transitional and short and long-term housing</i>	32.6% <i>single women with children</i>
50.1% <i>two or more disabilities</i>		17.7% <i>have one or more disabilities</i>
\$492 <i>affordable monthly rent</i>		
Social Security Income		
\$16,133 <i>annual median income</i>		
\$403 <i>affordable monthly rent</i>		
29,057 <i>rely on social security for 90% or more of their income</i>		

Failure access affordable housing affects every community. Not everyone priced out of cities by high housing costs moves elsewhere; because moving to a new city can cost thousands of dollars, people priced out of cities become homeless instead of moving. Especially if they are employed and want to continue working.

The average hourly wage needed to afford a fair market rate, two-bedroom apartment costing \$841 per month in North Dakota is \$16.18. Rents vary greatly by community. While the majority of North Dakotans are working, there is a segment of the population that will struggle to pay for their housing costs.

Below is a table of the top five employment industries in North Dakota, the average wage earned by industry and affordable housing assumptions.

Industries with the Highest Number of Employees in North Dakota¹						
Rank	Industry Sector	Avg. Hourly Wage	Avg. Weekly Wage	Avg. Annual Wage	30% of Income	Affordable Monthly Housing Costs
1	Health Care and Social Assistance	\$24.95	\$998	\$51,896	\$15,569	\$1,297
2	Retail Trade	\$15.48	\$619	\$32,188	\$9,656	\$805
3	Education Services	\$21.63	\$865	\$44,980	\$13,494	\$1,125
4	Accommodation and Food Services	\$8.90	\$356	\$18,512	\$5,554	\$463
5	Manufacturing	\$26.93	\$1,077	\$56,004	\$16,801	\$1,400

The standard calculation for “affordable” is to spend 30 percent or less of household income on housing expenses. Multifamily housing projects leveraging HIF and federal funding sources have a sliding scale for monthly rents based on household income. Financial eligibility for those living in affordable units is verified annually.

Not having access to affordable housing imposes costs on infrastructure of the community in which people live. Depending on the person, they may just need cheaper rent to get back on their feet. Others need support services to overcome repeating situations involving behavioral health, justice involvement, addiction, and chronic homelessness. HIF is the flexible financing resource needed to reduce a project’s debt, which lowers the cost of rents.

¹ Labor Market Information Center, Job Service North Dakota, QCEW Unit, September 2020

Vacancy rates for HIF-funded units fluctuates depending on the local community housing market. As of December 2020, state vacancy for affordable HIF units was 11 percent. Depending on the location of the housing and the targeted tenants can skew the vacancy rate. For example, the vacancy rate of affordable senior housing is around two to three percent. These units are leased as soon as they become available. Multifamily housing in the outlining communities in western North Dakota have higher vacancy rates.

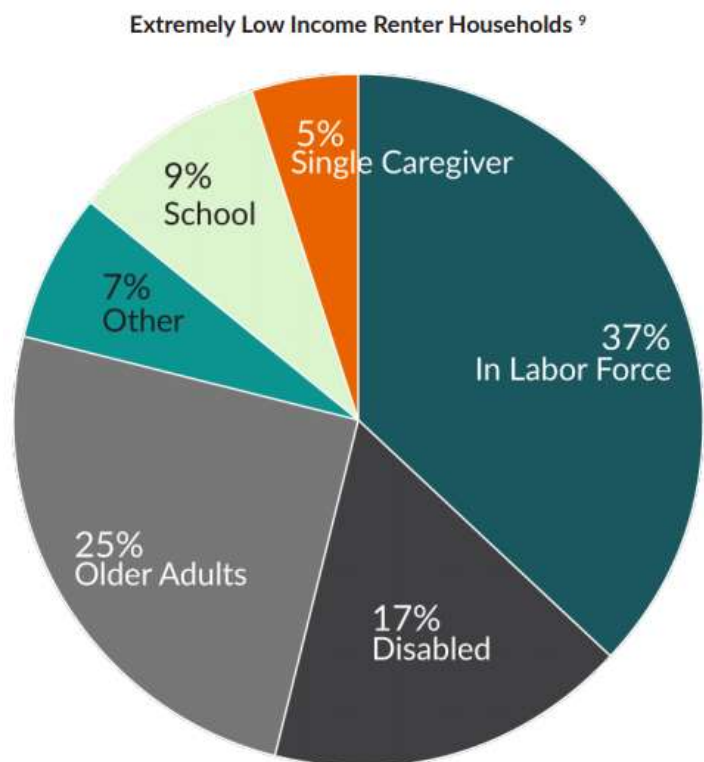
HOW AFFORDABLE FINANCING WORKS

HIF can fund up to 30 percent of total development costs up to \$3 million, unless the project is using federal tax credits, then HIF funding will be less. On average, HIF covers 20 percent of the gap financing needed to move a project forward.

The development of market-rate multifamily housing will not address the housing needs of people with disabilities, older adults with limited incomes, lower-income wage earners, and persons and families on the brink of homelessness and those experiencing chronic homelessness.

In 2018, 30 percent of all North Dakota housing units were renter-occupied. These 113,486 units housed 37 percent of the state’s population. That same year, 39 percent of North Dakota’s renters were spending more than 30 percent of their income on housing expenses.²

For 3 percent of the renters across the state, fair market rate rents will never be affordable. Currently, there are 26,485 renter households that are considered extremely low income (ELI), and 37 percent are in the labor force. Physical abilities and age are factors impacting an ELI renter’s ability to earn a higher income or work full-time.³



² American Community Survey One Year Estimates, Table CP04

³ National Low Income Housing Coalition, 2020

Funding Scenario – Rehabilitation of Existing Multifamily Housing

Preserving affordable multifamily housing can be a cost-efficient solution. However, finding funding to rehab the units and keep debt expenses low is a requirement to keep rents affordable. Below is a cost scenario comparison for a \$2 million project to rehabilitate a 20-unit building. The projects needed \$1.4 million in non-traditional funding to move the project forward.

20 Unit Apartment Building Rehabilitation Costs \$2,000,000			
TRADITIONAL FINANCING		AFFORDABLE DEVELOPMENT	
		<i>To maintain current rents of \$610-647, the project will require more than 70% of the rehab funds to be soft debt or equity.</i>	
Loan	\$1.4 million (70%)	Soft Debt/Equity	\$1.4 million
		Loan (5%, 20 year)	\$600,000
Annual Project Expenses		Annual Project Expenses	
Loan Payment (5%, 20 year)	\$135,604	Existing Rural Development	\$16,313
Existing Loan Payment Rural Dev.	\$16,313	New Loan Payment	\$48,145
Project Operating Expenses	\$103,000	Project Operating Expenses	\$103,000
Needed annual revenue from rent	\$254,917	Annual Revenue from rent to break even	\$167,458
Average monthly rent per unit needed to cover annual expenses	\$1,062	Average rent per month to cover annual expenses	\$698
Project's current rent	\$610-647		

Funding Scenario – Constructing New Multifamily Housing

The cost to construct new market-rate multifamily housing and affordable multifamily housing is the same. The difference is the non-traditional fund sources used to reduce the amount of debt. Below is a cost scenario comparison for a new 24-unit building.

Affordable Housing – New Construction Scenario			
24 Unit Apartment Building			
Cost of Construction is \$175,000/per unit x 24 units = \$4.2 million			
	Traditional Financing Market Rate Rent	Non-Traditional Financing Affordable Rate Rent	
Equity Investment	\$1.26 million (30%)		
Loan	\$2.94 million (70%)		
Gap Financing (federal funds, private investments, donations, HIF)		\$2.94 million (70%)	
ANNUAL EXPENSES			
Loan Payment (6%, 20 years)	\$252,757	\$0.00	
Operating Expense	\$120,000		
Return on Equity (8%)	\$100,800		
Annual Revenue needed from rents to cover expenses	\$473,557	\$220,800	
Average Monthly Rent Per Unit to Cover Expenses	\$1644		
Income Restricted Rent Structure to Cover Expenses		5 units at \$403	5 units at \$493
		5 units at \$898	9 units at \$1050

HIF awards are available to local housing authorities, tribal entities, and nonprofit or for-profit housing developers. The maximum award size varies depending on whether a project also receives federal funding. The award amount typically equals less than 30 percent of the total development cost, and no more than \$3 million. Awards are competitive and projects must meet strict scoring criteria.

Without HIF, affordable housing developers and nonprofit agencies will not be able create safe, affordable multifamily housing. Projects that house homeless individuals must have even lower mortgage debt to keep their doors open and the people safely housed. Providing support services is the main priority of housing projects for homeless people. Helping these individuals and families regain their independence lessens the cost burden placed on their community.

EVERYONE DESERVES A SAFE AND AFFORDABLE HOME

NDHFA's mission is to ensure that every North Dakotan has a safe and affordable place to call home. Our most vulnerable households are the ones that need our help the most. Federal funds are insufficient to address the needs of these vulnerable households.

HB 1380 will provide a consistent funding stream for HIF that will be invaluable for filling financing gaps when federal funds and private investment are not sufficient.

Communities, especially rural communities, need more time to work through the planning and design process to address community housing needs, and struggle to make this a reality when various dollar amounts are allocated each biennium for HIF.

We respectfully ask this committee and this legislative body to recognize that an investment in housing is an investment in the infrastructure of our state.

TESTIMONY OF

Joe Morrisette, Director of the Office of Management and Budget

Chairman Delzer and members of the House Appropriations Committee, I am Joe Morrisette, Director of the Office of Management and Budget (OMB). I am here to testify in support of House Bill 1380.

The allocation of Legacy fund earnings proposed in HB 1380 differs significantly from the allocation proposed as part of the 2021-23 executive budget. However, we are supportive of legislative action to provide an allocation framework that guides future decisionmakers to ensure Legacy fund earnings:

- Are used for projects and priorities that provide long-lasting value for the state.
- Are not relied on to fund general government operations.

The executive budget proposed the creation of five new state funds where Legacy fund earnings would be deposited and from which the legislature would appropriate. Those five proposed funds are:

- Economic diversification and strategic initiatives – 20%
- Research and innovation – 10%
- Government transformation – 10%
- Legacy projects – 20%
- Legacy bond sinking fund – 40%

HB 1380 proposes fourteen specific allocations. Many of the specific allocations proposed in HB 1380 fall under the broad strategies outlined in the executive budget. For example, the proposed allocation of 3% for information technology cybersecurity initiatives fits well within the Government Transformation category proposed in the executive budget. The allocations proposed to the LIFT fund, the Clean Sustainable Energy Fund, and the Economic Diversification Research Fund, all fit well within the Research and Innovation category proposed in the executive budget. Consequently, we find many common elements between this bill and the executive budget proposal and many reasons to support this legislation.

The executive budget proposed increasing employer and employee contribution rates to the Public Employees Retirement System (PERS) by 1% each starting January 1, 2022, as a method to address the state unfunded pension liability. This bill proposes an ongoing 5% allocation of Legacy fund earnings to the PERS fund. We support legislative efforts to address the unfunded pension liability, ensure the pension fund remains solvent, and meet the state's commitment to current retirees and active state team members. No matter what strategy is pursued in the

future to provide retirement benefits for state team members, the state must first ensure the existing PERS fund is on a path towards full funding.

HB 1380 proposes an ongoing 4% allocation to a state building maintenance and project fund. The executive budget recognized the need to address the backlog of deferred maintenance projects at state facilities and proposed the use of \$130.5 million of bonding proceeds to complete these projects. Whatever method the legislature chooses to use to address this need, it is important to ensure state buildings are maintained and preserved to protect the state investment. The cost to the state of failing to address these needs far outweighs the cost required to address them today.

HB 1380 also proposes an ongoing 10% allocation to a legacy infrastructure project fund. I encourage the committee to consider expanding the language contained on page 6, lines 16-17 to include more stringent criteria relating to the definition of a legacy infrastructure project. I ask you to consider the five criteria proposed by the governor in the executive budget as possible statutory criteria to guide future legislative decisions:

Five proposed criteria for Legacy infrastructure projects:

1. Lasting impact beyond current generation.
2. Regional, state, national, or international impact.
3. High return on investment through the leverage of other financial resources.
4. One-time spending that does not grow government.
5. Support for communities or diversification of the economy.

Mr. Chairman and committee members, this concludes my testimony. I ask for your support for House Bill 1380 and ask you to consider the changes I have addressed in my testimony. I would be happy to answer any questions.



BEHAVIORAL HEALTH IN NORTH DAKOTA

DATA BOOK 2021

This booklet tells the story of behavioral health in North Dakota (ND) and is based off the 2020 North Dakota Epidemiological Profile.

Research shows the importance of using data to guide effective and targeted behavioral health efforts. The data presented in this booklet paints a picture to help guide these efforts across the state.

This is a product of the North Dakota State Epidemiological Outcomes Workgroup (SEOW). For more information and to view the most recent North Dakota Epidemiological Profile, go to behavioralhealth.nd.gov/data.



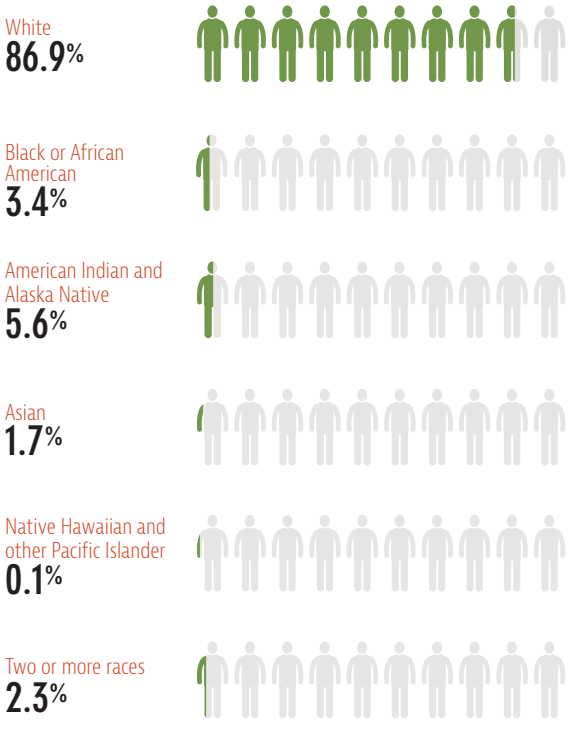









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NORTH DAKOTA DEMOGRAPHICS OVERVIEW

NORTH DAKOTA POPULATION IS **762,062**  **13.3%** FROM 2010²

RACE/ ETHNICITY²

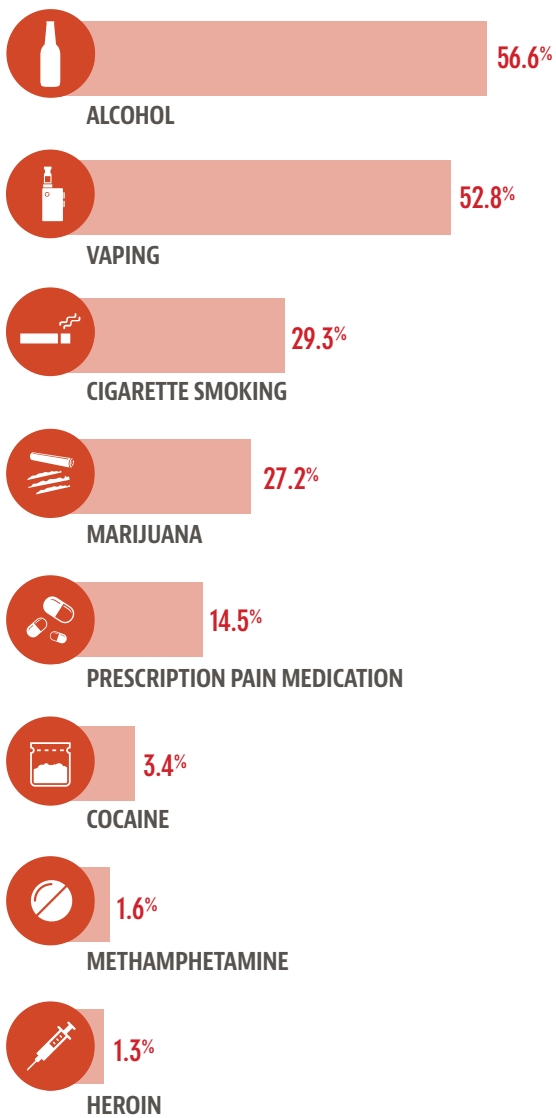


-  **4.1%** of North Dakotans identify as Hispanic or Latino.²
-  There are **46,524** veterans in North Dakota, which is 6.1% of the state's adult population.²
-  **49.5%** of North Dakota residents live in rural areas, compared to **14.1%** nationwide.⁴
-  **One in ten (10.6%)** North Dakotans are currently living in poverty.⁴
-  There are **five** federally recognized Tribes and one Indian community located at least partially within the state.³
-  **23.6%** of North Dakotans are under age 18 and **15.7%** are over age 65.²
-  North Dakota has a **2.4%** unemployment rate.⁴

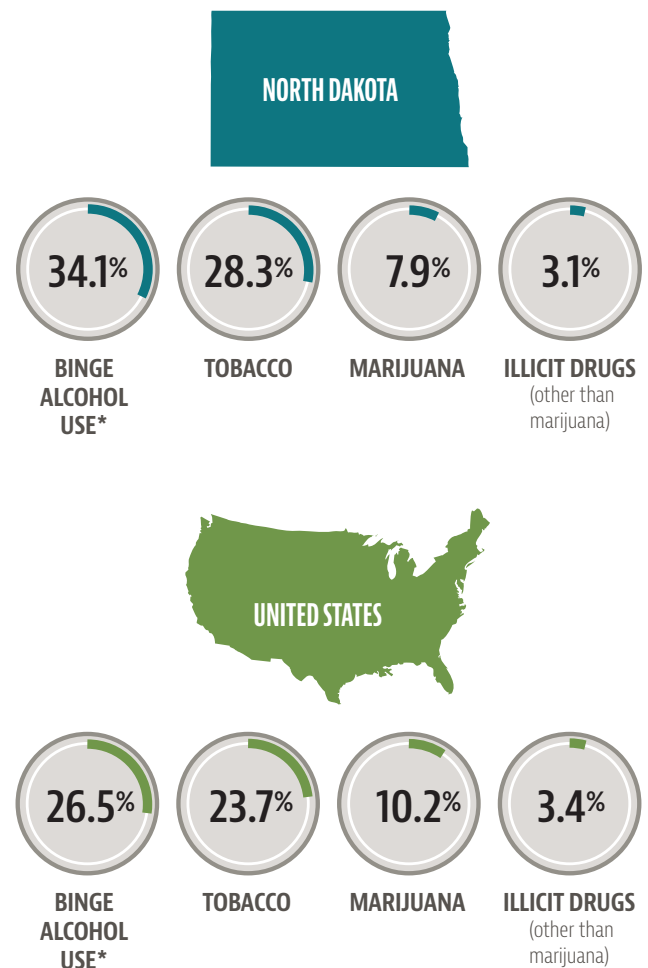
OVERVIEW OF SUBSTANCE USE IN NORTH DAKOTA

Alcohol is the most used substance among both youth and adults in North Dakota.

YOUTH (HIGH SCHOOL STUDENTS)⁵ LIFETIME Substance Use



ADULTS (AGES 18+)⁷ PAST 30-DAY Substance Use



*Binge drinking: 5 or more drinks of alcohol in a row within a couple of hours

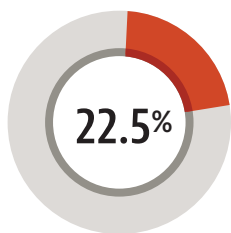
ALCOHOL: UNDERAGE DRINKING

Great strides have been made in the prevention of underage drinking over the past decade, but there is still more work to do.

THE MAJORITY OF ND ADULTS AGREE THAT

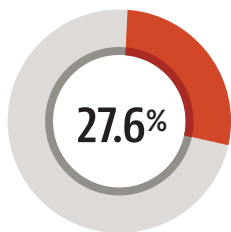
92.9%


UNDERAGE DRINKING
IS A PROBLEM IN THEIR COMMUNITY.⁸



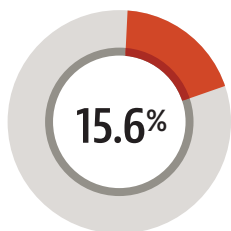
of ND **middle school** students report alcohol use in their **lifetime**,⁵

↓ a decrease from **24.8%** in 2003.



of ND **high school** students report **current alcohol use** (within the past 30 days),⁵

↓ a decrease from **35.3%** in 2013.



of ND **high school** students report **current binge drinking*** (within the past 30 days),⁵

↓ a decrease from **21.9%** in 2013.



Research has shown brain development is not complete until around age 25.¹⁰

Among the last parts of the brain to be developed are those responsible for impulse control and extended reasoning. Alcohol use among youth and young adults can result in irreversible changes impacting problem-solving skills, performance at school, and potentially their body, mood, and mental health.

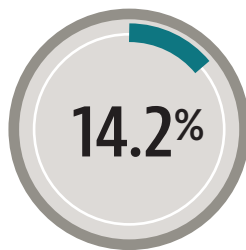
ALCOHOL: UNDERAGE DRINKING

Not only is underage drinking against the law, but there are also many consequences to underage drinking impacting the health and safety of North Dakota youth.



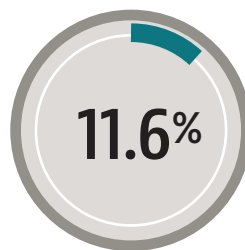
5.5% of ND high school students report driving after drinking alcohol within the past 30 days.⁵

↓
a decrease from **10.7%** in 2013.

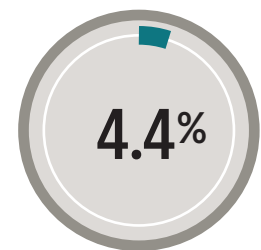


1 in 6 (14.2%) ND high school students report riding with a driver who had been drinking alcohol within the past 30 days.⁵

↓
a decrease from **21.9%** in 2013.



11.6% of juvenile arrests are alcohol-related (DUI and liquor law violations).¹¹



Approximately 4.4% of ND youth (ages 12-17) met the criteria for alcohol use disorder in the past year.⁷

UNDERAGE DRINKING costs the citizens of **NORTH DAKOTA** nearly **\$160 million EACH YEAR** in **MEDICAL WORK LOST & PAIN AND SUFFERING**

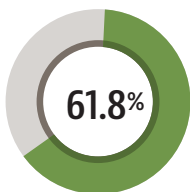
▶ **IN 2013, SOME OF THESE COSTS INCLUDED:**

- ▶ **\$2,327** for each youth in the state or **\$3.70** per drink consumed underage.¹²
- ▶ **VIOLENCE = \$83.8 MILLION**
- ▶ **TRAFFIC CRASHES = \$40.3 MILLION**
- ▶ **INJURY = \$7.0 MILLION**
- ▶ **TREATMENT = \$4.6 MILLION**

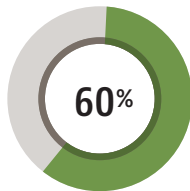
ALCOHOL: YOUNG ADULT & COLLEGE STUDENTS

Two out of five North Dakota young adults binge drink and a quarter report driving after drinking. This age group often overestimates how frequently their peers are binge drinking, which can influence personal decisions surrounding alcohol use.

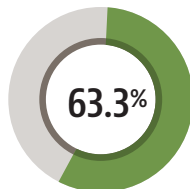
In the past 30 days 



of ND **college students** report **using alcohol**.¹⁴



of ND **young adults** (age 18-29) report **using alcohol**.¹³



of ND **young adults** (age 18-29) report **binge*** alcohol use.¹³



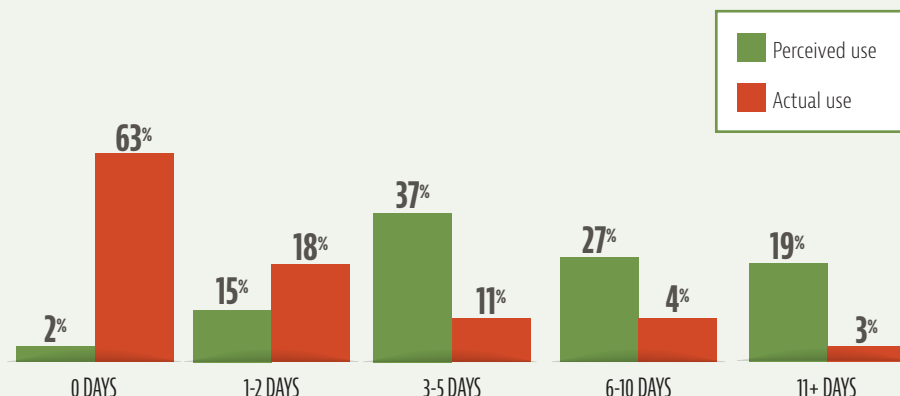
22.7%
OF ND
YOUNG ADULTS
age 18-29
REPORT
DRIVING
WITHIN
TWO HOURS
OF DRINKING
in the past 30 days.¹³

PERCEIVED VERSUS ACTUAL BINGE* DRINKING BEHAVIOR AMONG ND YOUNG ADULTS

(Number of days in past 30 days)

A significant misperception is revealed when perceptions of how frequently peers binge drink are compared to actual binge drinking rates.¹³

Youth drink significantly less alcohol than what is perceived by their peers.



ALCOHOL: ADULT

Adult binge drinking in North Dakota is a serious public health issue, resulting in many consequences impacting individuals, families and communities.

90.8%
OF ND ADULTS BELIEVE
ADULT
ALCOHOL USE
IS A PROBLEM IN
THEIR COMMUNITY.⁸




The economic costs of excessive alcohol consumption in the ND are estimated at **\$487 million**, which is \$725 per person or \$1.40 a drink.²⁰



Of surveyed individuals, nearly **5%** (4.7%) of adults report drinking to excess and driving in the past 30 days.¹⁵



More than one in six (17%) adult arrests in ND are for driving under the influence.¹¹


In the past month, **60.1%** of adults age 26 and older used alcohol.⁷



35% of fatal crashes in ND are alcohol-related.¹⁶



30% of new domestic violence cases in ND involve alcohol.¹⁷



Approximately **5.7%** of ND adults age 26 or older met the criteria for alcohol use disorder in the past year.⁷


ND ranks **2nd** in the nation for binge* alcohol use (past month) among adults age 26 and older (31.2%).⁷



94.6% of women and **84.7%** of men entering North Dakota correctional facilities have an active substance use disorder diagnosis¹⁸



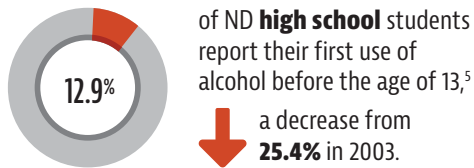
Nationally, excessive alcohol use led to approximately **95,158 deaths** and 2.76 million years of potential lives lost each year from 2011-2015, shortening the lives of those who died by an average of 40 years.¹⁹

*Binge drinking: 5 or more drinks of alcohol on an occasion or in a row

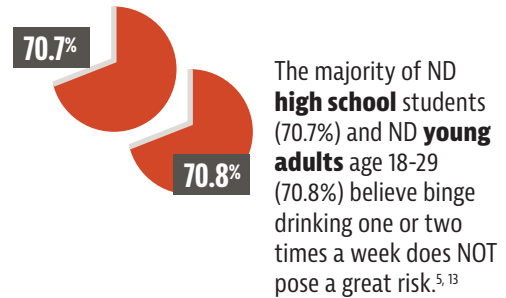
ALCOHOL: RISK FACTORS

There are many risk factors that influence a person's likelihood of engaging in illegal or risky substance use. Effective prevention focuses on reducing these risk factors.

1 Research shows that individuals who start drinking before the age of 15 are **four times** more likely than individuals who start drinking at the age of 21 to meet the criteria for alcohol use disorder at some point in their lives.²¹



2 Generally, individuals do NOT believe binge drinking is risky.



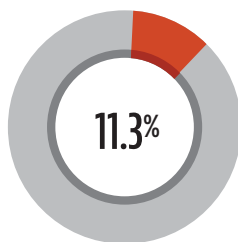
3 The easier it is to obtain alcohol, the higher the likelihood for use and abuse.

1 BAR for **1,809** PEOPLE

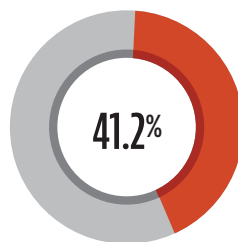
North Dakota ranks highest in the nation for the number of bars per capita, with 1 bar for every 1,809 people. Compare this to Virginia with 1 bar for every 64,773 people.²²

1 LICENSE for **492** PEOPLE

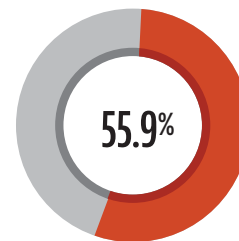
There is 1 alcohol beverage license (restaurant serving alcohol, bar or liquor store) in ND for every 492 people.²³



of ND adults believe it is not at all difficult for youth to **buy alcohol at a store** themselves.⁸



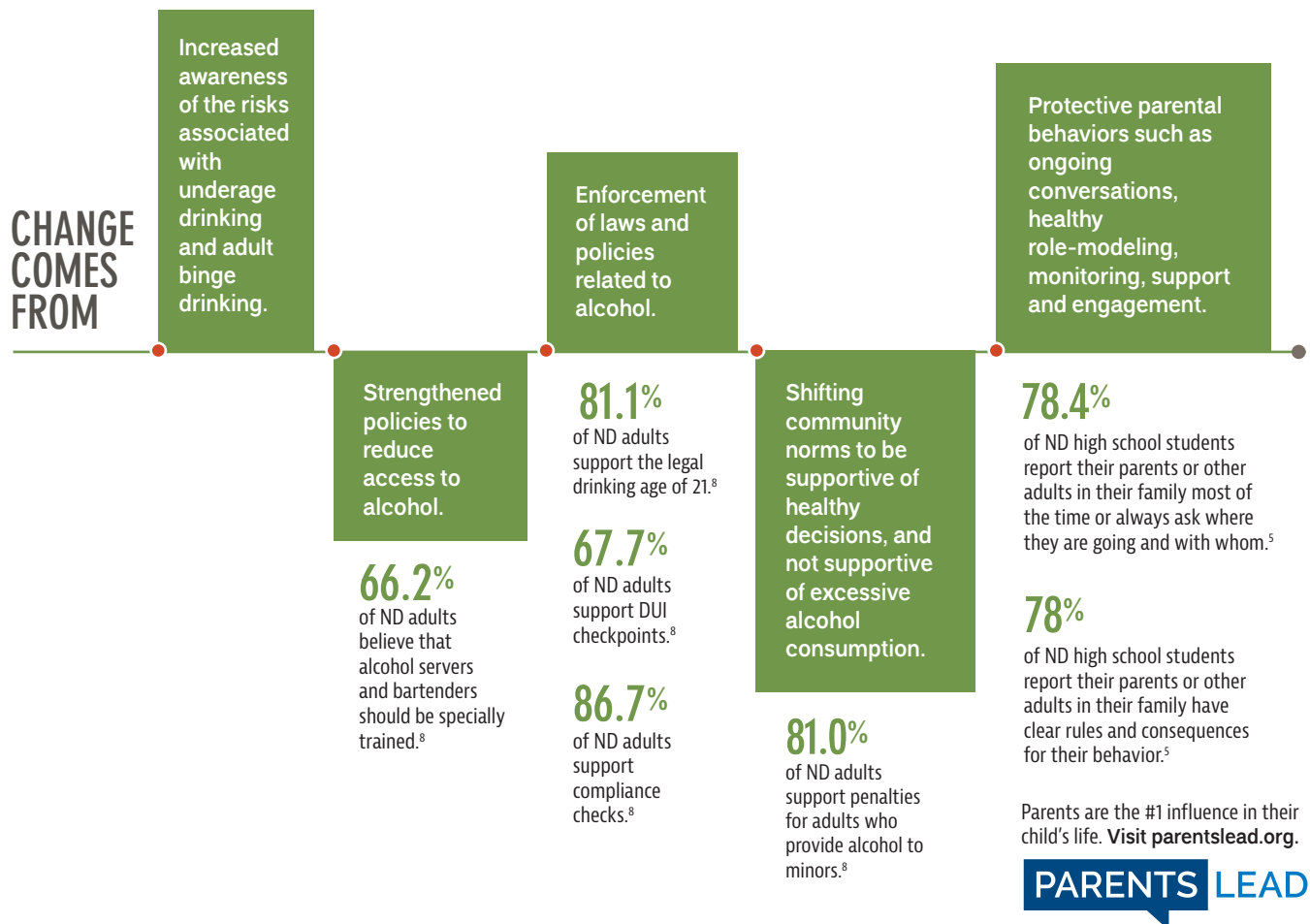
of ND adults believe it is not at all difficult for youth to **get an older person to buy** alcohol for them.⁸



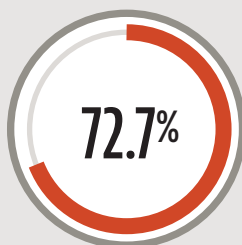
of ND adults believe it is not at all difficult for youth to **sneak alcohol from their home or a friend's home**.⁸

ALCOHOL: PREVENTION WORKS

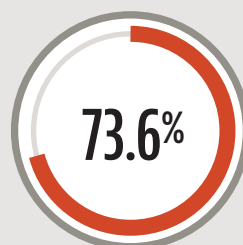
Prevention is a proactive approach; creating an environment that promotes the health and well-being of individuals, families and communities, which prevents problems before they occur.



NORTH DAKOTA ADULTS



believe it is possible to reduce alcohol and other drug problems through prevention.⁸



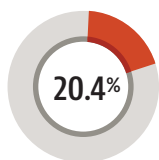
believe that prevention programs are a good investment.⁸

TOBACCO

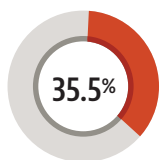
Generally, cigarette use is declining among youth in the state. However, use of other tobacco products has remained steady or increased.

YOUTH

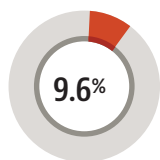
93.4% of ND adults believe **TOBACCO USE AMONG YOUTH** IS A PROBLEM IN THEIR COMMUNITY.⁸



of ND **middle school** students report trying cigarette smoking (even one or two puffs) at one point in their life.⁵

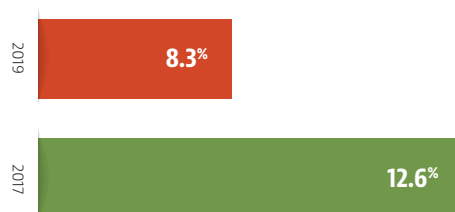


of ND **high school** students report current (in the past 30 days) use of tobacco.⁵

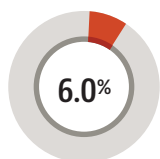


of ND **college students** used tobacco within the past 30 days.¹⁴

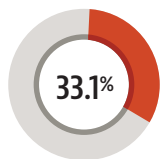
8.3% of ND high school students report current (past 30-day) use of **cigarettes**; compared to **12.6%** in 2017.⁹



Electronic Vapor Products

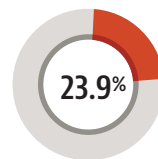


of ND **middle school** students report using electronic vapor products at one point in their life.⁵



of ND **high school** students report current use of electronic vapor products.²⁴

↑ an increase from **19.1%** in 2017.⁵

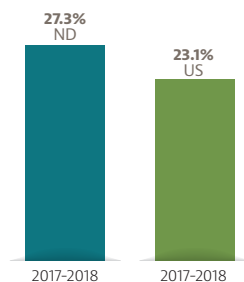


of ND **college students** used electronic cigarettes within the past 30 days.¹⁴

ADULTS

89.6% of ND adults believe **TOBACCO USE AMONG ADULTS** IS A PROBLEM IN THEIR COMMUNITY.⁸

27.3% of ND adults (age 26 and older) report tobacco product use in the past month; compared to **23.1%** of US adults (age 26 and older).⁷



TOBACCO

Tobacco is the leading preventable cause of death in the United States and takes a tremendous toll on lives in North Dakota. When we prevent tobacco use and exposure to secondhand smoke, we prevent disease, suffering and death, and save money on healthcare expenditures and productivity losses.

The majority
63.7%

of North Dakotans (age 12 or older) believe smoking one or more packs of cigarettes per day poses great risk.⁷



In the **2020** school year, **558** North Dakota students were expelled or suspended because of tobacco-related incidents, resulting in **1,337** days removed from school.²⁵



Exposure to secondhand smoke causes **more than 41,000 deaths** each year among adults in the United States.²⁶

The life expectancy for **SMOKERS**

is at least

10 YEARS SHORTER than for **nonsmokers.**²⁸



39.4% of ND high school students report it would be very easy to get tobacco products if they wanted some.²⁴

13.2%

of ND high school students usually obtain their own **cigarettes** by buying them in a store or gas station.^{5*}

4.9%

of ND high school students usually obtain their own **electronic vapor products** by buying them in a store.^{5*}

*During the 30 days before the survey, among students who were less than 18 years old and who currently smoke or use electronic vapor products.

Tobacco costs us all, even those who do not use tobacco. North Dakota smoking-caused monetary costs include:²⁷

Annual health care costs directly caused by smoking: **\$326 million**

Smoking-caused productivity losses: **\$232.6 million**


Medicaid costs caused by smoking: **\$56.9 million**

Residents' state and federal tax burden from smoking-caused government expenditures: **\$724 per household**




MARIJUANA

When compared to national rates, marijuana use is generally lower. Young adults often overestimate how frequently their peers are using marijuana which can influence personal decisions surrounding marijuana use.



85.3%

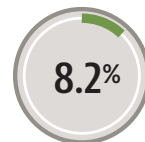
 The majority of ND adults believe **YOUTH** marijuana use is a problem in their community.⁸



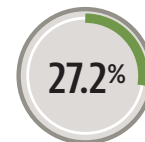
76.2%

 Three out of four ND adults believe it is a problem for **ADULTS**.⁸

YOUTH



of ND **middle school** students have used marijuana one or more times in their lifetime.⁵



of ND **high school** students have used marijuana one or more times in the last 30 days, compared to 19.8% in U.S.⁵

YOUNG ADULT

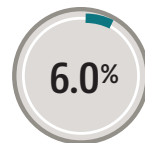


of ND **young adults** (age 18 to 29) report marijuana use in the past 30 days.¹³



of ND **college students** used marijuana within the past 30 days.¹⁴

ADULT



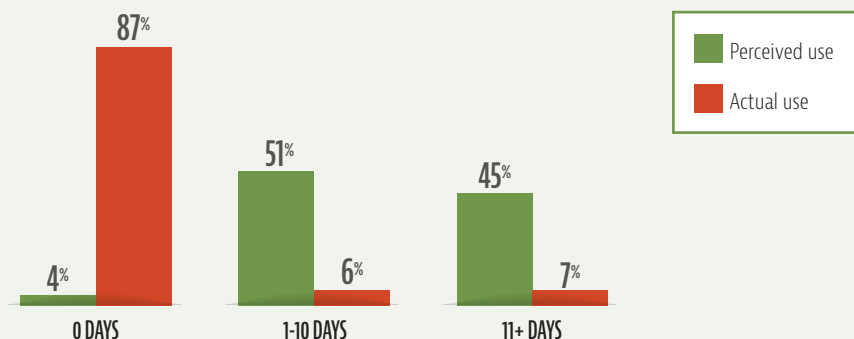
of ND **adults** (age 26 and older) report using marijuana in the past month, compared to 8.3% in the U.S.⁷

PERCEIVED VERSUS ACTUAL MARIJUANA USE AMONG ND YOUNG ADULTS

(Number of days in the past 30 days)

A significant misperception is revealed when perceptions of how frequently peers use marijuana are compared to actual marijuana use rates.¹³

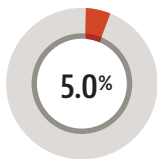
Marijuana use by young adults is significantly less than what is perceived by their peers.



MARIJUANA

As efforts to legalize marijuana continue, there is an increasing perception that marijuana is not harmful or addictive. The reality is that marijuana can cause major health, safety, social, and learning problems - especially in adolescents.

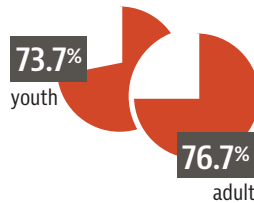
Youth initiation of marijuana increases the likelihood of negative consequences, including addiction.



of ND **high school** students tried marijuana for the first time before the age of 13.⁵

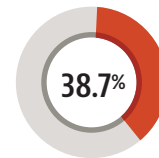
5.0% is equivalent to approximately 1,989 students, or almost the total number of students enrolled in the entire Jamestown School District.⁹

Generally, use is higher when individuals do not believe use is risky.

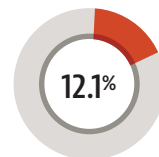


73.7% of ND youth (age 12-17) and 76.7% of ND adults (age 18 or older) do NOT perceive great risk in smoking marijuana once a month.⁷

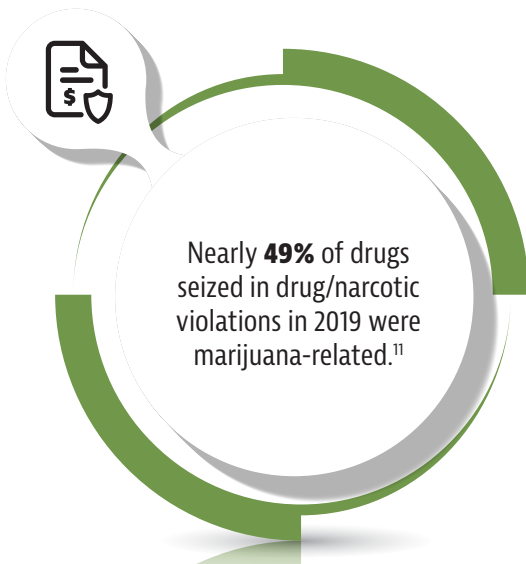
The easier it is to obtain marijuana, the higher likelihood for use and abuse.



of ND adults believe it is not at all difficult for adults or youth to access marijuana in their community.⁸



of ND high school students were offered, sold, or given an illegal drug on school property during the year before the survey.⁵

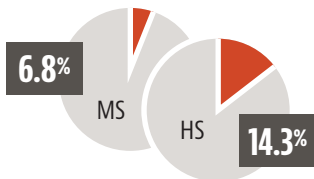


PRESCRIPTION DRUGS

Prescription opioid misuse and overdose is a growing concern across the nation and in North Dakota communities.



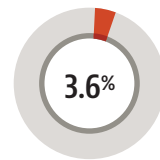
MORE THAN **THREE QUARTERS** OF ND ADULTS BELIEVE **PRESCRIPTION DRUG** USE AMONG BOTH **YOUTH (82.4%)** AND **ADULTS (85.9%)** IS A PROBLEM IN THEIR COMMUNITY.⁸



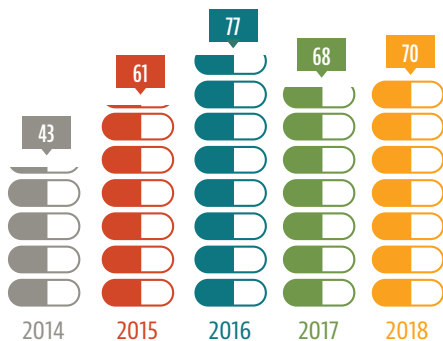
6.8% of ND middle school students and **14.3%** of ND high school students report using prescription pain medication without a doctor's prescription one or more times during their lifetime.⁵



of ND **young adults** (age 18-29) report use of prescription medication in the last 30 days to get high.¹³



of ND **adults** (age 26 or older) report non-medical use of pain relievers in the past year, compared to 3.6% in the U.S.⁷



In North Dakota, overdose deaths increased from **43 in 2014** to **77 in 2016** and has decreased to **70 in 2018**.³²

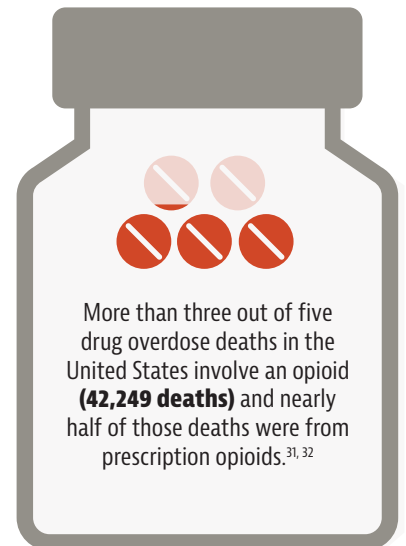
40x

People who are addicted to prescription pain killers are **40x** more likely to become addicted to heroin.³⁰

The majority of heroin users report that they began abusing prescription drugs **before** using heroin.⁷

COMMON TYPES OF PRESCRIPTION PAIN MEDICATION (OPIOIDS):

Morphine; Oxycodone (Oxycontin, Percocet); Methadone; Hydrocodone (Vicodin); Codeine; Fentanyl

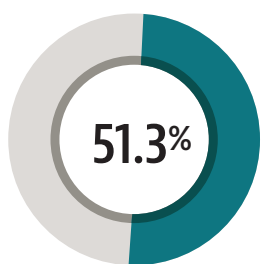


More than three out of five drug overdose deaths in the United States involve an opioid (**42,249 deaths**) and nearly half of those deaths were from prescription opioids.^{31, 32}

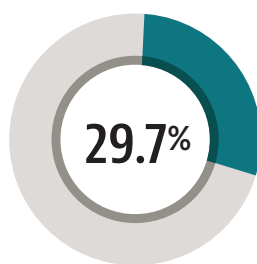
PRESCRIPTION DRUGS

Access to prescription medications is a key risk factor relating to the misuse of and addiction to prescription opioid medication.

The more prescription opioid medication is available, the higher likelihood of misuse.



of people (age 12+) who misuse pain relievers obtain them from a friend or relative.³³

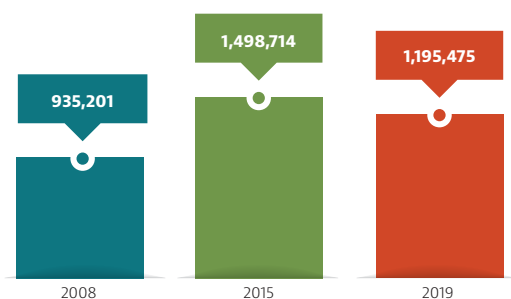


of ND adults believe it is **NOT** at all difficult for youth or adults to access prescription drugs in their community.⁸

The number of **controlled substance prescriptions**

INCREASED from **935,201** in 2008 to **1,498,714** in 2015

and has **DECREASED** to **1,195,475** in 2019.³⁴



Among individuals receiving substance use disorder treatment services at a regional human service center, nearly 10% report heroin or prescription opioid use.²⁹



OTHER ILLICIT DRUGS

Illicit drug use is relatively low in North Dakota.

YOUTH (ND HIGH SCHOOL STUDENTS)



27.2% report using **synthetic marijuana** one or more times in their life.⁵



3.4% report using **cocaine** one or more times in their life.⁵

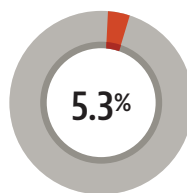


1.6% report using **methamphetamine** one or more times in their life, compared to 2.5% in the U.S.⁵



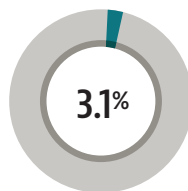
1.3% report using **heroin** one or more times in their life, compared to 1.7% in the U.S.⁵

YOUNG ADULT



of ND college students report use of **other illegal drugs** in the past year (heroin, inhalants, synthetic drugs, etc.).¹⁴

ADULT



of ND adults (age 18 and older) report **using illicit drugs** (other than marijuana) in the past month.⁷



North Dakota has taken steps to decrease access of methamphetamine such as restrictions on sales of products used to manufacture the drug and increased enforcement.

The majority of ND community members

68.9% believe it is difficult to access methamphetamine.

An increase from **62%** in 2015.

When asked, **18.7%** of ND community members disagree with the statement,

“I know who to go to if I need help for myself or family member(s) who are abusing alcohol or other drugs.”



If you would like to know where to find help, visit:

behavioralhealth.nd.gov/addiction/service-locator

OTHER ILLICIT DRUGS

The consequences of illicit drug use impact our families and communities.



Nearly **15%** of the **total arrests** in 2019 were for **drug/narcotic violations.**¹¹

The most common drug types seized in drug/narcotic violations are¹¹



Up to 3 drug types may be selected for each incident

94.6%

of women and

84.7%

of men

entering ND

correctional facilities have an active

substance use disorder diagnosis.¹⁸



667 individuals

received services at one of the three

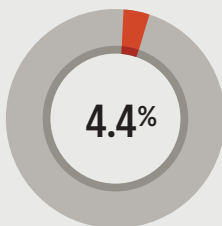
authorized Syringe Service Programs

in the state from January 1, 2020 and June 30, 2020.

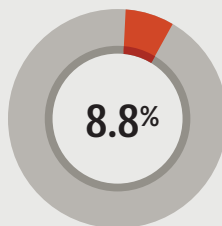


↑ This is a 60% increase in participants compared to the same time frame in 2019.³⁷

Syringe service programs are an important component to both disease prevention and connecting people to services. In North Dakota during the same six months, there were **192 referrals** to substance use treatment centers as a result of Syringe Service Programs.



of **youth** (age 12-17) had a substance use disorder in the past year.⁷



of **adults** (18+) had a substance use disorder in the past year.⁷

Substance Use Disorder (SUD): Individuals with alcohol or illicit drug dependence or abuse are defined as having SUD. The questions used to measure dependence and abuse are based on criteria in the fourth edition of the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV).

SUICIDE

Suicide rates in North Dakota have increased more than any other state.



North Dakota's suicide rate **increased** more than any other state, rising 58% from 1999 to 2020 (CDC, 2018).



ND's rate is consistently **higher** than the national average, taking 154 lives in 2017. This is **1 person every 57 hours** (AFSP, 2019).



It remains the **second** leading cause of death for ND ages 15-34 (NDDoH, 2020).

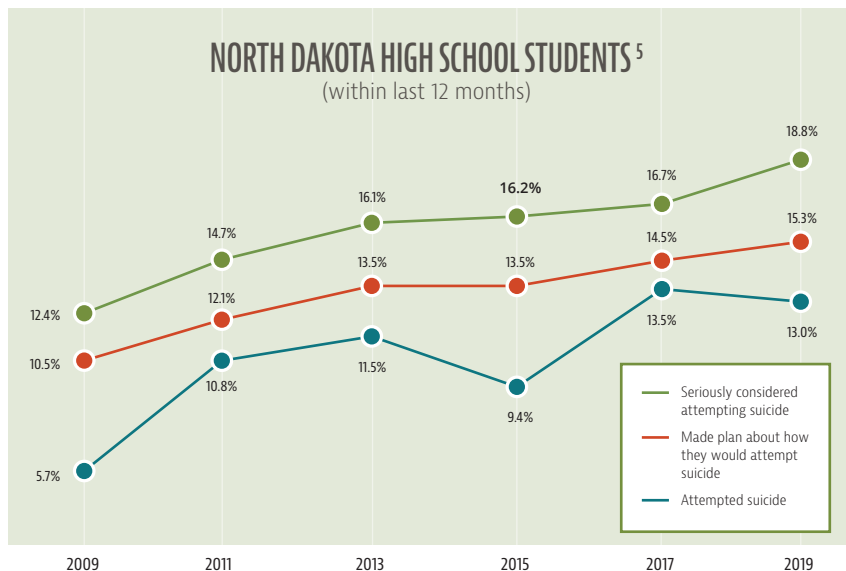
If someone you know is struggling emotionally or having a hard time, you can be the difference in getting them the help they need. It's important to take care of yourself when you are supporting someone through a difficult time, as this may stir up difficult emotions. If it does, please reach out for support yourself.

There is hope. Most people who struggle with thoughts of suicide get better. Help and hope begins with talking about it.

The National Suicide Prevention Lifeline provides 24/7, free and confidential support for people in distress and prevention and crisis resources for you or your loved one.

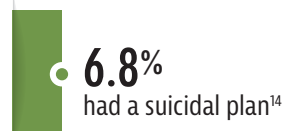
Call 1-800-273-TALK (8255).

YOUTH



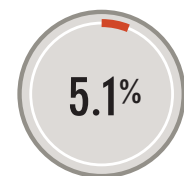
YOUNG ADULT

ND College Students



ADULT

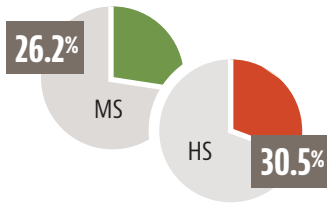
ND Adults (Age 18 and Older)



had serious thoughts of suicide in the past year.⁵

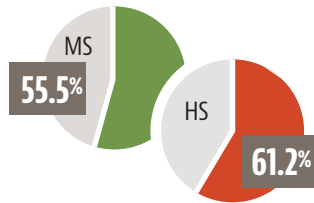
MENTAL ILLNESS

Mental illness is a growing concern for North Dakota youth and adults.



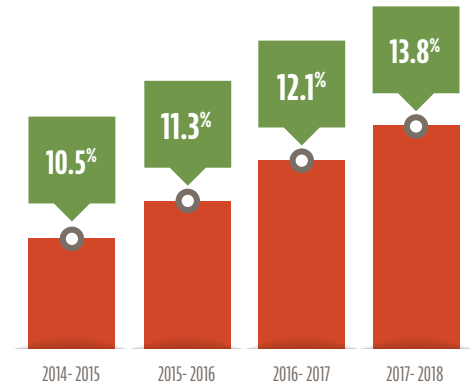
26.2% of ND middle school and 30.5% of ND high school students reported feeling sad or hopeless.⁵

(almost every day for >=2 weeks in a row so that they stopped doing some usual activities, ever during the 12 months before the survey)



55.5% of ND middle school and 61.2% of ND high school students reported their mental health was not good.⁵

(including stress, depression, and problems with emotions, on at least 1 day during the 30 days before the survey)



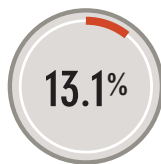
Major depressive episode in the past year, among ND youth age 12-17.⁷

ND College Students

In the past two weeks nearly every day:

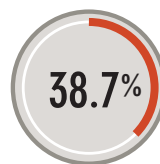


felt down and depressed.¹⁴



felt nervous, anxious, or on edge.¹⁴

In the past month nearly every day:



could not cope with things to do (fairly or very often).¹⁴



felt mentally exhausted.¹⁴

In the past year,  365

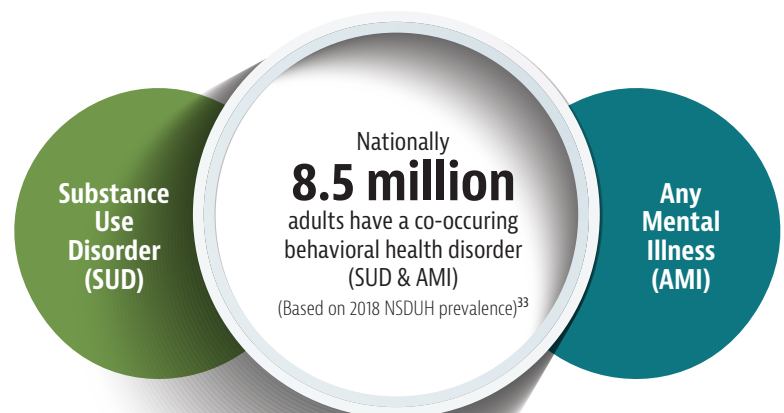
19.1% | 111,377* ND adults (18+) have **Any Mental Illness (AMI)**.⁷

Any Mental Illness (AMI) is defined as individuals having any mental, behavior, or emotional disorder in the past year that met DSM-IV criteria (excluding developmental and substance use disorders).

4.9% | 28,645* ND adults (18+) have **Serious Mental Illness (SMI)**.⁷

Serious Mental Illness (SMI) is defined as adults with any mental, behavior, or emotional disorder that substantially interfered with or limited one or more major life activities.

*The percentage to population comparisons were calculated to demonstrate the approximate number of people affected.



PREVENTION IS PROACTIVE

Prevention creates an environment that promotes health and well-being of individuals and communities, to prevent problems before they occur.

74%



of North Dakota adults believe that **prevention** is a good investment.⁸

Evidence-based prevention strategies decrease the likelihood of disease, suffering and death – saving lives and money.

Every dollar invested in evidence-based prevention strategies yields **\$64** in savings.¹



EFFECTIVE PREVENTION LOOKS LIKE...



Law enforcement implementing alcohol and tobacco compliance checks to enforce the laws related to youth access to substances.



Taking medication as prescribed and safely disposing of any unused or unwanted medication.



Parents and other adults engaging with the children in their life and role-modeling healthy behaviors.



Policy-makers having conversations about policy changes that can help support healthy communities.



Community coalitions being active in community efforts and promoting healthy and safe messages and activities.

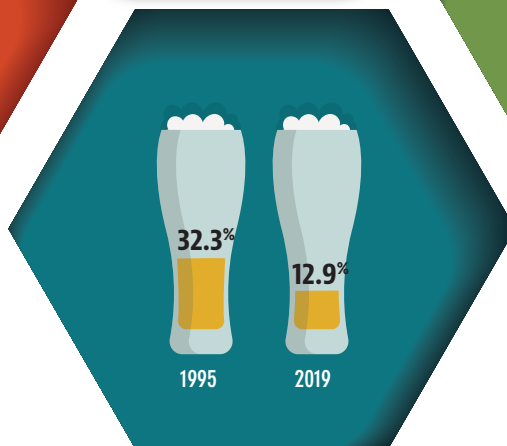
PREVENTION WORKS!

Years of implementing evidence-based prevention strategies has shown successful outcomes.

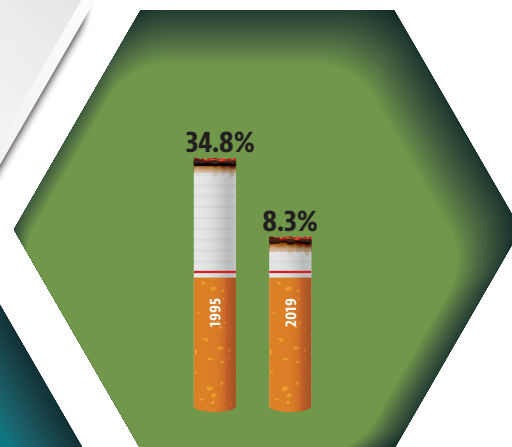
POSITIVE OUTCOMES OF PREVENTION



In nearly 20 years, current alcohol use among ND high school students has been cut in half (from 60.5% to 27.6%).⁵



The percentage of ND high school students who report having their first drink before age 13 has decreased from 32.3% in 1995 to 12.9% in 2019.⁵



The percentage of ND high school students reporting current cigarette use dropped from 34.8% in 1995 to 8.3% in 2019.⁵

GET INVOLVED!

Your community can work together to become a healthier, more vibrant place to live by investing time, energy and money in prevention. In fact, it is one of the best investments we can make in our state's future - creating safe and healthy individuals, families, businesses and communities.

Follow these steps to build a healthier community:



The North Dakota Department of Human Services' Behavioral Health Division has a team of prevention experts ready and willing to help communities get started with implementing effective prevention.



Request assistance from our training and technical assistance team.



Order or download free prevention materials.

Learn more at behavioralhealth.nd.gov/get-involved

PREVENTION CAMPAIGNS

Comprehensive communication is an important component of prevention. The Behavioral Health Division has developed three statewide programs/campaigns to address the statewide data-driven prevention priorities:

BEHAVIORAL HEALTH

61.2% of North Dakota high school students reported their mental health was not good.⁵

Parents Lead supports parents in promoting the behavioral health of their children by providing resources and materials based on four evidence-based parental behaviors:

- 1 Ongoing communication
- 2 Effective monitoring
- 3 Positive role-modeling
- 4 Support and engagement

PARENTS LEAD

For more information, visit www.parentslead.org or engage on social media.



BINGE DRINKING

1 in 3 North Dakota adults age 26 and older currently binge drink.⁷

Speak Volumes addresses adult binge drinking and related consequences through comprehensive messaging about binge drinking, standard drink sizes, and alcohol volume.

SPEAK VOLUMES

For more information, visit behavioralhealth.nd.gov/speakvolumes

OPIOID MISUSE

From 2013 to 2018, the number of opioid overdose deaths has more than tripled.³²

Every aspect of the opioid crisis requires great care. From understanding the risks and benefits of pain medications to knowing the signs of addiction, to recognizing an overdose and knowing how to help - there are ways all of us can care for each other and ourselves.

OPIOIDS

FILL *with* CARE

Learn more at behavioralhealth.nd.gov/opioids



Each campaign offers a wide variety of easy-to-access tools and resources designed to assist your community with local implementation. Materials and resources are free to order or download at prevention.nd.gov/materials

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#4758



Testimony to the House Appropriations Committee on HB 1380

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Kevin Ford – Chief Information Security Officer NDIT
2/02/2021

NORTH
Dakota
Be Legendary.™

The Threat is Huge

North Dakota receives over **2.1 Billion detected attacks per year**¹ from external threats including:

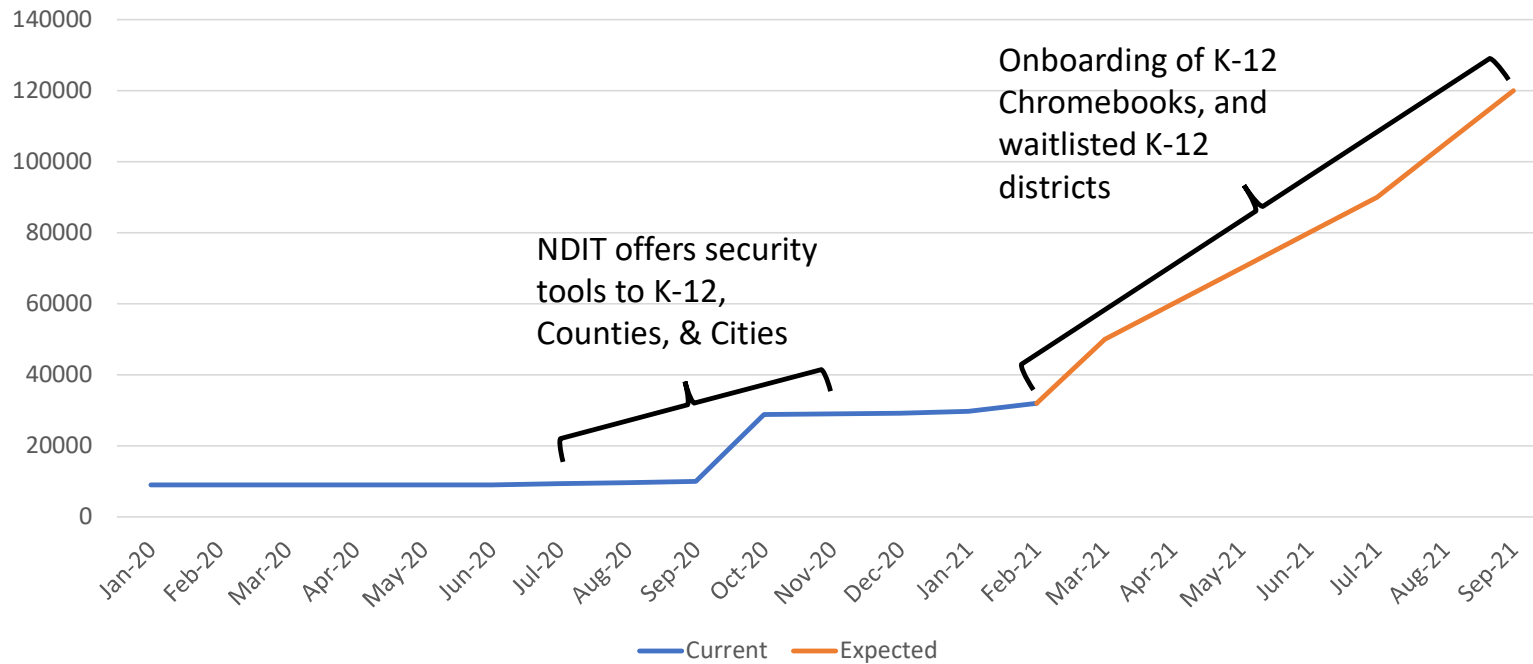
- Nation States,
 - China,
 - Russia,
 - Iran, &
 - North Korea;
- Corporate Espionage, and;
- Organized Crime Syndicates.



1. Based on ¼ Sampling of 2020 Firewall logs from June 2020, August 2020, October 2020, and Last 30 days (as of December 20, 2020)

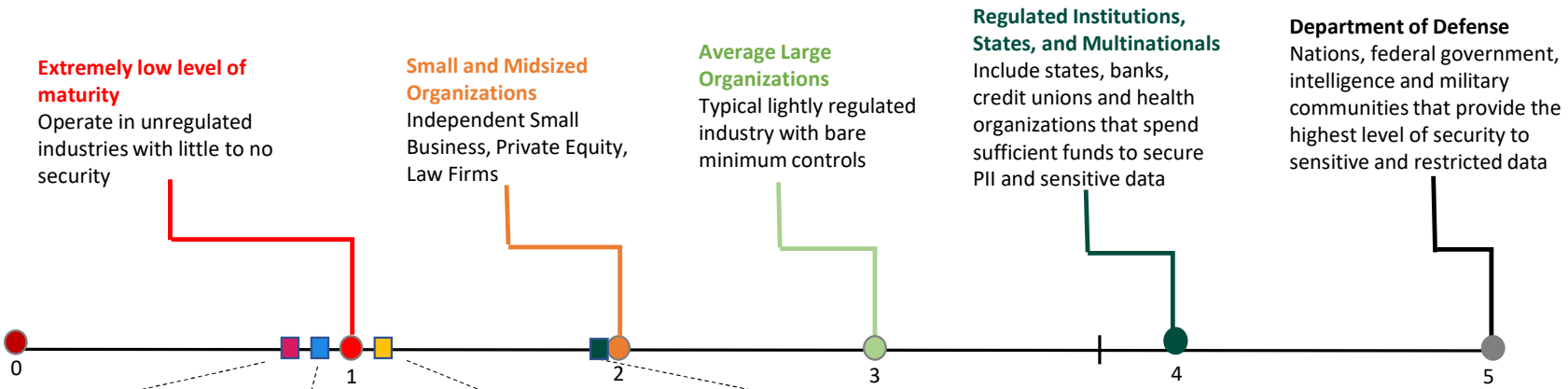
4x Expected Growth of Security Product Adoption

The total cost in tools and services for every County, City, and School District in North Dakota to obtain basic security functionality is **\$413,882,000¹** per Biennium.



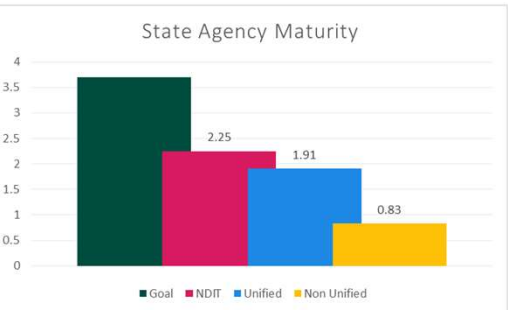
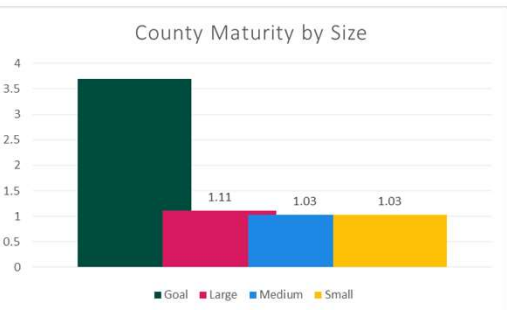
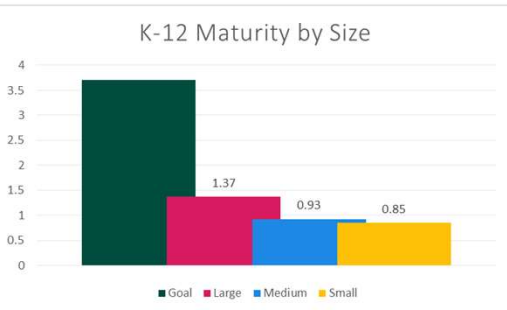
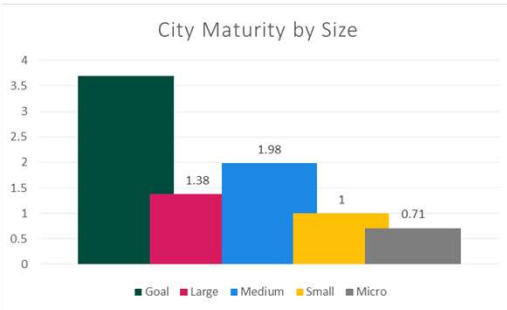
Based on Endpoint Detection and Response Toolset and Vulnerability Management Toolset quotes from 11/24/2020 for small government organizations (see Appendix) and industry average Security Analysts per endpoint from: Osterman Research - The Evolving State of Network Security, 2018, Cited by InfoSecurity group (September 2018). <https://www.infosecurity-magazine.com/news/security-staffing-low-in-midsized/>

Cyber Risk in North Dakota



Goal 3.7

■ **Cities - 0.76** (97 Reporting Cities)
■ **K12 - 0.97** (104 Reporting K12)
■ **Counties - 1.05** (29 Reporting Counties)
■ **State Agencies - 1.91** (ND. Gov.)



Testimony in Support of HB 1380
House Appropriations
Chairman: Representative Jeff Delzer
February 2, 2021

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter Inc. (BSI),
701-730-2734, dmadler@beyondshelterinc.com, Lobbyist #30

Chairman Delzer and members of the House Appropriations Committee, my name is Dan Madler, I live in ND District 27 and I am the CEO of Beyond Shelter, Inc. (BSI), a mission driven North Dakota nonprofit developer of affordable housing. I would like to express my support for House Bill 1380 and the allocation for the Housing Incentive Fund (HIF) under Section 6.5.m. page 5 line 30.

Let's move the needle and Invest in things that work, and the Housing Incentive Fund works:

- It is a great tool for Community and Economic Development (BSI numbers from the last biennium \$2.96M HIF allocation = 139 HIF Homes will be created in the communities of West Fargo and Minot, Year 1 Impacts = \$10.15M in local income and 210 local jobs, annually recurring Impacts = \$3M in local income and supports 53 local jobs)
- It provides a positive return on investment (for example, from the last biennium for every \$1 of HIF awarded to an affordable housing project developed by BSI, it will produce \$10.98 in long-term affordable housing assets serving West Fargo and Minot.
- It strengthens local North Dakota communities as the lack of affordable housing can hold back local, regional, and state economies
- It supports an increase in the availability of affordable housing options within North Dakota communities, which is essential to attracting, retaining, and developing a diverse, productive workforce and which allows North Dakota communities to be competitive
- Investing in Affordable Housing is foundational as it is connected to other outcomes (i.e. health, education, employment, childcare, transportation, wealth creation, public safety – these are all inter-related and without Housing, nothing else works. Housing Matters.)

The data and evidence is clear, the need for HIF is absolute:

- From the recently released NDHFA report “The Current State of Housing in North Dakota.” Per page 13, it is estimated that there is a shortage of 13,000 affordable rental units for Extremely-Low-Income households (ELI). Note and ELI household is one that earns 30% of the Area Median Income or less

(i.e. in Fargo, where I live, a 1-person HH would be ELI if they earn \$9.00 an hour or less or \$18,780 per year or less) Also, if you produced 300 ELI affordable units per year, it would take you 43 plus-years to meet the current need.

- Beyond Shelter's average 2020 vacancy rate was 4.80% among 786 affordable homes serving families and seniors in the communities of Burlington, Dickinson, Minot, and Fargo.
- Beyond Shelter's average 2020 vacancy rate was 2.21% among 407 affordable homes serving seniors in the communities of Dickinson, Minot, and Fargo.

Snapshot of who is served by an investment in the Housing Incentive Fund:

- BSI affordable senior homes in Fargo currently total 286. With 69% or 193 of the homes serving seniors who are ELI (Average income for a senior ELI household = \$17,500 per year or about \$8.41 per hour). The average rent paid = \$423 per month which includes all utilities paid except for electricity, which totals about 29% of the senior ELI household's income (i.e. this is affordable housing). Average age of the senior ELI household = 72.

In closing, I respectfully request your support for HB 1380 and the allocation for the Housing Incentive Fund (HIF) under Section 6.5.m. page 5 line 30. Let's move the needle.

Thank you for your time and consideration.



The Current State of Housing in North Dakota

A study of the affordability of single and multifamily housing, the impacts of COVID-19, and housing challenges faced by vulnerable populations in 2020

executive summary

The “Current State of Housing in North Dakota” is a study of the affordability of the state’s single and multifamily housing, the impacts of COVID-19, and housing challenges faced by vulnerable populations in 2020.

A home is considered to be affordable when 30 percent or less of earned income is spent on housing expenses. Households paying more than 30 percent are considered housing cost burdened. For some North Dakotans, a strong work ethic is not enough to be able to secure safe and affordable housing.

Access to Homeownership

- More than 60 percent of North Dakotans live in owner-occupied housing and, in recent years, have benefited from an above average increase in their median household value.
- Unfortunately, a tight purchase market coupled with only employees of the state’s top three industries being able to afford the most readily available homes and the cost of construction restricting the ability to list a home at an affordable price, makes it challenging for first-time buyers and households new to the market to buy a home in North Dakota.

Access to Multifamily Housing

- North Dakota’s renters are substantially more cost burdened than homeowners with 39 percent spending more than 30 percent of their income on housing expenses.
- The largest segment of the population works in the state’s fourth largest industry, Accommodations and Food services, earning minimum wage
- Failure to pay rent is the number one reason for eviction in North Dakota and such judgments are increasing.

COVID-19 Impact & Vulnerable Populations

- Prior to COVID-19, 1 in 10 North Dakotans were living below the poverty level.
- The state’s aging population and individuals with disabilities need accessible and affordable housing to maintain their independence.
- Depending on the crime(s) committed, justice involved individuals face state and federal regulations further limiting their housing options.
- Youth living in poverty and in foster care have elevated risk of experiencing behavioral, social and emotional health challenges.
- Native Americans, the state’s largest minority population, face complex housing barriers.

The "Current State of Housing in North Dakota" is a snapshot of the housing availability and affordability across the state. Data was gathered from 2018 to 2020 and used state, federal, academic and association sources to provide an unbiased study.

The study is segmented into the following categories:

- Homeownership Overview
- Rental Housing Overview
- COVID-19 Impacts on Housing Stability
- Housing Vulnerable Populations

Thank you to all of the state agencies and associations that contributed to the study.

TERMINOLOGY GUIDE

AMI

Area Median Income is the midpoint of a region's income distribution – half of the households in a region earn more than the median and half earn less. These local limits help identify eligibility and affordability based on specific locations.

ELI

Extremely Low Income, earning at or below 30% of area median income (AMI).

Housing Cost Burden

Spending 30% or more of household income on housing and utilities.

HIF

Housing Incentive Fund is a state-funded, gap financing program leveraged for multifamily housing construction and rehabilitation in urban and rural communities.

Tax Credits

Federal government tax credit programs encouraging the investment of private equity for developing affordable rental housing for low-income and very low-income households.

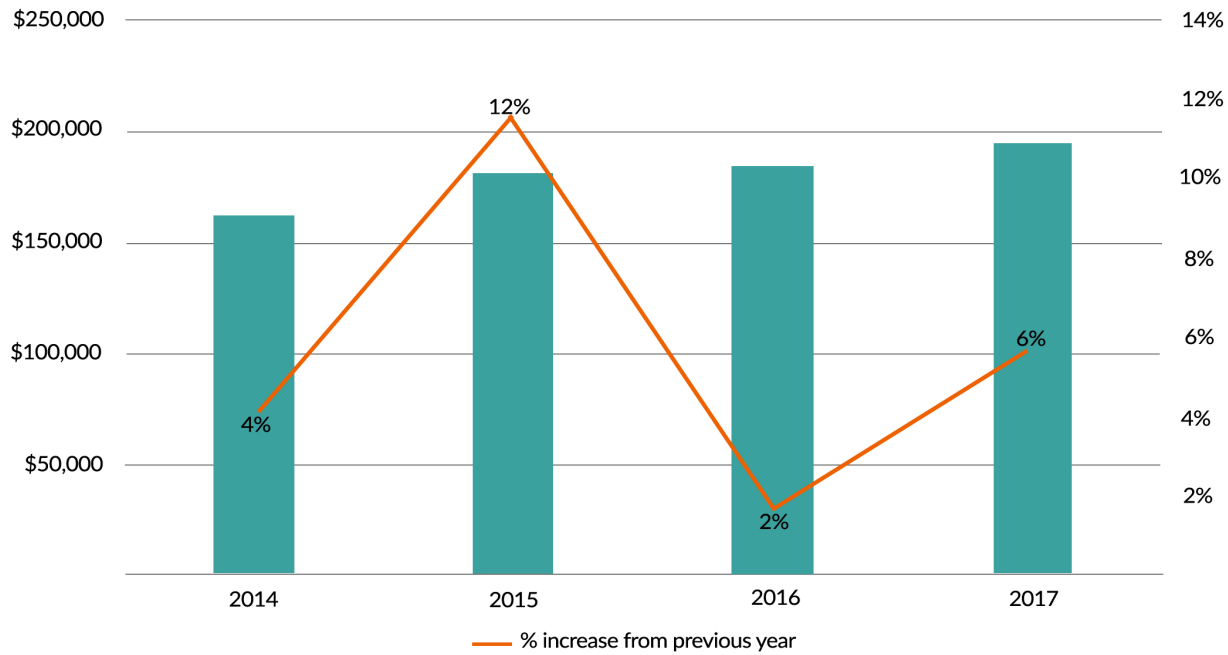
Severe Housing Cost Burden

Spending 50% or more of household income on housing and utilities.

homeownership overview

Approximately 61.3 percent of North Dakotans live in owner-occupied housing, totaling 198,411 housing units across the state. The ability to own a home is an indicator of a strong financial future for the homeowner, and urban and rural communities. Home values generally increase 3 to 4 percent every year due to inflation and natural population growth. From 2014-2018, homeowners averaged a 22.8 percent increase in their median household value.¹

Median Household Value Increase from Previous Year¹



A tight housing market and steadily increasing home values are preventing many of the state's current and future residents from being able to afford a home. According to the 2018 Census, North Dakota's homeowner vacancy rate was 1.5 percent.¹ To help understand how many houses are on the market, Zillow.com listed slightly more than 3,033 homes for sale in the state as of Sept. 1, 2020.*

¹American Community Survey One Year Estimates, TableDP04

*When evaluating single family homes on the market, research focused on single-family housing, townhomes and condos. Across the state, there are less than 100 mobile homes listed on Zillow.com for sale. According to the Federal Housing Administration, a mobile home must have a permanent foundation to be considered a permanent dwelling. Because it could not be determined which mobile homes listed on Realtor.com homes had foundations, mobile homes were not included in the analysis.

The seven largest housing markets had a total of 1,674 detached single-family homes, townhomes and condos listed for sale on Realtor.com on Sept. 1, 2020. Of the listed homes, 14 percent were under \$199,999; 30 percent were \$200,000 to \$299,999; and 56 percent were listed for more than \$300,000.²

Housing options are limited for individuals and families wanting to purchase a home under \$200,000, especially if they desire a traditional single-family home and are not interested in a townhome or condo. Within the seven largest markets, there were 510 options within the \$200,000 to \$299,999 range. If a household can afford a mortgage over \$300,000, almost double the options were available.



**Breakdown of Housing on the Market by Sale Price ²
(9/1/2020)**



² Realtor.com, September 1, 2020

Number of Homes for Sale by Largest Housing Markets ²

Location	Single Family	Townhome/ Condo	\$100,000 - \$149,999		\$150,000 - \$199,999		\$200,000 - \$249,999		\$250,000 - \$299,999		\$300,000 - \$349,999		\$350,000 +	
			SF	All	SF	All	SF	All	SF	All	SF	All	SF	All
Bismarck/Mandan	243	116	2	20	6	20	16	49	30	47	37	52	152	171
Dickinson	146	15	5	5	9	10	28	34	26	29	23	28	55	55
Fargo/West Fargo	394	130	4	22	13	32	34	52	85	105	73	89	185	224
Grand Forks	153	44	8	21	9	23	26	26	25	27	23	30	62	70
Jamestown	68	1	5	5	13	13	14	15	13	13	5	5	18	18
Minot	154	42	11	17	19	30	21	33	25	33	22	23	56	60
Williston	159	9	4	4	7	8	18	22	22	25	28	28	80	81

^{*}Note SF is detached single-family homes and All is detached single-family homes, townhomes and condos. Pending sales were not counted.

² Realtor.com, September 1, 2020

While more than 80 percent of the state's population is employed, it is still challenging for many North Dakotans to be able to find an affordable house within their means. The following information is from Job Service of North Dakota's Labor Market Information Center, the top 10 industries in the state by total employment with a breakdown of average wages, affordable monthly housing costs and an affordable mortgage assumption.

Primary Industries by Number of Employees, Wages Earned and Affordable Housing Assumptions ³

Rank by Employment Numbers	Industry Sector	Average Hourly Wage	Average Weekly Wage	Average Annual Wage	30% of Their Income	Affordable Monthly Housing Costs	Affordable Mortgage Assumption
1	Healthcare and Social Assistance	\$24.95	\$998	\$51,896	\$15,569	\$1,297	\$240,000
2	Retail Trade	\$15.48	\$619	\$32,188	\$9,656	\$805	\$140,000
3	Education Services	\$21.62	\$865	\$44,980	\$13,494	\$1,125	\$205,000
4	Accommodation and Food Services	\$8.90	\$356	\$18,512	\$5,554	\$463	\$71,000
5	Manufacturing	\$26.93	\$1,077	\$56,004	\$16,801	\$1,400	\$260,500
6	Construction	\$30.53	\$1,221	\$63,492	\$19,048	\$1,587	\$298,000
7	Wholesale Trade	\$34.53	\$1,381	\$71,812	\$21,544	\$1,795	\$340,000
8	Public Administration	\$26.88	\$1,075	\$55,900	\$16,770	\$1,398	\$260,000
9	Mining, Quarrying, and Oil and Gas Extraction	\$55.38	\$2,215	\$115,180	\$34,554	\$2,880	\$559,500
10	Transportation and Warehouse	\$31.93	\$1,277	\$66,404	\$19,921	\$1,660	\$313,000

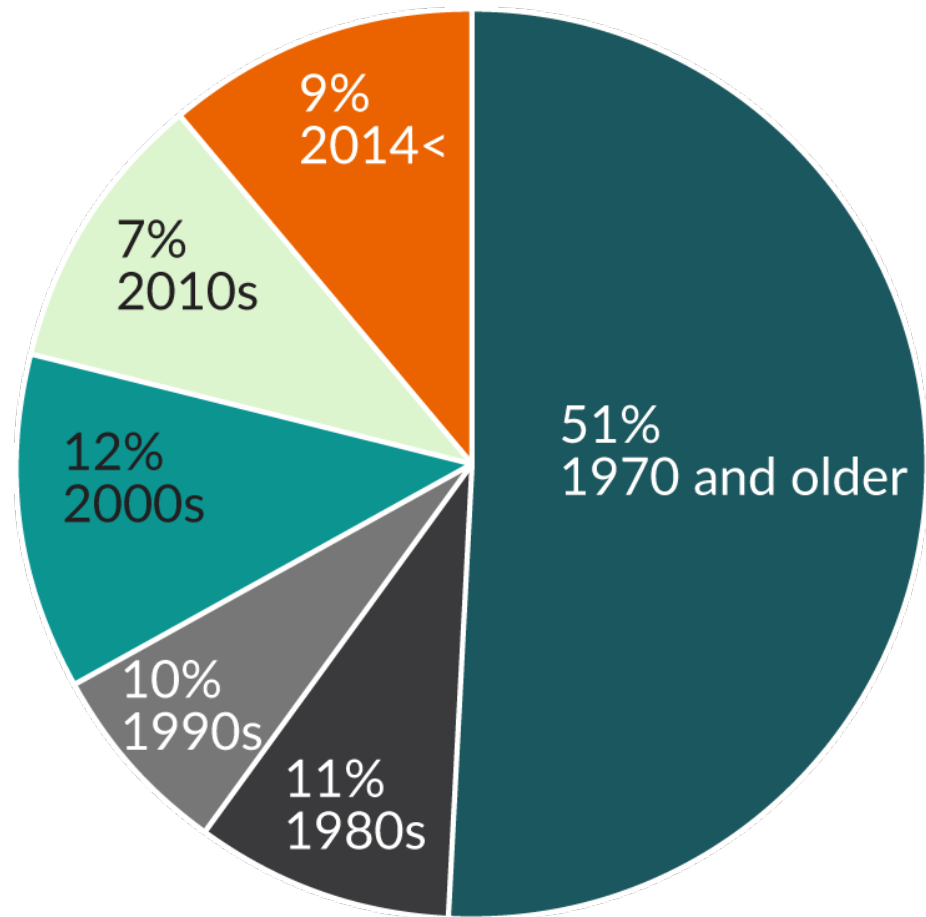
³ Labor Market Information Center, Job Service North Dakota, QCEW Unit, September 2020

*Note: Assumptions for mortgage affordability were based on the following criteria: 1) Bankrate.com mortgage calculator, 2) Monthly mortgage payments includes principal, interest, taxes and insurance, 3) 3% interest rate, 4) 3.5% down payment as recommended by the Federal Housing Administration, 5) Zero debt ratio, i.e. no vehicle, student loan or credit card debt.

Impacting accessibility and desirability is the age of North Dakota's housing stock. More than 50 percent of the houses in the state were built before the 1970s. While the number of housing units lacking basic amenities is low, there are still 1,123 without adequate plumbing and 2,449 do not have a complete kitchen.⁴ Households must have the following functioning components to have a completed kitchen: kitchen sink; burners, cook stove or microwave oven; and a refrigerator. Adequate plumbing encompasses hot and cold running water, a tub or shower and a flushing toilet.


New construction is not alleviating North Dakota's tight housing market. The number of single-family housing building permits issued in 2019 was 1,790, 7 percent less than in 2018. As of June 2020, building permits issued were up 8 percent from the same time in 2019. Once all the necessary permits are secured, it takes approximately 8.2 months to construct a new house.⁵ Material, labor, land and utility costs for a new build restrict the ability to list a home for under \$250,000.

Year Housing Structures Built ⁴



⁴ American Community Survey One Year Estimates, Table CP04

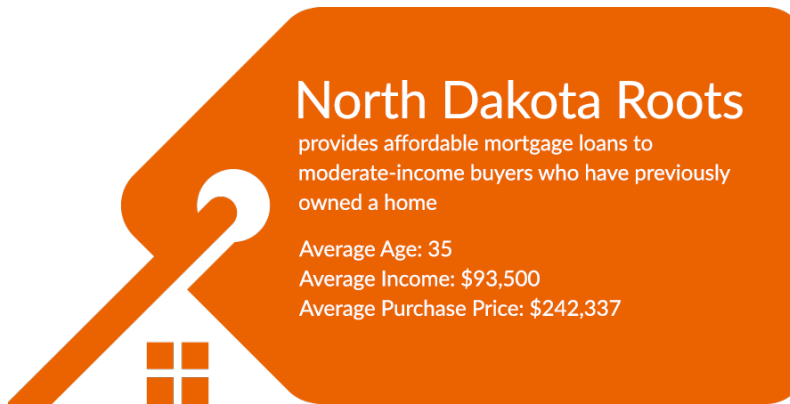
⁵ National Association of Home Builders, 2020



FirstHome™

provides affordable mortgage loans to low- to moderate-income first-time buyers

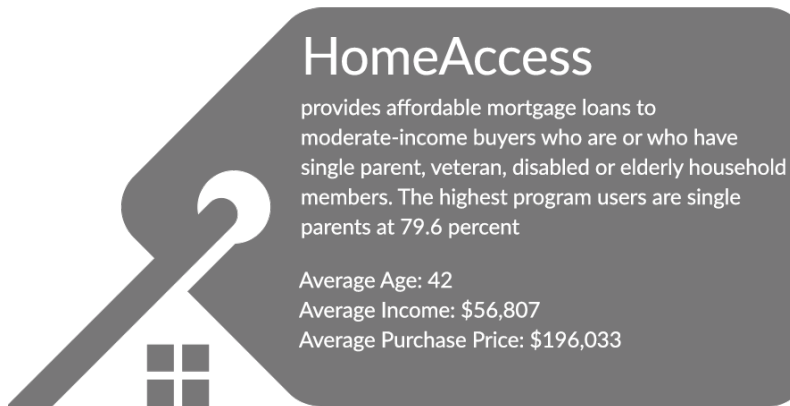
Average Age: 32
 Average Income: \$60,061
 Average Purchase Price: \$176,930



North Dakota Roots

provides affordable mortgage loans to moderate-income buyers who have previously owned a home

Average Age: 35
 Average Income: \$93,500
 Average Purchase Price: \$242,337



HomeAccess

provides affordable mortgage loans to moderate-income buyers who are or who have single parent, veteran, disabled or elderly household members. The highest program users are single parents at 79.6 percent

Average Age: 42
 Average Income: \$56,807
 Average Purchase Price: \$196,033

The North Dakota Housing Finance Agency (NDHFA) offers three affordable housing mortgage programs including down payment and closing cost assistance. Borrowers are qualified based on income, loan amount, family size, previous ownership status and personal identifiers such as veteran status, single parent, age and disability.

The following provides an overview of the typical NDHFA customer. Data for the private market will vary as those mortgage holders did not need to or did not qualify for the affordable housing parameters required for NDHFA's programs.

North Dakota is currently ranked first in the nation for homeowners that are housing stable. However, almost a third of this population faces economic hardships every month. Of the state's homeowners who have an active home mortgage, 17.5 percent are considered "housing cost burdened." Additionally, 10 percent of North Dakotans who own their home outright (i.e., no mortgage) are housing cost burdened, which means they pay more than 30 percent of their income for housing expenses which for them would include utilities, insurance and property taxes.¹ While the delinquency rate on NDHFA's mortgages is currently 3.61 percent compared to 4.78 percent in 2019, foreclosures have increased slightly from 0.66 percent in 2019 to 0.75 percent in 2020.⁶

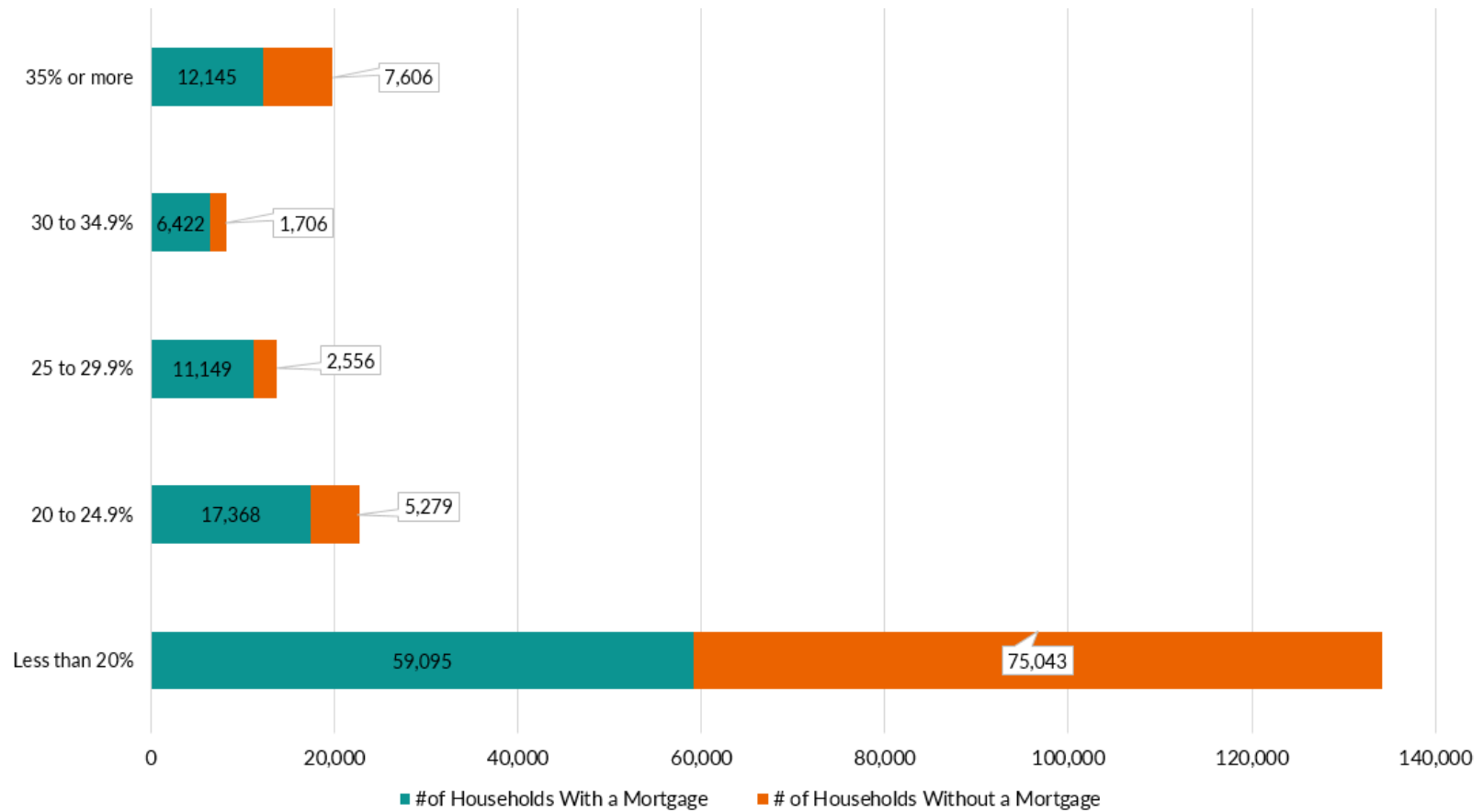


¹ American Community Survey One Year Estimates, Table DP04

⁶ North Dakota Housing Finance Agency, August 2020

In 2018, 14 percent of North Dakota homeowners, 27,879 households with and without a mortgage, paid more than 30 percent of their gross household income for housing expenses.

Percentages of Income Spent on Monthly Household Expenses ⁷



⁷American Community Survey One Year Estimates, Table B25091

rental housing overview

Even though North Dakota is ranked first in the country for having the lowest percentage of homeowners who are cost burdened, the rate of cost burden is much higher for North Dakota renters. In 2018, 39 percent of North Dakota's renters were spending more than 30 percent of their income on housing expenses.

In 2018, 30 percent of all North Dakota housing units were renter-occupied. These 113,486 units housed 37 percent of the state's population. Multifamily housing vacancy rates averaged 9.4 percent over the past five years. When the rental market is below 5 percent, monthly rental costs increase due to high demand. Once a market reaches 8 percent vacancy rate, rental costs are more stable and property owners are more willing to work with households.⁴

In North Dakota, the Fair Market Rent (FMR) as published by the U.S. Department of Housing and Urban Development (HUD), for a two-bedroom apartment is \$841. In order to afford this level of rent and utilities, without paying more than 30 percent of income on housing, a household must earn \$2,804 a month or \$33,647 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates to an hourly wage of \$16.18 per hour.⁸

FMR rates vary by county. The following page shows the 2020 breakdown by county and metro area for the state detailing the rate based on the number of bedrooms in the housing unit.



⁴ American Community Survey One Year Estimates, Table CP04

⁸ www.huduser.gov/portal/datasets/fmr/fmrs/FY2020_code/2020state_summary.odn

FY2020 North Dakota Fair Market Rates Local Area Summary ⁸

Area	Efficiency	Number of Bedrooms			
		1	2	3	4
Adams	\$609	\$627	\$714	\$1033	\$1254
Barnes	\$542	\$545	\$718	\$999	\$1017
Benson	\$609	\$627	\$714	\$890	\$1170
Billings	\$560	\$563	\$742	\$1070	\$1127
Bottineau	\$539	\$542	\$714	\$890	\$1120
Bowman	\$539	\$542	\$714	\$1007	\$1011
Burke	\$648	\$651	\$862	\$1080	\$1292
Bismarck Metro	\$694	\$698	\$892	\$1242	\$1475
Fargo Metro	\$555	\$678	\$834	\$1203	\$1494
Cavalier	\$609	\$627	\$714	\$1030	\$1085
Dickey	\$552	\$555	\$714	\$890	\$1174
Divide	\$539	\$542	\$714	\$1030	\$1085
Dunn	\$846	\$852	\$1127	\$1434	\$1980
Eddy	\$609	\$627	\$714	\$1030	\$1085
Emmons	\$579	\$583	\$714	\$1030	\$1085
Foster	\$609	\$627	\$714	\$1030	\$1085
Golden Valley	\$648	\$653	\$864	\$1089	\$1295
Grand Forks Metro	\$570	\$650	\$832	\$1200	\$1461
Grant	\$593	\$596	\$714	\$1030	\$1085
Griggs	\$539	\$542	\$714	\$1030	\$1085
Hettinger	\$560	\$563	\$742	\$1070	\$1127
Kidder	\$609	\$627	\$714	\$1030	\$1085
LaMoure	\$539	\$543	\$714	\$890	\$1171
Logan	\$609	\$627	\$714	\$955	\$1019
McHenry	\$609	\$627	\$714	\$994	\$1085
McIntosh	\$609	\$627	\$714	\$932	\$982

Area	Efficiency	Number of Bedrooms			
		1	2	3	4
McKenzie	\$778	\$784	\$1032	\$1286	\$1568
McLean	\$572	\$576	\$714	\$962	\$1104
Mercer	\$602	\$605	\$764	\$1102	\$1259
Morton	\$694	\$698	\$892	\$1242	\$1475
Mountrail	\$621	\$678	\$829	\$1037	\$1406
Nelson	\$609	\$627	\$714	\$1030	\$1085
Oliver Metro	\$689	\$693	\$887	\$1203	\$1442
Pembina	\$609	\$627	\$714	\$1012	\$1224
Pierce	\$539	\$542	\$714	\$890	\$1085
Ramsey	\$609	\$627	\$714	\$1030	\$1254
Ransom	\$539	\$542	\$714	\$948	\$1085
Renville	\$539	\$542	\$714	\$983	\$1254
Richland	\$539	\$542	\$714	\$1030	\$1098
Rolette	\$609	\$627	\$714	\$1030	\$1085
Sargent	\$601	\$605	\$714	\$1030	\$1150
Sheridan	\$560	\$563	\$742	\$1070	\$1127
Sioux Metro	\$539	\$542	\$714	\$890	\$1108
Slope	\$560	\$563	\$742	\$1070	\$1127
Stark	\$694	\$699	\$920	\$1242	\$1246
Steele	\$539	\$542	\$714	\$1030	\$1085
Stutsman	\$539	\$542	\$714	\$985	\$1058
Towner	\$578	\$582	\$714	\$1030	\$1085
Traill	\$499	\$589	\$714	\$1030	\$1254
Walsh	\$591	\$594	\$714	\$932	\$1035
Ward	\$629	\$747	\$972	\$1404	\$1706
Wells	\$609	\$627	\$714	\$1000	\$1143
Williams	\$592	\$695	\$909	\$1227	\$1231

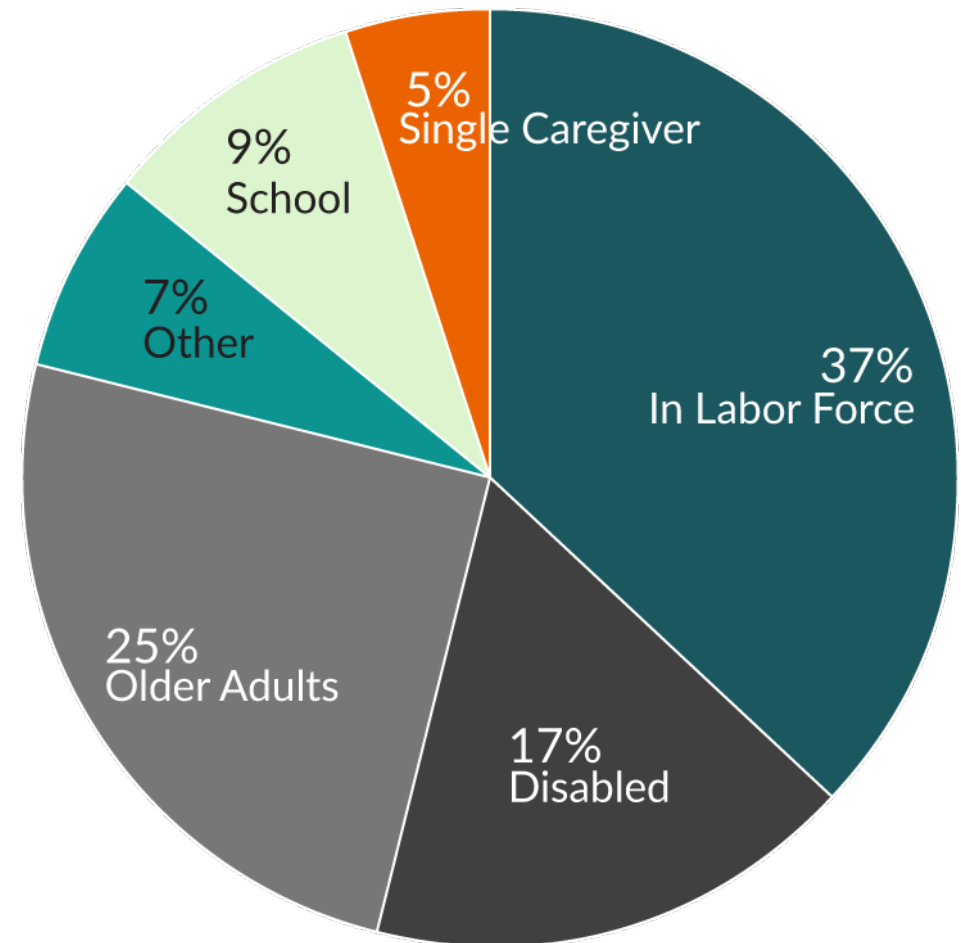
⁸ www.huduser.gov/portal/datasets/fmr/fmrs/FY2020_code/2020state_summary.odn

For 3 percent of the renters across the state, FMR rents will never be affordable. Currently, there are 26,485 renter households that are considered extremely low income (ELI), and 37 percent are in the labor force. Physical abilities and age are factors impacting an ELI renter's ability to earn a higher income or work full-time.⁹

The average renter's wage is \$17.12 per hour and is not considered housing cost burdened if they can find the average FMR two-bedroom apartment for \$841 per month. However, for renters earning minimum wage, or \$7.25 per hour, they would have to work 89 hours per week to afford that same apartment. The majority of residents earning minimum wage are employed in North Dakota's fourth largest industry, Accommodations and Food Services.

Statewide, it is estimated that there is a shortage of 13,000 affordable rental units for ELI households, especially for households with larger families.¹⁰

Extremely Low Income Renter Households⁹



89

Work Hours Per Week at Minimum Wage to Afford a 2-Bedroom Rental Home (at FMR)

71

Work Hours Per Week at Minimum Wage to Afford a 1-Bedroom Rental Home (at FMR)

2.2

Number of Full-Time Jobs at Minimum Wage to Afford a 2-Bedroom Rental Home (at FMR)

1.8

Number of Full-Time Jobs at Minimum Wage to Afford a 1-Bedroom Rental Home (at FMR)

⁹National Low Income Housing Coalition

¹⁰Out of Reach 2020: North Dakota

Over the past five years, monetary judgments consisted of 86 percent of all eviction judgments. Five counties accounted for 79 percent of all evictions in 2018; these same counties contain 68 percent of the state's occupied rental units.

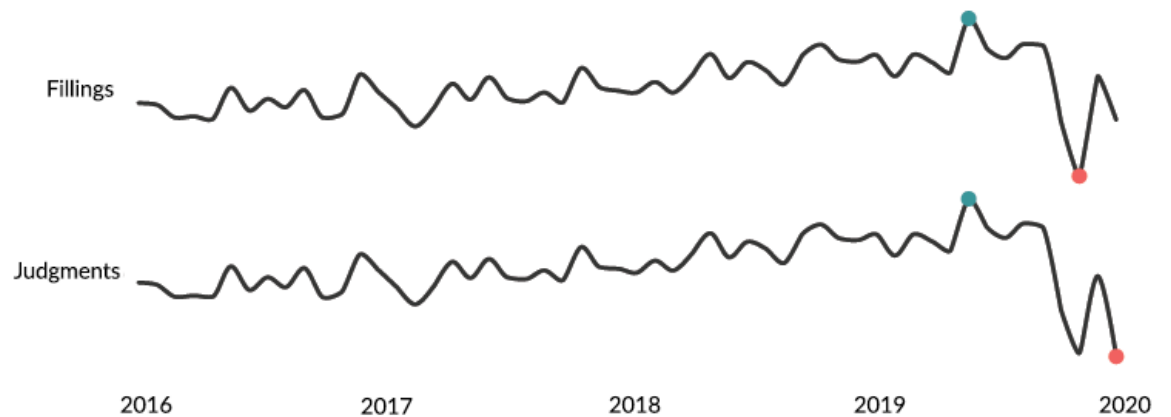
The number of eviction judgments in North Dakota have increased by 15 percent year over year since 2016. If a property manager uses the court to evict a tenant and obtains a judgment, the resulting judgment is placed on the individual's credit report. The judgment and credit report can negatively impact housing stability for up to seven years and hinder their ability to be approved for a credit card or loan.

Beginning in April 2020, state and federal moratoriums were put in place because of a new coronavirus (COVID-19) significantly decreased North Dakota's eviction numbers.

Highest Eviction Counties ¹¹

County	Evictions	Rental Units
Cass	609	34,998
Williams	260	6,394
Ward	232	10,996
Burleigh	162	12,456
Grand Forks	117	15,540

Evictions Trended Upward Until COVID Decline ¹¹



¹¹ North Dakota Eviction Data, North Dakota Supreme Court, January 2016-June 2020

covid-19 impacts on housing stability

Impacts of COVID-19 were felt across the state in 2020. The first was the loss of employment in many industries. The chart below depicts these losses in relation to the number of initial and continued unemployment claims.



To ensure that renters impacted by job loss and reduced hours remained housing stable, the state of North Dakota created the Emergency Rent Bridge (ERB). Administered by the Department of Human Services (DHS), the program assists income-qualified residents with limited resources who are experiencing economic hardship by making rent payments directly to the property owner. As of September 2020, payments were issued for 539 rental households. The average payment amount was \$601.85 with more than \$1.1 million dispersed among 17 counties.¹³

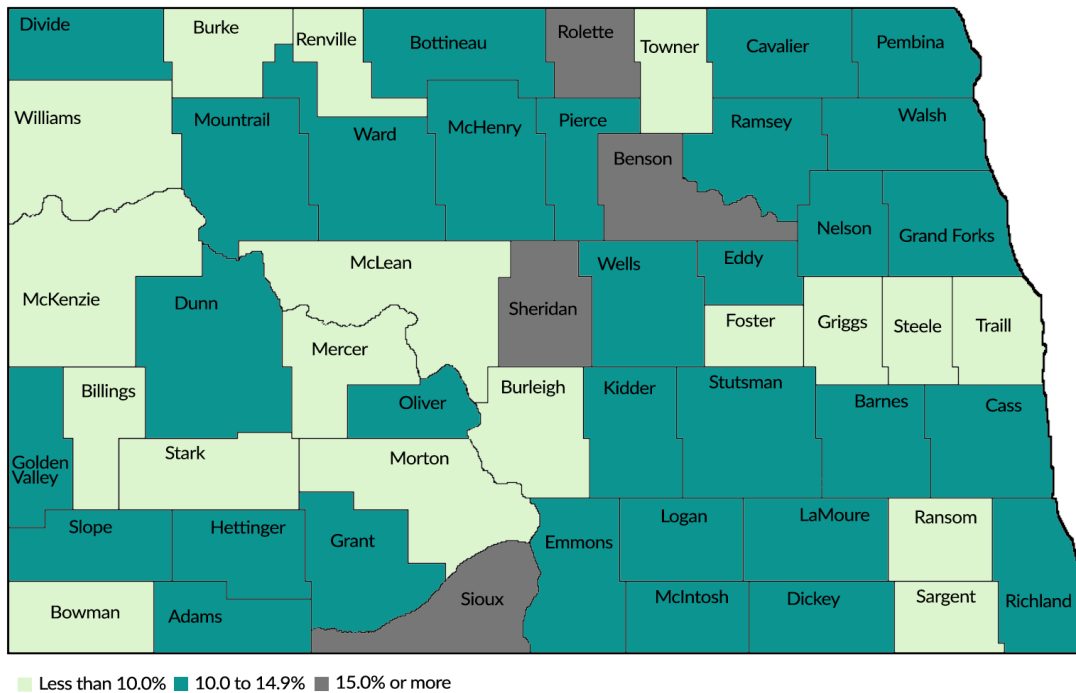
The Centers for Disease Control and Prevention (CDC) states socioeconomic and environmental factors such as poverty, housing instability, food insecurity and lack of access to healthcare, medical insurance and transportation further compound the livelihood and well-being of households living in poverty during the pandemic. Prior to COVID-19, 1 in 10 people in North Dakota were considered to live below the poverty level, based on income threshold, family size and changes in the cost of living. By county, poverty rates in the state range from 6.5 percent in Williams County to 32.9 percent in Sioux County with eight counties having a poverty range above the national average of 13.1 percent.¹⁴

¹² Job Service North Dakota, September 2020

¹³ North Dakota Human Services, September 2020

¹⁴ Individuals below the poverty line, Rank by Counties, North Dakota, 2018

Individuals Below the Poverty Level Prior to COVID-19 ¹⁴



Disclaimer: The information contained in this section COVID-19 Impacts on Housing Stability was reported from March through September 2020. The evolving COVID-19 situation may impact North Dakotans' ability to pay future mortgages and rents.

* The HUD funded CoC program is designed to promote a community wide commitment to the goal of ending homelessness, providing funding for efforts to rehouse homeless individuals and families, promote access to and effective utilization of mainstream programs, and optimize self-sufficiency among individuals and families experiencing homelessness.

¹⁴ Individuals below the poverty line, Rank by Counties, North Dakota, 2018

¹⁵ North Dakota Continuum of Care, received September 2020

¹⁶ [Phase 1 Household Pulse Survey Data Tables](#)

¹⁷ [Phase 2 Household Pulse Survey Data Tables](#)

The agencies that comprise the North Dakota Continuum of Care (CoC)* together reported assisting 1,697 individuals at risk of homelessness or experiencing homelessness from March 21 to Sept. 1, 2020, the time of this study. Of the individuals assisted, 337 individuals or 22 percent of the total reported needing services specifically because of COVID-19 impacts. It is important to note that these numbers do not include non-CoC member service providers who also assist such individuals. ¹⁵

To provide greater understanding as to how citizens were withstanding COVID-19, the U.S. Census Bureau collaborated with multiple federal agencies to produce a Household Pulse Survey identifying self-reported social and economic effects. The survey collected insight from a randomly selected set of North Dakota households to gather insight on their employment status, food security, housing, physical and mental health, access to health care, education disruption, capacity to telework and travel practices.

Data was first collected on April 23, 2020. During that week, 38.9 percent of the state's represented population experienced a loss of employment income and 11.5 percent stated they had either missed March's rent or mortgage payment and had slight or no confidence that they would be able to make the next payment on time. After 12 weeks, loss of employment income had dropped to 21.5 percent of the population. However, concerns about housing insecurity had risen to 15.3 percent.¹⁶ During week 13 of the Household Pulse Survey, North Dakotans surveyed were asked about the likelihood of eviction or foreclosure. Renters and homeowners were lumped together with 33.4 percent concerned about losing their homes. Expected loss of income continued to trend downward at 18.2 percent.¹⁷

While Pulse Survey data has a higher-than-normal margin of error compared to traditional Census Bureau data due to sample size, collection methods, trends represented by Pulse Data are important to understand how residents are being impacted during COVID-19.

housing vulnerable populations

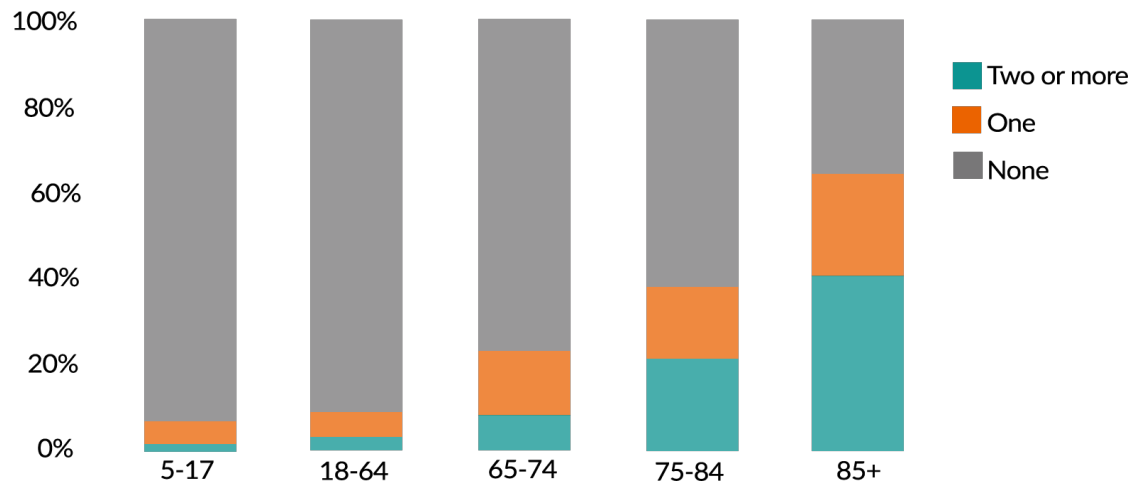
Having safe and well-maintained affordable housing can be transformative for low- to moderate-income households. Yet, there are harder to house individuals that need customized approaches to ensure that everyone can have access to a home.

Older Adults and People with Physical Disabilities

More than three-fourths of North Dakotans age 65 or older live in a single-family home. Between age 65 and 85, the likelihood of developing at least one health-related disabling condition increases significantly; more than 65 percent of individuals age 85 or older have a disabling condition.

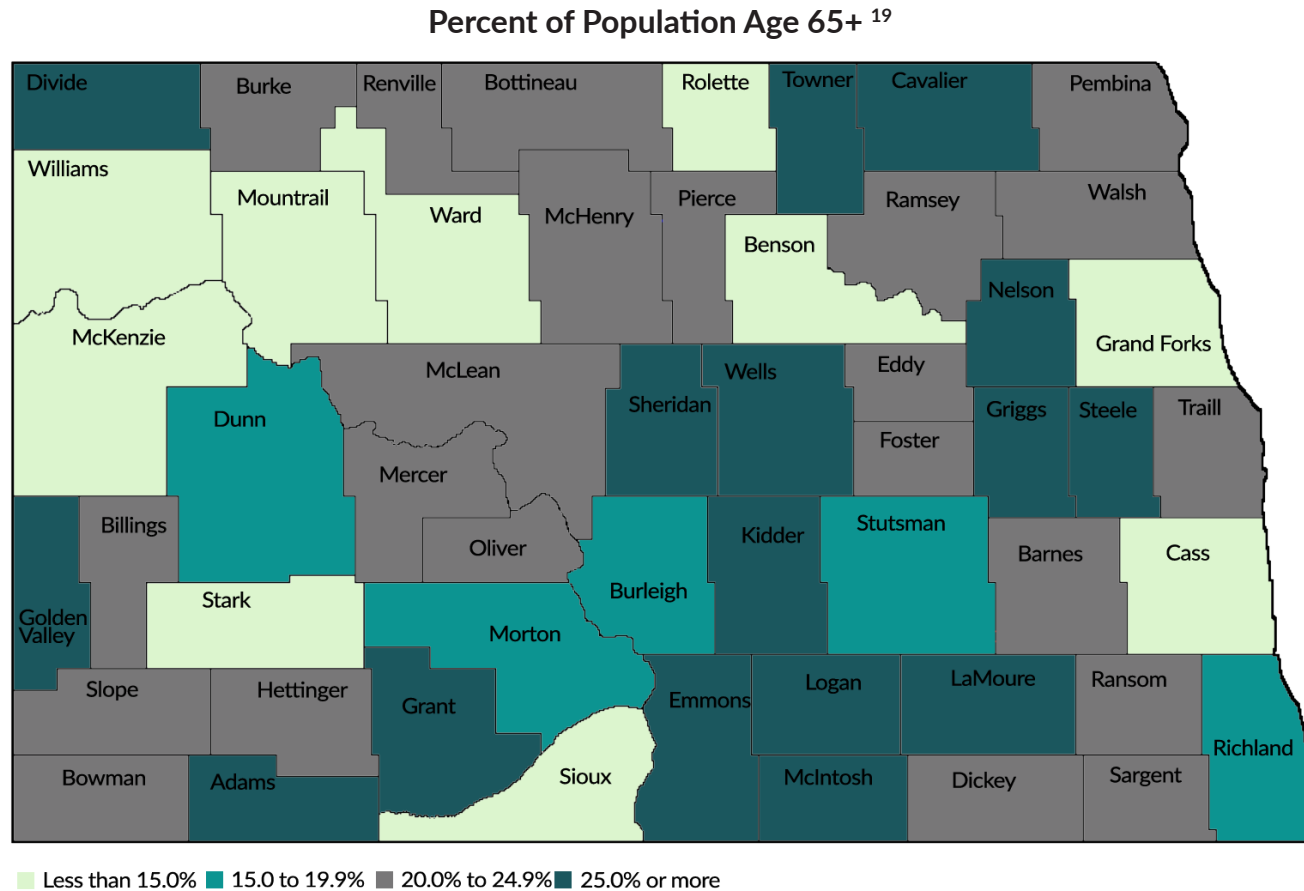
This change in personal health often necessitates a change in thinking about housing needs, causing the person to ask questions about accessibility of their current home, as well as how they might be able to access the supportive services they need to appropriately accommodate their health status.

Individuals by Detailed Age and Number of Disabilities ¹⁸



¹⁸ Individuals by Detailed Age and Number of Disabilities, downloaded from ndcompass.org on 9/20/2020

North Dakota ranks seventh in the nation for the highest proportion of individuals age 85 years and older. Across the state 18 counties have 25 percent of their population as 65 years and older. The four counties with the oldest populations are Sheridan, McIntosh, Grant and Griggs.¹⁹

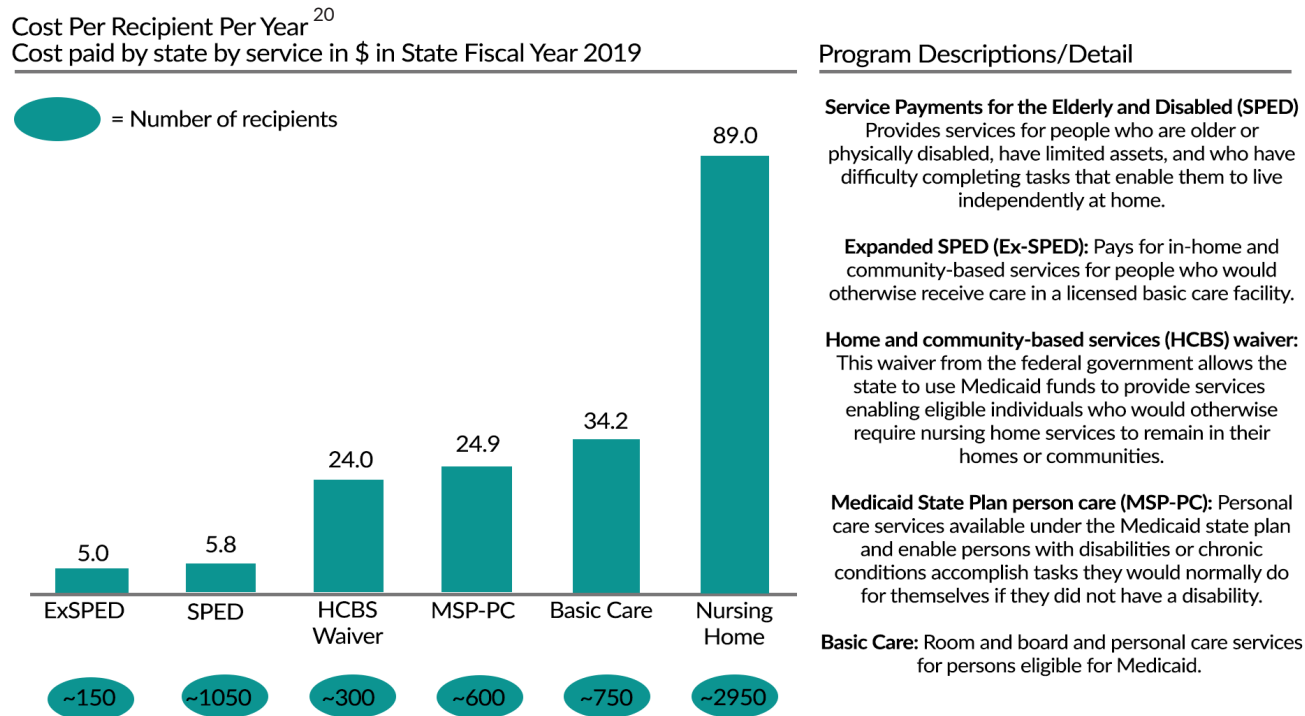


Based on the size of the state’s aging population, it is anticipated that 50 percent of North Dakotans will need to seek some type of service-enhanced living arrangement in their lifetime. This may include facility-based care, like a skilled nursing facility or basic care; an age-segregated living community, like assisted living or housing designated for older adults; or some type of supportive service delivered in a person’s home, whether they live in a rental housing unit or a single-family home.

¹⁹ Percent of Population Age 65+ 2019, downloaded from ndcompass.org on 9/13/2020

How people access and pay for the services they need to continue living independently will vary based on their household income and the type of care needed. For lower income North Dakotans who have limited assets, Medicaid may help pay for all or a portion of either the cost of home- and community-based services or facility-based care. Understanding how services are delivered and paid for is an important part of understanding the housing needs and options provided for older adults and people with disabilities.

The graphic below shows the average per person cost of various types of Medicaid-funded long-term care.



Home- and community-based services, including the state-funded Service Payments for Elderly and Disabled (SPED and ExSPED), Medicaid waiver-defined services (HCBS Waiver) and Medicaid-funded Personal Care (MSP-PC), can be delivered in a variety of home settings at much lower cost than facility-based care (basic care and nursing home).

In 2019, half of the approximately 5,800 older adults or people with physical disabilities who were receiving long-term care of some kind, were utilizing nursing home care at an average cost to ND Medicaid of \$89,000 per person per year.²⁰

²⁰ North Dakota Department of Human Services Data received, September 2020

While the general housing market has a healthy vacancy rate, rental housing specifically set aside for older adults tends to have a vacancy rate between 0 and 2 percent. Community building codes require new construction projects to comply with Americans with Disabilities Act (ADA) requirements, however, older housing which tends to be more affordable, may not be ADA compliant and therefore not accessible to many individuals.

For people to be able to choose where and how they live, it is also important to understand North Dakota's housing inventory in terms of accessibility features. Having access to housing that is designed to meet people's changing physical needs allows greater personal choice in how support services are received (i.e., in a person's own home or in a facility).



Justice Involved Adults and Youth

The Department of Corrections and Rehabilitation (DOCR) works with justice involved residents in urban and rural that have an active case. While no inmate is released into homelessness, there are situational circumstances, such as overcrowded housing, employment insecurity and treatment needs that make it difficult for many individuals to remain steadily housed. The Total Active Homeless adults on supervision in the community on July 14, 2020, totaled 269. The largest group was males ages 25-34 in the communities of Fargo and Bismarck.²¹

People who have committed a sex offense only represent 7 percent of the homeless population, however, individuals with this felony charge have the most difficulty securing housing. To date, DOCR supervises 638 people convicted of sexual offenses. Due to their criminal history and needing to register as a person who has committed a sex offense, federal regulations ban these individuals from public housing or vouchers for subsidized housing. Additionally, homeless shelters in North Dakota do not accept people who have committed a sex offense and hotels, which are often used as transitional living facilities, do not allow people on the high-risk sex offense registry.²¹

People designated as high-risk on the registry and people who have committed violent offenses are excluded from major rental companies and must therefore find options from private individuals with rental housing; however, most will only rent to low- or moderate-risk offenders. State and federal regulations restrict proximity to schools and victims, and other community residents may also hinder where such individuals can reside. Local nonprofits provide short-term solutions; however, limited resources typically prohibits the establishment of a more stable housing placement.

Without housing for people who have committed a sex offense, specifically those who are considered high-risk and violent increases the likelihood of them becoming homeless.

At-Risk Youth

In 2018, more than 17,000 children ages 0-17 years old lived in poverty. Poverty elevates a child's risk of experiencing behavioral, social and emotional health challenges. Family income is only one factor of financial security; the cost of basic expenses also matters. Housing is typically one the largest expenses for families, and 31,000 children are living in households with a high housing cost burden. The risk of losing housing or becoming homeless can impact a child's education, health, sense of safety and overall development. The number of school-age homeless children in 2018 was 2,559 or 2 percent. The North Dakota Department of Public Instruction, homeless liaisons worked with 2,658 homeless and at risk of homelessness youth during the 2019-2020 academic year.^{22,23}

Young adults, ages 18-24 years old, are among the highest for any age group. Reasons for increased poverty is likely due to the fact that many young adults move out of their childhood home, are less eligible for public benefits and work in the lowest wage job sector. Data from 2014 to 2018 documented 67.5 percent of individuals ages 16 to 24 as employed, totaling more than 71,000. In 2018, 27 percent of the state's young adults, or 19,000 were living in poverty. The share of young adults in full-time university and college programs and poverty has increased but have always been considered more of a poverty-prone group.²²

North Dakota youth in the foster care system face additional challenges including higher rates of incarceration, early parenting, homelessness, unemployment and lack of access to mental and physical health care. In 2019, there were 2,538 youth in the state foster care system, a 33 percent increase from 2010. Every year, approximately 1,000 youth leave through reunification with family, adoption or aging out of the system. Over the past decade, DHS has tracked 17-year-old foster youth who are aging out of the foster care system and then follows up with them at ages 19 and 21. At one point, 40 percent of the respondents stated they had experienced homelessness and had to live in their car, on the street or in a homeless or temporary shelter, despite over 60 percent stating that they were employed.²⁰

²⁰ North Dakota Department of Human Services data received September 2020

²¹ North Dakota Department of Corrections and Rehabilitation, received July 2020

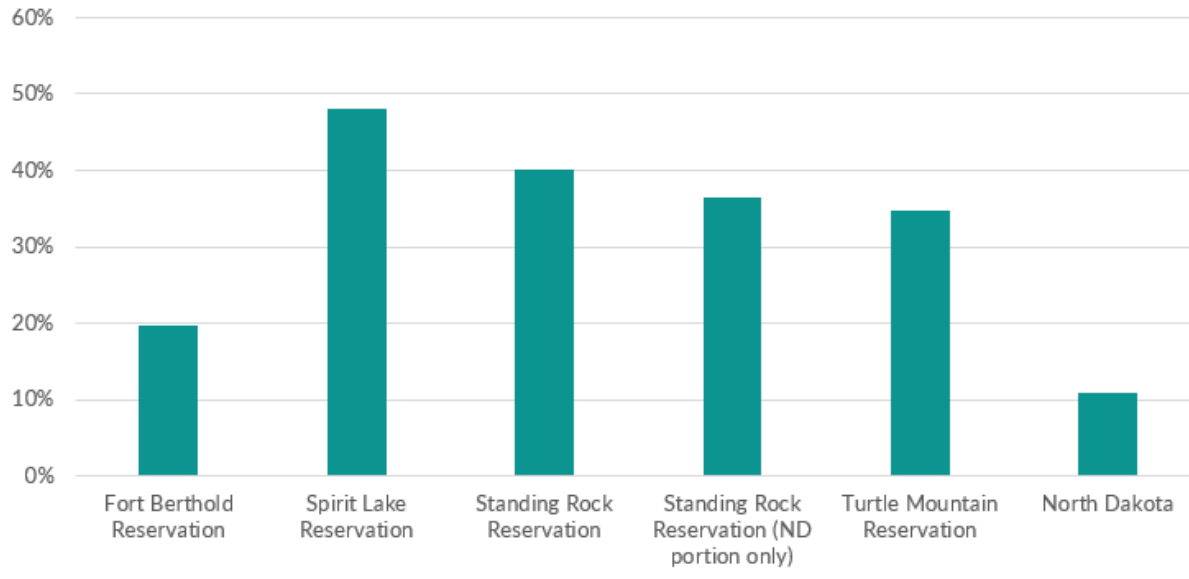
²² The Annie E. Casey Foundation, Kids County Data Center, North Dakota Indicators

²³ North Dakota Department of Public Instruction, Nine Year Comparison of Number of Students Experiencing Homelessness by District, September 2020

Native Americans

The largest minority group in North Dakota is Native Americans at 5.4 percent of the total population. In 2019, 30 percent of the state's homeless population was Native American. The number of Native Americans experiencing homelessness is probably greater than the numbers reported during the HUD Point-In-Time Count due to the constraints of HUD's definition of homelessness and migration both on and off tribal land. Native Americans are also more likely to live in overcrowded and/or experience poor housing conditions than their non-Native peers.¹⁵

**Individuals Below the Poverty Level by Native American Reservation Area²⁴
2014-2018**



Both on and off of tribal land, only 40 percent of Native Americans are homeowners. Mortgage lending on tribal land is an underserved market with unique challenges such as trust land regulations, fractioned land ownership and limited access to financial institutions. While tribal trust land status is no longer considered a major barrier because of the implementation of Section 184 of the Indian Home Loan Guarantee Program, the lending volume on such land is still quite low.

Native Americans transitioning into urban communities face challenges securing affordable housing with enough space to accommodate large families when navigating unfamiliar urban and non-tribal housing markets. The primary barriers to achieving housing stability including race-based discrimination, limited housing stock due to lack of rental or credit history, and variable employment prospects.²⁵

¹⁵ North Dakota Continuum of Care, received September 2020

²⁴ Disparities: Native American Reservation Area, downloaded from ndcompass.org on 9/13/2020

²⁵ Housing Needs of American Indians and Alaska Natives in Urban Areas: A Report from the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs, U.S. Dept. of Housing and Urban Development, 2017

Homeless

Persons experiencing homelessness and who are at risk of homelessness require different approaches to help them achieve housing stability. Some individuals and families may only need short-term economic assistance to weather unforeseen bills or disruption in employment. Chronically homeless individuals require intensive case management as soon as they enter a homeless shelter or multifamily complex utilizing a rapid rehousing model.

CoC members worked with 4,294 individuals experiencing homelessness in 2019. The majority of these people had no income, but their ages were across the spectrum from under 5 years old to older than 62 years. Fifty-four percent of these individuals requested assistance for less than 30 days. However, 3.6 percent have been seeking help for more than 3 years. Tracked in a separate group are domestic violence survivors, which totaled 2,648, primarily women and children needing emergency, transitional, short- and long-term housing.¹⁵

Affordable housing can mean different things when working with people at risk of homeless, experiencing short-term homelessness and those who are considered chronically homeless. Housing chronically homeless individuals is extremely challenging, and there is no one size fits all solution. Across the state, numerous partnerships have formed between federal and state agencies and local service providers to develop housing models that best serve each community. Housing First is a rapid housing approach; homeless shelters are a temporary solution; and “harm reduction” shelters where some substances can be used on site have been discussed in numerous circumstances as an alternative to dry shelters that are more prevalent and accepted by the general public. That said, these housing models benefit urban areas and not rural communities. Individuals and families experiencing homelessness in rural communities are more “hidden” as they occupy tents, campers, abandoned houses, barns and ice fishing houses, and they have a more difficult time accessing services provided in urban communities.



¹⁵ North Dakota Continuum of Care, received September 2020



A North Dakota Industrial Commission Agency

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TESTIMONY OF SCOTT MILLER
HOUSE BILL 1380 – LEGACY FUND EARNINGS
TRANSFER

Good morning, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. I appear before you today in support of HB 1380. I am available should there be any questions related to the impact of the bill on the NDPERS retirement plan.

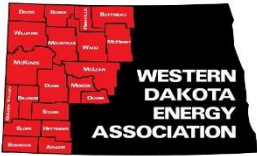
Good Morning Mr. Chairman and Esteemed Members of the Appropriations Committee,

My name is James Leiman and I have the honor of serving as the Director of Strategy for the North Dakota Department of Commerce. Today, I am here to express the Department's support for the development and deployment of an economic diversification research fund. As you are likely aware, recent programs aimed toward applied research as well as diversification activities have yielded impressive results for the state. In North Dakota, we are rapidly accelerating the growth of high-tech opportunities such as the recruitment and expansion of biotech, commercialization of intellectual property that improves agricultural and energy sector bottom lines, VANTIS- the nation's first Beyond Line of Sight program, and assists in recruiting top tier talent in every region. This concludes our supportive testimony and I stand for any questions. Thank you.

TESTIMONY OF REBECCA FRICKE
HOUSE BILL 1380 – LEGACY FUND EARNINGS
TRANSFER

Good morning, my name is Rebecca Fricke. I am the Chief Benefits Officer of the North Dakota Public Employees Retirement System, or NDPERS. I appear before you today in support of House Bill 1380. I am available should there be any questions related to the impact of the bill on any of the NDPERS benefits.

John Mihelich
Interim Vice President for Research & Economic Development
University of North Dakota
(701)777-7589



#4831

WESTERN DAKOTA ENERGY ASSOCIATION

EXECUTIVE COMMITTEE

February 2, 2021

Shannon Holter
President
City of Bowbells

Testimony of:
Geoff Simon, Lobbyist #144
in support of HB 1380
House Appropriations Committee

Trudy Ruland
Vice President
Mountrail County

Chairman Delzer and Committee members:

Supt. Leslie Bieber
Alexander PSD

On behalf of the city, county and school district members of the Western Dakota Energy Association (WDEA), we wish to express our strong support for House Bill 1380 to promote economic diversification in North Dakota, and dedicate “streams” for the deposit of future Legacy Fund earnings.

Daryl Dukart
Dunn County

Zach Gaaskjolen
City of Stanley

WDEA’s board of directors discussed in detail the economic diversification component of this legislation. We support the provision that up to 90 percent of grants awarded by the committee go to NDSU and UND, with the operative words being “up to.” Our association believes there is tremendous potential for Minot State University, Dickinson State University and other institutions of higher education in the energy-producing region of western North Dakota to make a significant contribution to the state’s research efforts aimed at developing new technology, concepts, careers, and products that promote job creation and economic opportunity.

Supt. Shon Hocker
Dickinson PSD

Supt. Tim Holte
Stanley PSD

WDEA believes the streams identified for distribution of Legacy Fund earnings in Section 6 of the bill correctly recognize categories of greatest importance to the future of our citizens. Earmarking revenue to areas such as highway funding, school construction, state and local infrastructure, career and technical education, and promoting sustainability in the state’s energy sector will help ensure a bright future for the people of North Dakota.

Lyn James
City of Bowman

David Montgomery
Williams County

WDEA applauds the legislators who developed and sponsored this legislation for their wisdom and foresight, ensuring the wise investment of the state’s Legacy Fund earnings. We encourage your strong support for HB 1380.

John Phillips
Coal Conversion
Counties

Supt. Brad Rinas
Washburn PSD
Coal Conversion
Counties

Thank you for the opportunity to submit testimony.

**House Appropriations
HB1380**

February 2, 2021

Chairman Delzer and members of the committee, my name is Wayde Sick, State Director of the Department of Career and Technical Education. I am submitting testimony in support for HB1380.

Section 3 of HB1380 would create a career and technical education support fund for the Department of Career and Technical Education to support career and technical education centers and programs. Section 6, subsection 5h. states that 4% of the Legacy Fund earnings would be deposited in this fund.

Currently there are approximately 590 CTE programs across the state, taught through our high schools and ten Area Career and Technology Centers. These programs include Agriculture Education, Business Education, Career Development, Family and Consumer Science, Health Sciences, Information Technology, Marketing, Technology and Engineering and Trade and Industry. These programs are delivered in a variety of methods, including face-to-face, online and Interactive Television or ITV. Regardless of the delivery method, CTE instructors and administrators ensure coursework aligns with industry, through industry advisory committees and national industry standards. Also, students have the opportunity for hands-on work-based learning experiences; whatever delivery method is used. During the 2019-20 school year, over 23,000 students enrolled in at least one CTE course, which is about 72% of the state's high school student population. Students enrolled in a total of 36,818 courses. Of those students, 8,129 were classified as a CTE Concentrator, or student

that had completed at least two credits in a CTE Program. The impact of Career and Technical Education on graduation rates is telling. In 2018-19, graduation rates across the state was 88%. CTE Concentrators graduation rates were 95.87%. Native American concentrators graduated at 91.26% compared to all Native American students' graduation rate of 72%.

The Department of Career and Technical supports CTE programs in our schools and centers by providing technical assistance, professional development, and funding. CTE programs at our high schools are reimbursed 27% of certain operating expenditures and CTE centers are reimbursed at 40%. The governing body of an area career and technology center consists of representatives from its member schools. This ensures a center is a partnership and not simply a vendor serving customers. Centers can often provide programs many school districts cannot because smaller schools may not be able to operate these programs to scale. Programs such as building trades, health careers and welding typically are provided by centers because multiple schools are needed to make the program efficient.

What HB1380 would do, if passed, is provide sustainable long-term funding for the continued expansion and creation of CTE programs. On an annual basis, the Department of Career and Technical Education receives applications from schools and centers for new and expanding programs. These programs are created or expanded because of student interest and industry requests. There is interest coming from our business community for more CTE programming, that will help students discover their career paths, pursue the appropriate post-secondary direction, whether that is work, military, college or university, and cut down on unnecessary student loan debt.

North Dakota's Career and Technical Education community does a phenomenal job providing access to quality CTE programs, whether provided by schools or Centers, but gaps still exist. Those gaps are both geographic and program offerings. Additional funding, as written in HB1380, would provide local administrators the security their CTE programs would have funding long term, to create new programs, provide more choice and options for our students and help fill the workforce needs of now and future.

This concludes my testimony and I am here to answer any questions you may have.



House Appropriations Committee

Testimony in Support HB 1380

Chairman Delzer and Members of the Committee, my name is Mike Krumwiede appearing on behalf of the American Council of Engineering Companies in support of HB 1380. The American Council of Engineering Companies of North Dakota (ACEC/ND) is a nonprofit, voluntary, self-governing organization which represents 29 member firms and nearly 1500 employees. The American Council of Engineering Companies of North Dakota (ACEC/ND) is the business voice of North Dakota's consulting engineering industry. ACEC Member Firms are at the heart of the built environment, bringing us bridges, roads, water, sanitation, transit, rail, buildings, environmental protection and cleanup.

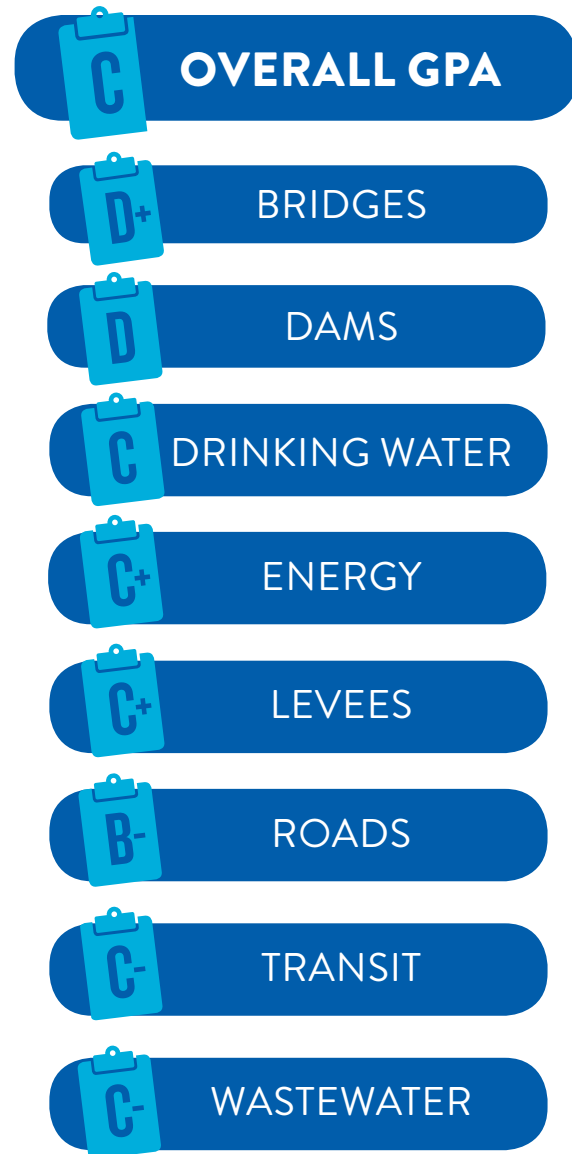
ACEC North Dakota has long recognized the importance of investing in our states critical infrastructure needs, including transportation, water, energy, buildings, airports, parks and communication systems. Beyond those, a well-maintained infrastructure is the backbone of all sectors in a healthy and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

While ACEC North Dakota supports occasional one-time infusions of additional funds in those areas as budgets allow, current funding shortfalls and long-term funding gaps need to be addressed with long-term funding solutions. We believe additional resources help grow a solid business environment by providing jobs in every field from health care to education. As a result, ACEC North Dakota advocates for predictable, sustainable, infrastructure support and consistent policies across all North Dakota state agencies.

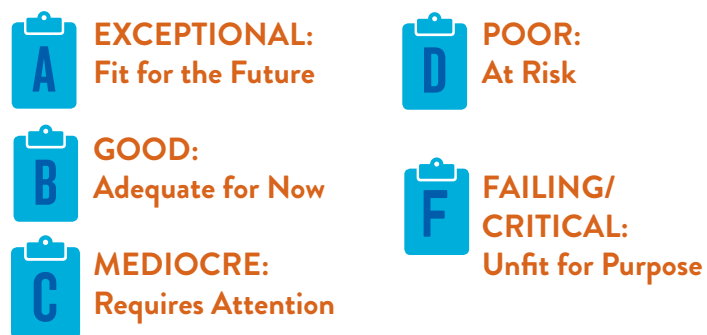
Recently American Society of Civil Engineers (ASCE) published a report card outlining the status of infrastructure in the state of North Dakota. This Report Card is the first of its kind for the state of North Dakota, providing a snapshot for eight categories of infrastructure: Bridges, Dams, Drinking Water, Energy, Levees, Roads, Transit, and Wastewater. Our state's infrastructure received an overall GPA of C, which is slightly better than the national GPA of D+. A GPA letter grade of C means the infrastructure in our state is in mediocre condition. Our networks show general signs of deterioration and require attention, and some elements exhibit significant deficiencies in conditions and functionality, with increasing vulnerability to risk. I have included a copy of this report card at the end of my testimony.

ACEC North Dakota supports HB 1380 because it is an effective tool in the toolbox to get projects going and move infrastructure projects along. We believe that through fiscally and responsible infrastructure funding mechanisms we can build things more promptly to accelerate the economic recovery. HB 1380 provides for dedicated legacy funds to help with highway tax distribution fund, infrastructure loan fund, and the new legacy infrastructure project fund, all helping create a well-rounded vision to fund future projects. For these reasons we would urge a DO PASS recommendation on HB 1380. Thank you for your time and consideration.

NORTH DAKOTA'S GRADE SUMMARY



Individual Report Card categories were analyzed based on the following criteria:



Cover Photo: Garrison Dam
Photo by Harry Weddington, USACE, used with permission

RECOMMENDATIONS TO RAISE THE GRADE

IMPLEMENT SUSTAINABLE FUNDING SOURCES

- ◆ Increase the motor fuel tax to provide a sustainable transportation funding source and allow us to meet the local portion of the federal gas tax match. Currently, the North Dakota fuel tax is 23 cents per gallon. This is the second lowest in the Midwest and it hasn't been raised since 2005. The North Dakota state taxes and fees per gallon of gasoline are lower than neighboring states: Minnesota (28.6 cents), South Dakota (30 cents), and Montana (32.25 cents) per gallon. The national average fuel tax is 31 cents per gallon.
- ◆ Provide funds for programs that offer low interest loans for all types of infrastructure projects. Legacy Funds can be transferred to programs within the Bank of North Dakota, such as the Infrastructure Loan Fund, to provide low interest loans for transportation and new development infrastructure improvements.
- ◆ Encourage and assist cities to develop user rate structures that can fully support the local share of capital improvements for infrastructure, not just operation and maintenance (O&M). Rates should be adjusted to reflect the true cost of service for the infrastructure.

ENCOURAGE INNOVATIVE DESIGN SOLUTIONS AND TECHNOLOGIES

Historically, our state has been cautious to implement new design solutions and technologies. Innovation can improve the efficiency of the infrastructure systems. Additional funds for planning, design and construction of innovative projects can support better deployment of new technologies, such as connected vehicles and infrastructure.

ENCOURAGE INFRASTRUCTURE OWNERS TO DEVELOP ASSET MANAGEMENT PLANS

Asset management plans help infrastructure owners anticipate future infrastructure needs. North Dakota should consider providing financial assistance as asset management plans enable better ownership and save money down the line.

ABOUT THE REPORT CARD

The 2019 Report Card for North Dakota's Infrastructure was prepared by a local committee of civil engineers from North Dakota. These civil engineers volunteered to collect and analyze data, prepare the facts and trends to assist in grading each category, hold meetings with the respective agencies overseeing the infrastructure, and ultimately prepare the final reports and grades for each category of infrastructure.

CONTACT

- PHONE: 800-548-ASCE (2723)
- EMAIL: reportcard@asce.org
- WEB: infrastructurereportcard.org/north-dakota

INFRASTRUCTURE MATTERS

North Dakota's infrastructure is the backbone of our state's economy. Infrastructure provides our most important asset – our people – with the ability to effectively push our state and nation forward into the future. The condition of our state's infrastructure impacts our ability to be competitive in the national and international markets and provides the quality of life that all North Dakotans expect to have and be proud of. North Dakota, known for the unwavering work ethic of its people, can position its next generation of people by implementing changes in funding, asset management and innovative solutions for maintaining, improving and expanding the state's infrastructure.

This Report Card is the first of its kind for the state of North Dakota, providing a snapshot for eight categories of infrastructure: Bridges, Dams, Drinking Water, Energy, Levees, Roads, Transit, and Wastewater. Our state's infrastructure received an overall GPA of C, which is slightly better than the national GPA of D+. A GPA letter grade of C means the infrastructure in our state is in mediocre condition. Our networks show general signs of deterioration and require attention, and some elements exhibit significant deficiencies in conditions and functionality, with increasing vulnerability to risk.

As civil engineers, our responsibility is to protect the public health, safety, and welfare of those who use our state's infrastructure. We hope the public and policymakers find this Report Card insightful so the important and difficult conversations can happen and action can take place.

HOW TO GET INVOLVED

1

Get the full story behind this Report Card at InfrastructureReportCard.org/North-Dakota.

2

Find out the condition of the infrastructure near you on the Save America's Infrastructure app available on iTunes and GooglePlay.

3

Ask your elected leaders what they're doing to make sure your infrastructure is reliable for the future. Use your zip code to find your list of elected officials at infrastructurereportcard.org/take-action.

REPORT CARD FOR NORTH DAKOTA'S INFRASTRUCTURE

2019



North Dakota Section of the American Society of Civil Engineers

INFRASTRUCTUREREPORTCARD.ORG/NORTH-DAKOTA

ASCE
AMERICAN SOCIETY OF CIVIL ENGINEERS



NORTH DAKOTA'S INFRASTRUCTURE REPORT CARD

Executive Summary

BRIDGES

North Dakota is home to 4,377 bridges. Statewide, 14% of bridges are structurally deficient, compared with 8.9% nationally. While not unsafe, structurally deficient bridges require significant maintenance, rehabilitation, or replacement because critical load-carrying elements were found to be in poor condition. Meanwhile, 43% of North Dakota bridges are over 50 years in age, meaning they are past their initial design life. Most structurally deficient bridges are owned by local jurisdictions and there is a more than \$400 million backlog of necessary projects on the local bridge network. Another challenge in North Dakota is the weather; cold and snowy conditions with heavy freeze/thaw cycles increase bridge deterioration. Overall, North Dakota bridges are in worse shape than the national average.

DAMS

North Dakota has approximately 3,153 intact dams, with a wide range of purposes from flood control to recreation. According to the National Inventory of Dams (NID), there are 49 high hazard potential (HHP) dams in the state (including federal and state-regulated dams). A HHP dam is a dam in which failure is expected to result in loss of life. Seventy-three percent of the HHP dams in the NID have a condition assessment rating and half of those are considered deficient and do not meet accepted safety standards in some way.

The condition of these dams is concerning; however, inspections are occurring regularly. Eighty-eight percent of HHP dams have emergency action plans (EAPs), which is higher than the national average of 77%. This is a positive but does not offset the overall concern with the condition of the HHP dams. The State Water Commission has

cost-share policies in place to assist owners in developing EAPs; however, commodity prices and legislatively directed funding priorities greatly influence available funding.

DRINKING WATER

Public water systems provide potable drinking water to 98.8% of North Dakota's residents. Most of the state's public water systems are small, serving 3,300 residents or less. Major new drinking water infrastructure projects, such as the Williston Regional Water Treatment Plant expansion and the Western Area Water Supply Project, were completed in response to the oil boom's population growth. However, other portions of the distribution system are at the end of their service lives and require either rehabilitation or replacement. The North Dakota Drinking Water State Revolving Fund (DWSRF) Intended Use Plan indicated that in 2018, there were approximately \$594 million worth of DWSRF-eligible infrastructure projects state-wide. Fortunately, investments are being made. Approximately \$125 million will be available from the 2017-2019 biennium for water projects from the State Water Commission, while the DWSRF is funding approximately \$46 million in projects. Despite challenges associated with an aging system, the state has an excellent public health record.

ENERGY

North Dakota's 65,000 miles of transmission and distribution lines transmit about twice the amount of electricity the state uses on average. Most of the electricity is generated by coal, but recently wind has made a considerable addition to the market, up to 1/4 of the total generation. This has impacted the way the coal industry needs to look at daily demands and long-term

planning. Meanwhile, hundreds of miles of transmission line were planned during the early 2000s oil boom, but portions of projects were canceled when oil prices declined. Rates are capped at investor owned utilities and increasing fees to pay for transmission line land acquisition, permitting and routing has proven difficult. North Dakota's electric rates are relatively low, averaging \$0.12 per kwh.

LEVEES

The North Dakota State Water Commission has issued permits for 627 flood control levees, totaling 325 miles. Heavy flooding across North Dakota in 2009, 2010 and 2011 exposed deficiencies in the levee systems, and major investments are now underway to improve the condition and capacity of levees to reduce flood damage in the future. Over \$1 billion has been spent, from all funding sources, on flood-related projects along the Red River alone since 1997. Residents in Fargo, Grafton, Valley City and Minot approved sales tax increases to pay for the local share of various flood mitigation project costs.

The state and local governments have done a commendable job of prioritizing investment in levees in recent years and great strides have been made. The United States Army Corps of Engineers periodically inspects 94.19 miles of North Dakota levees, 21.54 miles of which are presently rated as unacceptable, but these bad marks are sometimes the result of incomplete paperwork rather than reflective of the actual condition of the structures. North Dakota does not require periodic levee inspections nor reports on levee conditions after their construction.

ROADS

North Dakota ranks among the highest-spending states per capita on highways. Currently, 67% of urban roads and 77% of county and township roads are in good or very good condition. However, looking ahead, significant work will need to be done to address roadside safety, find alternative sources of funding, and ensure equitable assignment of resources among high-growth areas.

Should funding remain stagnate, estimates show that state-maintained roads in poor condition will nearly double between 2018 and 2021, from 443 miles to 872 miles. And while capacity remains adequate across the state, despite a 64%

increase in vehicle miles traveled over the last 20 years, the state has major challenges during winter months responding quickly to snow removal and de-icing.

TRANSIT

Public transportation plays a major role in improving livability for transit-dependent populations in the state of North Dakota. Three of the 29 transit agencies in the state are classified as urban transit providers, four are tribal transit providers, and the remaining 22 are rural operators. Three modes of public transportation are available in North Dakota: Fixed-Route Bus, Demand Response Transit, and Demand Response Taxi. Public transit ridership in North Dakota dropped 6.5% from 2015 to 2016 and 4.9% from 2014 to 2015, mirroring a national trend of decreased ridership. The farebox recovery rate (percent of trip's operating costs recovered through passenger fares) for all transit operations across the state is observed as 8.4%, which is close to the national average (9%) for rural transit agencies. Meanwhile, with operating expenses totaling over \$34 million, increased funding is needed to improve accessibility and public transportation services and facilities.

WASTEWATER

North Dakota's 755,000 residents are served by over 350 municipal wastewater systems. Rapid population growth associated with the oil industry resulted in many recently completed or ongoing upgrades and expansions of municipal wastewater treatment facilities (WWTFs).

Over the last 10 years, more than \$265 million was spent to improve and upgrade the mechanical WWTFs in the larger communities. Approximately \$180 million is expected to be invested in the WWTFs of Fargo, Grand Forks, Bismarck, and Minot over the next 10 years. However, per capita spending on wastewater operations and maintenance has remained flat and older communities struggle with stormwater infiltration and inflow issues as the collection systems age. Additionally, communities served by wastewater pond treatment systems are challenged by storage volume needs, dike erosion protection, seasonal odors, and delayed discharges due to pollutant variability.



NORTH DAKOTA STATE BUILDING AND CONSTRUCTION TRADES COUNCIL

2901 Twin City Dr. Suite 201
Mandan, North Dakota 58554
(701) 663-8821

© GCU 280 C

February 2, 2021

To the Honorable Jeff Delzer and Member Representatives of the House Appropriations Committee

RE: House Bill 1380; Legacy Infrastructure Project Fund and State Building Maintenance Project Fund

The North Dakota State Building and Construction Trades Council is in support of HB 1380. This legislation would develop a legacy infrastructure project fund and state building maintenance and project fund. By allotting money for these funds, communities across the state would have an effective mechanism to construct needed infrastructure and construction projects, thereby providing job opportunities for construction workers. Representing workers in the commercial, industrial, and residential construction industries, this legislation would put many of our members to work, promoting middle-class jobs and livelihoods. In turn, there would be an added benefit as workers' wages would go back into their communities providing for further betterment.

As such, we respectfully urge a do pass recommendation for HB 1380.

With Kindest Regards, I am

Jason Ehlert
President
Lobbyist No. 347
Jason@ndbtu.org



Testimony Prepared for the
House Appropriations Committee

Monday, February 2, 2021

By: Genny Dienstmann, NDACE Executive Director

RE: House Bill 1380

Chairman Delzer and members of the House Appropriations Committee, thank you for the opportunity to provide testimony in support of HB 1380 on behalf of the North Dakota Association of County Engineers.

County and state government have many challenges keeping up with the demands of improving and maintaining our statewide transportation system. County road levies across the state currently total about \$60 million annually, with a similar amount distributed from the State Highway Distribution Fund. In addition, counties receive federal funding from the DOT of approximately \$12 million per year. Counties have an estimated \$132 million per year to meet infrastructure needs. Compare that to county and township need totals from the Upper Great Plains Transportation Institute Study, the total is about \$466 million per year; this is a difference of \$334 million annually.

In prior legislative sessions, a portion of these needs were met with 'surge' funding. This one-time funding was an immense benefit in assisting counties with road projects. Counties were hopeful the Operation Prairie Dog funding would have provided a more consistent funding source, but in the short term, this is not likely.

As maintenance and construction costs continue to rise each year, your consideration of supporting funding options for transportation infrastructure now would be beneficial to local and state government. Transportation is what connects our citizens and economy to our neighborhoods and across the state. What better legacy than to provide funding that can sustain and rebuild our highway and bridge networks for future generations. Thank you again for the opportunity to support HB 1380.

Written Testimony pursuant to House Bill 1380
House Appropriations
House Standing Committee
Chairman: Jeff Delzer
February 1, 2021

Submitted by Dwight Barden, Executive Director – Burleigh County Housing Authority (BCHA)
701-255-2540
Dwight@bchabis.com

As you are aware, there are multiple bills being presented to fund the Housing Incentive Program (HIF) under section 54-17-40. This should be an indication of the continued need for the program. I am not here to tell you how to fund the program but to express the continued need for it and let you know the good job that North Dakota Housing Finance Agency has done in the past in putting the dollars that have been available to good use. The portion of HB 1380 that responds to HIF is Section 5, m. page 5 which suggests funding this program at 3% of this appropriation.

Over the time that the HIF program has been funded, it has become gap financing for other Federal programs such as Low-Income Housing Tax Credits, Housing Trust Fund, Neighborhood Stabilization Program, HOME and Community Development Block Grant (CDBG). In the projects that have used HIF dollars, most or all these funding sources have been needed to develop affordable housing. Affordable housing means the tenant does not pay more than 30% of their income for rent. With the rent requirements on these programs to keep them affordable, there is not sufficient cash flow to support debt service.

Burleigh County Housing Authority has been fortunate enough to have received HIF funds on a couple projects. The first being a 4-plex in North Bismarck that houses special needs tenants. The tenants have services available to them 24/7 that are provided by HIT, inc., Pride, Inc., Enable and Support Systems.

Also, BCHA has partnered with Beyond Shelter, Inc. in Fargo to develop a permanent supporting housing project for the homeless in Bismarck called Edwinton Place. It is located at 1121 S. 11th Street, Bismarck just south of Cash Wise on Expressway. This project has 40 – one bedroom apartment. Eight of the units are handicap assessable and was developed using the Federal Housing First model. The intent is to get these homeless individuals housed and in a stable environment. Most of these tenants, coming from homeless situations, are dealing with mental illness and/or drug/alcohol addictions and need supportive services. Under the housing first model the tenants are not required to participate in supportive services, but they are available to them. The tenants have more success if they make the decision themselves to participate in supportive services than be required to.

Edwinton Place has been open for just over one year. We have served 45 individuals during that time. 67% of the individuals are age 45 or older with 83% White, 12 % American Indian/Alaska Native and 5% Black. Persons identifying as having a disabling condition due to mental health is 74% an alcohol and drug abuse is 76%. Over half the individuals identified as having 3 or more disabling conditions. 100% came from emergency shelters or unsafe housing environments. 56% identified as having no income at move in. All individuals have extremely low income which means an annual income of less than \$20,200 which would make the maximum a tenant portion for rent would be \$505 per month.

Our first tenant at Edwinton Place that moved in was a Veteran and he moved in on Veterans Day 2019. Another tenant has been able to reconnect with her daughters because she has been clean and sober for several months and living in a stable environment.

Without HIF these two projects would not exist.

In past legislative sessions, we have expressed the additional need for affordable housing. At BCHA our 289 units were built 40 to 50 years ago. Some of them are functionally obsolete which means due to the design it is not cost effective to do modernization work. It would be more cost effective to replace the units so they will continue to be affordable and become assessable.

Besides BCHA's owned units we also administer the HUD Voucher Program where the tenants can find their own apartment and they will pay 30% of their income if the apartment meets certain criteria. We currently assist 780 families, but we also have 475 on our waiting list. It takes a year to a year and one half for their name to come up on the top of that list.

We have two major projects that we are needing funding for:

First, we have 17 – two-bedroom public housing units that are functionally obsolete and not assessable. Our intent is to demolish the 17 units and replace them with 14 – two-bedroom units and build 20 additional one-bedroom units that would house elderly and homeless.

We also manage a nonprofit corporation that has four buildings made up of 96 multi-family units in south Bismarck called Washington Court. We have one building that we have done modernization work on. The other three buildings are still in need of modernization work. The building that we have completed modernization is fully occupied but we continue to have vacancy issues in the other three buildings. It would be our intent to pursue the ability to convert one of the buildings for family homeless units as our school district is monitoring close to 300 students that are being tracked due to either currently homeless or was recently in a homeless situation. We are also not allowed to house certain felons and sex offenders.

North Dakota Housing Finance Agency has additional information on their web site for the HIF program. It is located at <https://www.ndhfa.org/index.php/ndhif/>. You will find some additional information regarding the HIF program and our Edwinton Place project.

The limited money from the Federal programs due to North Dakota's population, restricts the number of projects that can be funded annually. Historically it has been on an average of 5 projects per year. The issue is always the number of applications for these funds which is around 10 to 15 projects per year.

There has also been an increased push to provide permanent supportive affordable housing with community-based services provided in a private residence. This does not mean "Group Homes, nursing facilities, boarding homes, basic care, residential care facilities or assisted living as they do not meet the definition of Permanent Supportive Housing." A Settlement Agreement between the United States of America and the State of North Dakota signed by Governor Burgum on December 11, 2020 and Rebecca Bond, Chief, US Department of Justice, et al, on December 14, 2020 was the culmination of five years of investigation by the US DOJ into "alleged violations of Title II of the ADA." DOJ said the complainant

adults with physical disabilities were capable of, and did not oppose, living in integrated, community settings with the types of community-based services and were forced to enter, or were at serious risk of entering, nursing facilities to receive necessary services.

Section VII. F. of the Agreement discusses Permanent Supported Housing: "In the event that the State provides Housing Supports but does not identify any viable housing opportunity, the State will note the lack of accessible, affordable housing is a barrier to receiving Community-Based Services in the member's Person-Centered Plan. Based on the aggregate need for Permanent Supported Housing as identified through Person Centered Plans, the State will provide Permanent Supported Housing to such members by: (1) utilizing existing affordable housing and housing subsidized by any local, state, or federal funding source; (2) sustaining existing State funding for rental assistance as developed by the State's Money Follows the Person program; and (3) reasonably expanding existing capacity by funding and providing rental subsidies for use as Permanent Supported Housing slots in an amount such that the member's rent does not exceed 30% of their monthly adjusted income.

The Housing Incentive Fund, in addition to the retention of existing affordable housing and the development of supportive assessable housing, under Section 3.d of 54-17-40, can provide "Rental assistance, emergency assistance, barrier mitigation, or targeted supportive services..." that will support the Settlement Agreement.

This is where the partnership of Housing Authorities and Developers of affordable, assessable housing in the State can work with the Housing Finance Agency using the Housing Incentive Fund to provide Assessable Permanent Supportive Housing. It is our mission to work with the special need populations and the elderly. Without the tools such as HIF, we will not be able to continue addressing the needs of this type of housing.

I respectfully request that you see fit to fund the HIF program as an investment in the future infrastructure of the much needed affordable and assessable housing in our State.



**Testimony of Jennifer Greuel
Economic Development Association of North Dakota
In Support of HB 1380
House Appropriations Committee
Feb. 2, 2021**

Chair Delzer and members of the House Appropriations Committee:

My name is Jennifer Greuel and I am the executive director of the Economic Development Association of North Dakota (EDND). EDND represents more than 80 state economic development organizations and businesses 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, develop more vibrant communities and improve quality of life. EDND would like to express its support for HB 1380.

EDND believes Legacy Fund dollars were intended for legacy purposes and should therefore be invested in long-term strategies to benefit future generations. In this bill the funds would be invested in infrastructure, economic diversification projects, research, CTE, and housing, all of which would benefit future generations and the state as a whole.

Infrastructure

According to a recent survey of EDND members, 100 percent of those surveyed agreed the fund and its earnings should be used to support infrastructure. The growth of our state over the last decade, combined with aging infrastructure, has led to a critical need to complete road, water, sewer, stormwater management, airport, and other essential projects. New and updated infrastructure provides support to North Dakota businesses already providing jobs and revenue to the state, as well giving the state the capacity to grow and diversify strategically.

LIFT

EDND generally supports any funding for economic diversification projects. One tool to help bring new industries to the state is further investment in programs such as the Innovation Technology Loan Program (LIFT) as part of a comprehensive statewide strategy. The UAS and technology fields are quickly becoming an important piece of North Dakota's economy, and investments in these fields would reduce the state's dependence on oil and ag income and avoid boom and bust cycles.

Research

EDND has long supported research investments that will enhance North Dakota's historical economic sectors and advance new technologies to support growth of other sectors to diversify our economy.

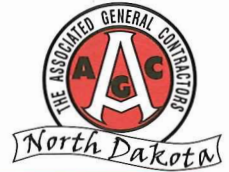
Workforce Development

Although North Dakota's unemployment rate has gone up slightly due to the pandemic (4.5 percent in Nov. 2020), the state's unemployment rate is still lower than 38 other states and workforce availability remains a significant challenge facing North Dakota businesses, limiting the growth potential of the economy. North Dakota especially needs job seekers to be connected with resources and education in order to be placed in a high demand career path. EDND supports investments into career and technical education to implement workforce attraction, development and training strategies that address the needs of the state's companies.

EDND also supports the inclusion of funding for HIF, as affordable housing is another component to attracting workforce. For every dollar of HIF funding provided by the state has leveraged an additional \$5.11. As the program has evolved, more private and federal funding is being leveraged and HIF has been used as an important gap financing tool to keep a project moving forward.

EDND believes HB 1380 is a forward-thinking bill which uses legacy fund earnings as the citizens originally intended. We urge a do pass recommendation.

Associated General Contractors of North Dakota



422 North 2nd Street, PO Box 1624, Bismarck, North Dakota 58502 • Phone: 701-223-2770 • FAX: 701-223-6719 • www.agcnd.org

Testimony HB 1380 House Appropriations Committee February 2, 2021

Mr. Chairman and members of the House Appropriations committee, my name is Russ Hanson of the Associated General Contractors of North Dakota. AGC of ND is a 400 member association which has been in existence since 1951. Our membership consists of all aspects of commercial construction - highway contractors, vertical contractors, civil/heavy, specialty contractors, subcontractors as well as material and equipment suppliers.

I appreciate the opportunity to present this testimony in support of HB 1380. This concept of funding the critical infrastructure is being considered at the right time, for projects already being planned, and in the right concept of using the Legacy Fund earnings for projects which will truly be a Legacy to North Dakota.

Having legislation introduced and considering a bonding option this session is appreciated and we hope when the 2021 Legislature adjourns, there is a package to begin working on the critical infrastructure projects sooner, rather than later. The mechanisms outlined in this bill will be helpful for future projects.

Thanks for the opportunity to comment on HB 1380. We respectfully request the committee issue a Do Pass Recommendation. If the committee has questions, I am happy to try to address them.

BUILD WITH THE BEST





WRITTEN TESTIMONY PROVIDED TO
ND HOUSE OF REPRESENTATIVES - APPROPRIATIONS COMMITTEE
 DURING THE 67th LEGISLATIVE ASSEMBLY
 On February 2nd, 2021
IN SUPPORT OF
HB 1380
 REGARDING THE
LEGACY FUND EARNINGS TRANSFER TO THE
HOUSING INCENTIVE FUND

Chairman Delzer
 Vice Chairman Kempenich
 Members of the ND House Appropriations Committee

I testify today in support of the 3.0% transfer to the Housing Incentive Fund that HB 1380 proposes to be made from the Legacy Earnings Fund, if this bill is approved. My support is based on the assumption that the biennial allocation to the HIF fund will be in the \$20 million range which is 3.0% of an historical 4.5% earnings of the Legacy Fund which last reported has a balance of \$7.9 billion.

The need for affordable housing is definitely present in the State and persistent. The National Low Income Housing Coalition (NLIHC) reports: “Across North Dakota, there is a shortage of rental homes affordable and available to extremely low income households (ELI), whose incomes are at or below the poverty guideline or 30% of their area median income (AMI). Many of these households are severely cost burdened, spending more than half of their income on housing. Severely cost burdened poor households are more likely than other renters to sacrifice other necessities like healthy food and healthcare to pay the rent, and to experience unstable housing situations like evictions.”

Data from the 2018 American Community Survey (ACS) reports that 17,400 North Dakota ELI Renter Households are Severely Cost Burdened, paying more than 50% of the household’s income on housing costs, to include utilities. **This is 65.7% of the of the 26,485 ELI Renter Households!** Statistics developed by the NLIHC estimate a 12,980 unit deficit of Affordable Rental Units for ELI Households. Much, much need.

Thank you in advance for you favorable consideration of HB 1380 and the transfer of 3.0% of Legacy Fund Earnings to the Housing Incentive Fund.

Respectfully submitted,

Terry Hanson
 Executive Director



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TESTIMONY OF DERRICK HOHBEIN
HOUSE BILL 1380 – LEGACY FUND EARNINGS
TRANSFER

Good morning, my name is Derrick Hohbein. I am the Chief Operating/Financial Officer of the North Dakota Public Employees Retirement System, or NDPERS. I appear before you today in support of House Bill 1380. I am available should there be any questions related to the impact of the bill on any of the NDPERS benefits.

Testimony in Favor of 1380 Phil Murphy for ND Soybean Growers Association

Our organization stands in full support of this forward-looking bill. 1380 would use some innovative methods and backing to promote funding for many constructive purposes that would benefit our citizens with transportation and career tech perhaps the two most focused for agricultural producers. We hope that this committee will recommend a Do Pass to the floor and thank you for your work on behalf of all North Dakotans.

North Dakota Legacy Fund

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 Daryl Lies, ND Farm Bureau *Terry Fleck *Dave McIver *Bill Shalhoob *Kent Blickensderfer *Bruce Govig *Rep. Chris Griffen *Brad Bekkedahl *Jim Maxon *Pete Zimmerman	State Treasurer, Kelly Schmidt * Rep. Dave Weiler (ret.) *Tammy Ibach Arik Spencer, GNDC *Sen. Connie Triplett (ret.) *Ken Tupa *Ed Schafer *Sen. Rich Wardner *Mayor Ward Koeser *Bob Graveline
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*Indicates original committee members 2009-10

For more information contact:

Robert Harms, 701.471.0959
 Robert@harmsgroup.com

HB 1380 – Testimony by Dustin Gawrylow (Lobbyist #266) North Dakota Watchdog Network

HB 1380 is another well-intended bill designed to promote “economic diversification”.

The question this raises is “how is “economic diversification” different than the “economic development” programs that already exist?

I am sure there are documents available that inventory all the various government programs designed to either “diversify” or “develop” the economy.

Before the legislature earmarks Legacy Fund dollars for anything, there needs to be a review of all the ways the state has already created programs, incentives, and subsidies for this very purpose.

If those programs, incentives, and subsidies are not getting the job done – then why would the state dedicate Legacy Fund money on top of what is already out there?

ECONOMIC DEVELOPMENT TAX INCENTIVES REVIEW - BACKGROUND MEMORANDUM

#4608

INTRODUCTION

North Dakota Century Code Section 54-35-26 ([appendix](#)), enacted by Senate Bill No. 2057 (2015), provides for the review of a specified list of economic development tax incentives and requires each incentive be reviewed at least once every 6 years. The Legislative Management selected the interim Taxation Committee to review tax incentives during the 2019-20 interim.

BACKGROUND

The practice of legislatively mandating the periodic review of economic development tax incentives began to gain popularity following the 2007-09 recession. As states continued to look at austerity options and ways to grow economies, reviewing tax incentives was viewed as sound public policy to ensure state dollars were being spent in a prudent and effective manner.

Washington was one of the first states to enact legislation mandating the review of tax incentives. Legislation enacted in Washington in 2006 requires periodic performance audits of tax preferences. Washington's review process requires a showing that the tax preference benefits the state's economy and mandates the review of each tax preference at least once every 10 years. The state's joint Legislative Audit and Fiscal Review Committee evaluates tax preferences to determine whether each tax preference is meeting its public policy objectives. The committee provides its report and recommendations to a seven-member citizen commission. After incorporating comments from the citizen commission, the committee forwards the final report to the Legislative Assembly.

Oregon takes a slightly different approach to reviewing incentives. Legislation enacted in Oregon 2009 placed sunset dates on 50 of the state's 53 active tax credits thereby prompting a review of each credit before renewal. Credits were divided into three groups, expiring at the end of 2011, 2013, and 2015, to stagger the sunset dates for purposes of review. The state passed additional legislation in 2013, which requires the preparation of a detailed report on each of the expiring credits. The majority of Oregon's tax credits expire after 6 years.

Iowa established its review process in 2010 through the creation of a Legislative Tax Expenditure Committee. The committee is tasked with reviewing each of the state's tax expenditures at least once every 5 years. The committee's evaluation must contain a statement on the policy goals of the tax expenditure and a return on investment calculation. The return on investment calculation must include a statement identifying whether the benefits of the tax expenditure are worth the costs of providing the tax expenditure.

In 2012 The Pew Charitable Trusts (Pew) began tracking the progress states were making in evaluating tax incentives and published a report entitled [Evidence Counts: Evaluating State Tax Incentives for Jobs and Growth](#). The report identified states leading the way in evaluating the effectiveness of tax incentives, states meeting some of the criteria for effective evaluations, and states not meeting any criteria in terms of the scope or quantity of evaluations. Pew continues to publish materials relating to incentive evaluations and provides periodic updates of each state's national rating in evaluating incentives.

In the most recent May 2019 update, Pew identified 16 states leading the way in evaluating incentives, 15 states making progress in evaluating incentives, and 19 states trailing behind in evaluating incentives. Pew classifies leading states as those with well-designed plans to regularly evaluate incentives, experience producing quality evaluations that measure economic impact, and a process for informing policy choices. States classified as making progress are states that have enacted policies that require regular evaluations of major tax incentives. States classified as trailing behind are states that lack a well-designed plan to regularly evaluate incentives.

North Dakota joined the ranks of states identified as leaders in evaluating incentives in Pew's May 2019 state evaluation rating update. Pew credited North Dakota's improved rating to the state's review of the dynamic economic impact of incentives. The dynamic economic impact of incentives was evaluated through the receipt of economic impact reports provided by the Bank of North Dakota. The Bank created the reports using economic modeling software it acquired in 2017.

CREATION OF NORTH DAKOTA'S REVIEW PROCESS

North Dakota instituted a formal economic development tax incentive review process by enacting Senate Bill No. 2057 (2015), which has been codified as Section 54-35-26. The impetus behind the introduction of Senate Bill No. 2057 was by directive of the chairman of the Legislative Management to the 2013-14 interim Taxation Committee to study state economic development tax incentives. The study directed consideration of whether a

regular review process should be established to ensure economic development tax incentives are serving the purposes for which the incentives were created.

The 2013-14 interim Taxation Committee received testimony from multiple parties to determine the best practices for evaluating tax incentives. The committee received testimony from a representative of Pew pertaining to methods the organization had observed and analyzed in other states that evaluate tax incentives. The committee also arranged a panel discussion comprised of representatives from Pew, the City of Bismarck, the Economic Development Association of North Dakota, and the Department of Commerce to gain insight on the best methods to apply when evaluating incentives.

The committee reviewed data provided by representatives of the Tax Department and the Department of Commerce, which detailed the number of claimants and the amounts claimed for various tax incentives. The committee used this information to select the incentives best suited for periodic review. The committee developed a list of considerations to take into account when conducting evaluations. The committee also determined it was prudent to review the purpose for which each incentive was created to ascertain whether the incentive was generating the intended results.

STATUTORY PROVISIONS

Section 54-35-26 directs the review of specified economic development tax incentives by an interim committee selected by the Legislative Management. The review entails an assessment of whether each listed incentive is serving the purposes for which it was enacted in a cost-effective and equitable manner. The statute, as originally enacted, included a list of 21 incentives. The statute requires each incentive be reviewed at least once every 6 years and provides the eight items that may be considered when evaluating incentives:

1. The extent of achievement of the goals of the incentive and whether unintended consequences have developed in its application;
2. Whether the design and application of the incentive can be improved;
3. The extent of complementary or duplicative effects of other incentives or governmental programs;
4. Whether the incentive has a positive influence on business behavior or rewards business behavior that is likely to have occurred without the incentive;
5. The effect of the incentive on the state economy, including the extent of primary sector operation of the recipient and any competitive disadvantage imposed or benefit conferred on other state businesses, any benefit or burden created for local government, and the extent of the incentive's benefit that flows to out-of-state concerns;
6. The employment opportunities generated by the incentive and the extent those represent career opportunities;
7. Whether the incentive is the most effective use of state resources to achieve desired goals; and
8. If the committee's analysis of the incentive is constrained by lack of data, whether statutory or administrative changes should be made to improve collection and availability of data.

The statute requires the interim committee to identify the list of incentives that will be reviewed each interim before October 1 of each odd-numbered year and provide a plan for reviewing any remaining incentives. The committee is required to identify the perceived goals of the Legislative Assembly in creating or altering each of the economic development tax incentives selected for review and the data and testimony required to evaluate each incentive. The committee may request data and analysis from state agencies or instrumentalities, including the Department of Commerce, the Tax Commissioner, and the Economic Development Foundation. If the requested data is not available, or is available but cannot be disclosed, the entity receiving the request shall advise the committee on options for obtaining the information or an adequate substitute.

The committee is required to report its findings and recommendations, together with any legislation required to implement those recommendations, to the Legislative Management at the conclusion of its review. In addition to issuing recommendations related to the operation of incentives, the committee's recommendations also may include changes to the list of incentives subject to review and amendments to the substantive provisions of the statute.

2015-16 INTERIM COMMITTEE REVIEW AND LEGISLATION

The Political Subdivision Taxation Committee was the interim committee tasked with reviewing tax incentives during the 2015-16 interim. The committee received information from representatives of the Department of Commerce and the Tax Department to assist in determining which incentives to review during the 2015-16 interim.

The committee elected to review all income tax incentives, incentives scheduled to expire in 2017, incentives seeing little to no use, and the manufacturing automation equipment tax credit. The manufacturing automation equipment tax credit was selected pursuant to the statement of legislative intent in Senate Bill No. 2340 (2015), which encouraged the review of this incentive during the 2015-16 interim. The committee selected 14 incentives for review from the statutorily mandated list and four additional incentives that were not statutorily mandated for review.

At the conclusion of its study, the committee declined to recommend any changes to the soybean, canola, biodiesel, or agricultural commodity processing facility credits. The committee refrained from recommending legislation to extend or eliminate the sunset date on the sales tax exemption for wind-powered electrical generating facilities as the interim Energy Development and Transmission Committee recommended House Bill No. 1028 (2017) to eliminate the sunset date. House Bill No. 1028 failed to pass. The committee did not have adequate time to review the geothermal, solar, wind, and biomass energy device credit; research expense credit; internship program credit; workforce recruitment credit; new jobs credit from income tax withholding; new or expanding business exemption; or renaissance zone credits and exemptions. The committee recommended a future interim committee review these incentives.

In regard to the remaining incentives selected by the committee for review, eight bills were recommended for introduction during the 2017 legislative session.

1. House Bill No. 1044, to provide a uniform definition of "primary sector business."
2. House Bill No. 1045, to increase allowable credit amounts and carryforward periods related to the seed capital investment tax credit and sunset the availability of the angel fund investment tax credit for investments made after December 31, 2017.
3. House Bill No. 1046, to eliminate the sunset date of June 30, 2017, on the telecommunications infrastructure sales tax exemption.
4. House Bill No. 1047, to eliminate the sunset date of December 31, 2017, on the manufacturing automation equipment income tax credit.
5. House Bill No. 1048, to repeal the certified nonprofit development corporation income tax credit.
6. House Bill No. 1049, to repeal the wage and salary income tax credit.
7. House Bill No. 1050, to repeal the microbusiness income tax credit.
8. Senate Bill No. 2044, to allow the interim committee selected to review economic development tax incentives during the 2017-18 interim to obtain software capable of generating dynamic fiscal impact statements for incentives selected for review.

The 2017 Legislative Assembly enacted all but House Bill Nos. 1046 and 1047, which failed to pass. House Bill No. 1045 and Senate Bill No. 2044 were amended substantially prior to passage. House Bill No. 1045 was modified from a bill that eliminated the angel fund credit and expanded the seed capital credit to a bill that sunsets the angel fund tax credit and created a new angel investor tax credit. Senate Bill No. 2044 was modified from a bill that allowed the interim committee studying incentives to obtain fiscal impact analysis software for use during the 2017-18 interim to a bill that allowed the committee to receive dynamic fiscal impact analysis from the Bank of North Dakota during the 2017-18 interim.

In addition to the bills recommended by the interim committee, other relevant legislation passed by the 2017 Legislative Assembly pertaining to Section 54-35-26 included Senate Bill No. 2166, which added development or renewal area incentives to the statutory list of incentives designated for review.

2017-18 INTERIM COMMITTEE REVIEW AND LEGISLATION

The Taxation Committee was the interim committee tasked with reviewing tax incentives during the 2017-18 interim. The committee selected seven incentives to review from the list in Section 54-35-26. Six of the seven incentives selected for review included incentives selected during the 2015-16 interim, which the Political Subdivision Taxation Committee had insufficient time to analyze. The Taxation Committee selected the new jobs credit from income tax withholding, the internship program credit, the workforce recruitment credit, the research

expense credit, new or expanding business exemptions, renaissance zone tax credits and exemptions, and development or renewal area incentives including tax increment financing incentives.

At the conclusion of its study, the committee declined to recommend any changes to the incentives selected for review. The committee received a significant amount of testimony and information regarding workforce incentives. The committee did not recommend eliminating the internship program credit or workforce recruitment credit, despite the limited use of the credits, as the committee determined the credits might be used more widely in the future considering the state's increasing workforce needs. The committee recommended legislation that reached beyond the scope of existing workforce incentives in an attempt to address increasing workforce needs. The committee recommended Senate Bill No. 2039, to create a skilled workforce scholarship program, and House Bill No. 1040, to create a 21st century manufacturing workforce income tax credit, for introduction during the 2019 legislative session.

The 2019 Legislative Assembly enacted House Bill No. 1040 in a form substantially similar to the draft legislation recommended by the committee. The only changes to the 21st century manufacturing workforce credit as enacted was the addition of an expiration date and a reduction in the annual available credit amount from \$2 million to \$1 million. The skilled workforce scholarship program provisions in Senate Bill No. 2039 failed to pass; however, a skilled workforce scholarship program was successfully enacted by House Bill No. 1171.

2019-20 INTERIM COMMITTEE REVIEW

The Taxation Committee is the interim committee tasked with reviewing tax incentives during the 2019-20 interim. The following chart provides the incentives reviewed in previous interims and the remaining incentives that must be reviewed during the 2019-20 interim, before the end of the first 6-year review cycle.

First 6-Year Review Cycle		
2015-16 Interim	2017-18 Interim	2019-20 Interim
Agricultural commodity processing facility investment tax credit	Renaissance zone credits and exemptions	Manufacturing and recycling equipment sales tax exemption
Angel fund investment tax credit	Research expense credit	Fertilizer or chemical processing facility sales tax exemption
Biodiesel fuel credits	Internship program credit	Carbon dioxide capture and injection sales tax exemption
Manufacturing automation tax credit	Workforce recruitment credit	Qualified data center sales tax exemption
Microbusiness income tax credit	New or expanding business exemptions	Fuel tax refunds
Seed capital investment tax credit	New jobs credit from income tax withholding	Coal severance and conversion tax exemptions
Soybean or canola crushing facility credit	Development or renewal area incentives	Oil and gas gross production and oil extraction tax exemptions
Wage and salary credit		
Certified nonprofit development corporation investment tax credit		
Electrical generating facilities sales tax exemption		
Geothermal, solar, wind, and biomass energy device credit		
Telecommunications infrastructure sales tax exemption		

STUDY APPROACH

Unlike in previous years, the committee is not required to select which incentives to carry forward for review during the next interim because this is the last review period in the first 6-year review cycle. In reviewing the final seven incentives mandated for study under Section 54-35-26, the committee may find it helpful to receive:

1. Background information on each of the incentives selected for review;
2. Fiscal information detailing the number of claimants and amount claimed for each incentive; and
3. Testimony from interested parties regarding the use of the incentives selected for review.

ATTACH:1

Testimony

House Bill 1380 – Related to an Amending NDCC Section 21-10-12 Legacy Fund Principal

House Appropriations

February 2, 2021

Chairman Delzer, and members of the House Appropriations Committee – I am Dave Hunter, Executive Director / Chief Investment Officer of the North Dakota Retirement and Investment Office. I am providing the attached information for today's hearing to provide neutral technical written testimony on a proposed amendment to **NDCC Section 21-10-12 Legacy Fund – Earnings** including a new definition for Principal. This testimony is identical to that provided yesterday for HB 1275, which has the same language included for the definition of principal. For an abundance of clarity, this revised definition of "Principal" excludes net unrealized gains and losses.

Following is the suggested language to be used to define principal for the Legacy Fund:

"Principal" means all transfers into the legacy fund under North Dakota Constitution, Article X, Section 26, paragraph 1 and all earnings as defined in subsection 1 earned prior to July 1, 2017. Principal also includes realized earnings, as defined in subsection 1 and earned after June 30, 2017, that are reinvested in the fund after having been transferred to the general fund.

#4720

HB 1380

Definition of Principal Legacy Fund

Retirement and Investment Office
David Hunter, Executive Director/CIO

Suggested changes to HB 1380 - Definition of Principal

Page 4 Lines 9-10

“Principal” means all transfers into the legacy fund under North Dakota Constitution, Article X, Section 26, paragraph 1 and all earnings as defined in subsection 1 earned prior to July 1, 2017. Principal also includes realized earnings, as defined in subsection 1 and earned after June 30, 2017, that are reinvested in the fund after having been transferred to the general fund.

Section 26.

1. Thirty percent of total revenue derived from taxes on oil and gas production or extraction must be transferred by the state treasurer to a special fund in the state treasury known as the legacy fund. The legislative assembly may transfer funds from any source into the legacy fund and such transfers become part of the principal of the legacy fund.

****As currently written in HB 1380, principal would include unrealized gains/losses on investments.****

2. "Principal" means all moneys in the legacy fund not included in earnings as defined under subsection 1.

What is Principal?

\$10,000
Invested in CD at 5%
for one year



At the end of the year
you have \$10,500

← This is the
principal amount

← \$10,000 is
principal →
← \$500 is
earnings →

If you reinvest the \$10,500
in a new CD, that now
becomes the new principal
amount.

What is Principal?

\$10,000
Invested in Company A stock
(100 shares @ \$100/share)

← This is the principal amount



At the end of the year
stock is selling for
\$150/share
Total value is \$15,000



The \$50 increase in share
price is an unrealized gain
of \$5,000 (\$50x100 shares)

← Gain/income is not realized until sold -
Principal is still \$10,000



\$15,000
Invested in Company B stock
(100 shares/\$150 per share)

← Reinvest \$15,000 - this is now the new principal

Sell 100 shares of Company
A at \$150/share - proceeds
are \$15,000

← Principal returned = \$10,000
Realized Gain = \$5,000

What is Principal in the Legacy Fund?



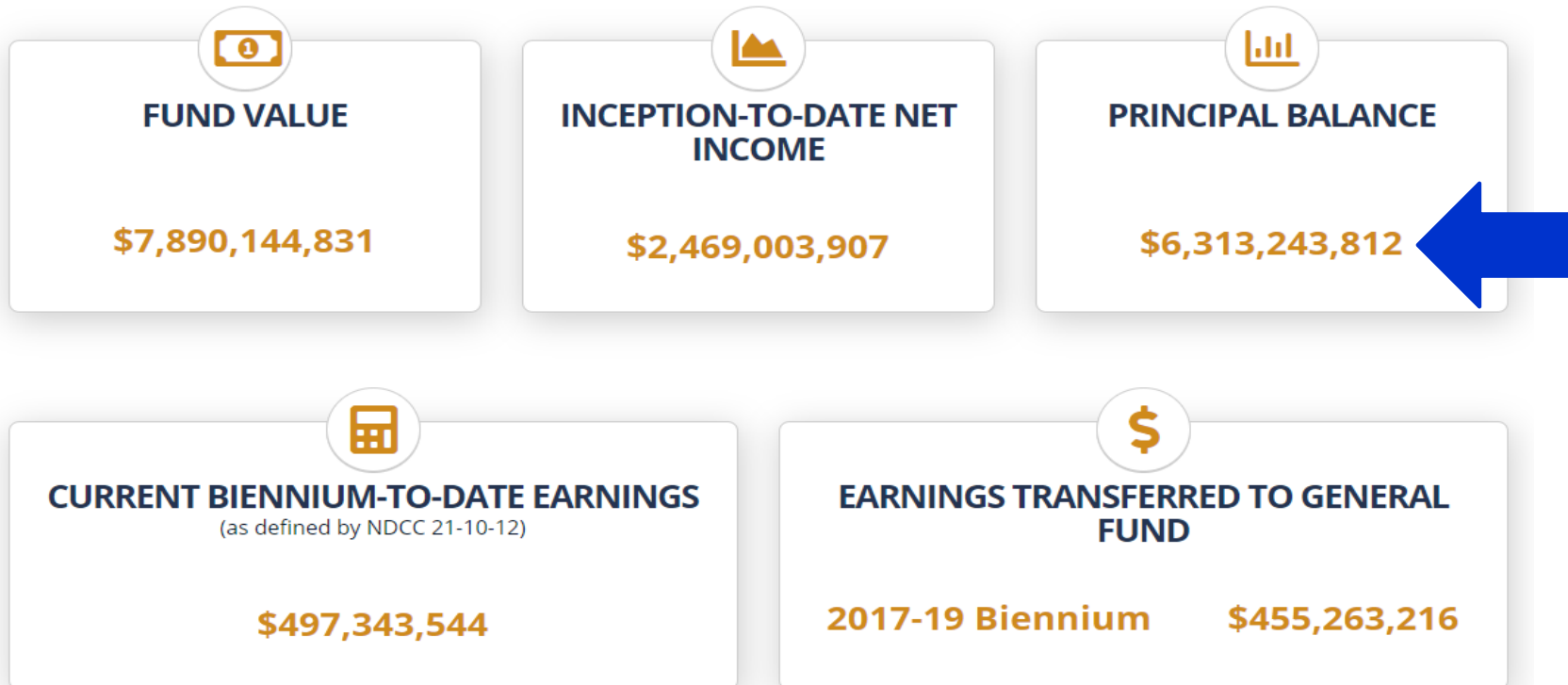
North Dakota Retirement and Investment Office - Legacy Fund Website

<https://www.rio.nd.gov/legacy-fund> ←

Legacy Fund

The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. The State Investment Board (SIB) is responsible for the investment of the fund. The first Legacy Fund transfer was received by the SIB in September 2011. The ND Constitution also requires that all earnings accrued after June 30, 2017, must be transferred to the state's general fund at the end of each biennium.

Balances listed below as of November 30, 2020.



****PLEASE NOTE:** Monthly numbers are preliminary and subject to change.

Testimony

House Bill 1380 – Related to Economic Diversification Fund

House Appropriations

February 2, 2021

Chairman Delzer, and members of the Home Appropriations Committee – I am DeAnn Ament, Executive Director of the North Dakota Public Finance Authority. I will not have formal neutral testimony. I will be available to answer questions as needed on the bonding process.

Testimony
House Bill 1380 - Department of Human Services
House Appropriations
Representative Jeff Delzer, Chairman

February 2, 2021

Chairman Delzer and members of the Appropriations Committee, I am Pamela Sagness Behavioral Health Division Director for the Department of Human Services (Department). I appear today to provide neutral testimony regarding House Bill 1380, specifically section 7.

North Dakota's behavioral health system has been in a state of transformation for several years, starting in 2014 with the Schulte Report identifying that the state's behavioral health system was in "crisis". By 2018 the North Dakota Behavioral Health System Study identified key areas requiring action in order to address the system challenges.

There are three keys to reforming North Dakota's behavioral health system:

- Supporting the full Continuum of Care (Prevention to Recovery)
- Increase Community-Based Services
- Prevent Criminal Justice Involvement

House Bill 1380 Section 7 addresses these key areas and ensures investment in behavioral health is comprehensive and aligned to the work underway in the state.

Specifically, the bill identifies:

- programs to **prevent** behavioral health issues
- programs to improve **access** to behavior health services
- **infrastructure** to support behavioral health services and programs
- programs to support behavioral health **recovery** in the community

Although positive change is underway and the state is making strides in addressing behavioral health needs, there is much left to accomplish and unfortunately the pandemic has only compounded these needs.

This concludes my testimony and I am available to answer any questions.

2021 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1380
2/22/2021

Relating to an economic diversification research fund, a legacy sinking and interest fund, a career and technical education support fund, a legacy earnings fund, a behavioral health support fund, a legacy infrastructure project fund, a state building maintenance and project fund, and an information technology cybersecurity fund

9:18 Chairman Delzer- Opened the meeting for HB 1380

Attendance	P/A
Representative Jeff Delzer	P
Representative Keith Kempenich	P
Representative Bert Anderson	P
Representative Larry Bellew	P
Representative Tracy Boe	A
Representative Mike Brandenburg	A
Representative Michael Howe	P
Representative Gary Kreidt	P
Representative Bob Martinson	P
Representative Lisa Meier	P
Representative Alisa Mitskog	P
Representative Corey Mock	P
Representative David Monson	P
Representative Mike Nathe	P
Representative Jon O. Nelson	P
Representative Mark Sanford	P
Representative Mike Schatz	P
Representative Jim Schmidt	P
Representative Randy A. Schobinger	P
Representative Michelle Strinden	P
Representative Don Vigesaa	P

Discussion Topics:

- Amendment

9:18 Chairman Delzer Explains the bill and the amendment 21.0218.05011 (#11628) and explains flow chart (#11644).

9:25 Committee discussion

9:29 Representative Kreidt Makes a motion to adopt the amendment

Representative Bellew Second
Further discussion

9:30 Voice Vote- Motion Carries

Representative Bellew Makes a motion for a Do Pass as Amended

Representative Kreidt Second

Further Discussion

9:30 Roll call vote was taken;

Representatives	Vote
Representative Jeff Delzer	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	Y
Representative Tracy Boe	A
Representative Mike Brandenburg	A
Representative Michael Howe	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	N
Representative Corey Mock	N
Representative David Monson	N
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Jim Schmidt	Y
Representative Randy A. Schobinger	Y
Representative Michelle Strinden	Y
Representative Don Vigasaa	Y

Motion Carries 16-3-2

9:31 Chairman Delzer- Closes the meeting for HB 1380

Risa Berube,

House Appropriations Committee Clerk

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1380

- Page 1, line 1, remove "a new section to chapter 6-09,"
- Page 1, line 2, remove "a new section to chapter 15-20.1,"
- Page 1, line 2, remove ", a new section to"
- Page 1, line 3, replace "chapter 50-06, two new sections to chapter 54-44, and a new section to chapter 54-59" with ", and a new section to chapter 57-38"
- Page 1, line 4, remove "an economic diversification research fund,"
- Page 1, line 5, remove "a career and technical education support fund,"
- Page 1, line 6, remove ", a behavioral health support fund, a legacy infrastructure project fund, a state building"
- Page 1, line 7, replace "maintenance and project fund, and an information technology cybersecurity fund" with ", and an income tax relief fund"
- Page 1, line 8, remove "subsection 1 of section 21-10-06 and"
- Page 1, line 9, remove "funds invested by the state investment board and"
- Page 1, line 10, after the semicolon insert "to provide a statement of legislative intent;"
- Page 1, remove lines 12 through 24
- Page 2, remove lines 1 through 29
- Page 3, line 4, replace "6" with "3"
- Page 3, line 6, after the underscored period insert "Any moneys in the fund in excess of the amounts necessary to meet the debt service requirements for a biennium, may be appropriated by the legislative assembly for other purposes."
- Page 3, remove lines 7 through 31
- Page 4, remove line 1
- Page 4, line 13, remove " - **Reserve balance**"
- Page 4, line 20, replace "Any" with "If the"
- Page 4, line 20, replace "in excess of" with "exceed"
- Page 4, line 21, remove "must be retained in the fund and designated as a"
- Page 4, remove lines 22 and 23
- Page 4, line 24, replace "than the amount available for appropriation under subsection 4" with "the state treasurer shall transfer the excess, within thirty days, as follows:"
- a. Forty percent to the strategic investment and improvements fund to be used in accordance with the provisions of section 15-08.1-08;

- b. Forty percent to the legacy fund to become part of the principal; and
- c. Twenty percent to the income tax relief fund under section 4 of this Act"

Page 4, line 27, replace "seven" with "six"

Page 5, line 3, replace "as follows" with "in the following order"

Page 5, replace lines 4 through 31 with:

- "a. The first one hundred million dollars to the legacy sinking and interest fund under section 1 of this Act;
- b. The next forty million dollars to the clean sustainable energy fund;
- c. The next forty million dollars to the infrastructure revolving loan fund under section 6-09-49, but not in an amount that would bring the balance of the infrastructure revolving loan fund to more than five hundred million dollars; and
- d. Any remaining funds for other purposes as designated by the legislative assembly."

Page 6, replace lines 1 through 31 with:

"SECTION 4. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax relief fund.

There is created in the state treasury the income tax relief fund. The fund consists of all moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations for individual and corporate income tax relief.

SECTION 5. LEGISLATIVE INTENT. It is the intent of the sixty-seventh legislative assembly that the sixty-eighth legislative assembly consider additional allocations from the legacy earnings fund, including allocations to the highway tax distribution fund, value-add agricultural programs, the innovation loan fund to support technology advancement, state building maintenance and improvements, and for other one-time initiatives and projects, including initiatives and projects to diversify the state's economy, to improve the efficiency and effectiveness of state government, and to reduce ongoing general fund appropriations of state agencies."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Removes sections to create an economic diversification research fund, a career and technical education support fund, a behavioral health support fund, a legacy infrastructure project fund, a state building maintenance and project fund, and an information technology cybersecurity fund;
- Removes a section related to the investment of a newly created legacy earnings fund;

- Transfers any earnings in excess of the amount available for spending 40 percent to the strategic investment and improvements fund, 40 percent to the legacy fund to become part of the principal, and 20 percent to an income tax relief fund;
- Reduces the amount available for spending from 7 to 6 percent of the 5-year average of legacy fund assets;
- Replaces allocations to various state funds based on percentages with allocations based on fixed dollar amounts to a newly created legacy sinking and interest fund, a clean sustainable energy fund, and an infrastructure revolving loan fund; and
- Provides a statement of legislative intent regarding additional allocations from the legacy earnings fund for consideration by the 68th Legislative Assembly.

REPORT OF STANDING COMMITTEE

HB 1380: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). HB 1380 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "a new section to chapter 6-09,"

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Renumber accordingly

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become part of the principal, and 20 percent to an income tax relief fund;

- Reduces the amount available for spending from 7 to 6 percent of the 5-year average of legacy fund assets;
- Replaces allocations to various state funds based on percentages with allocations based on fixed dollar amounts to a newly created legacy sinking and interest fund, a clean sustainable energy fund, and an infrastructure revolving loan fund; and
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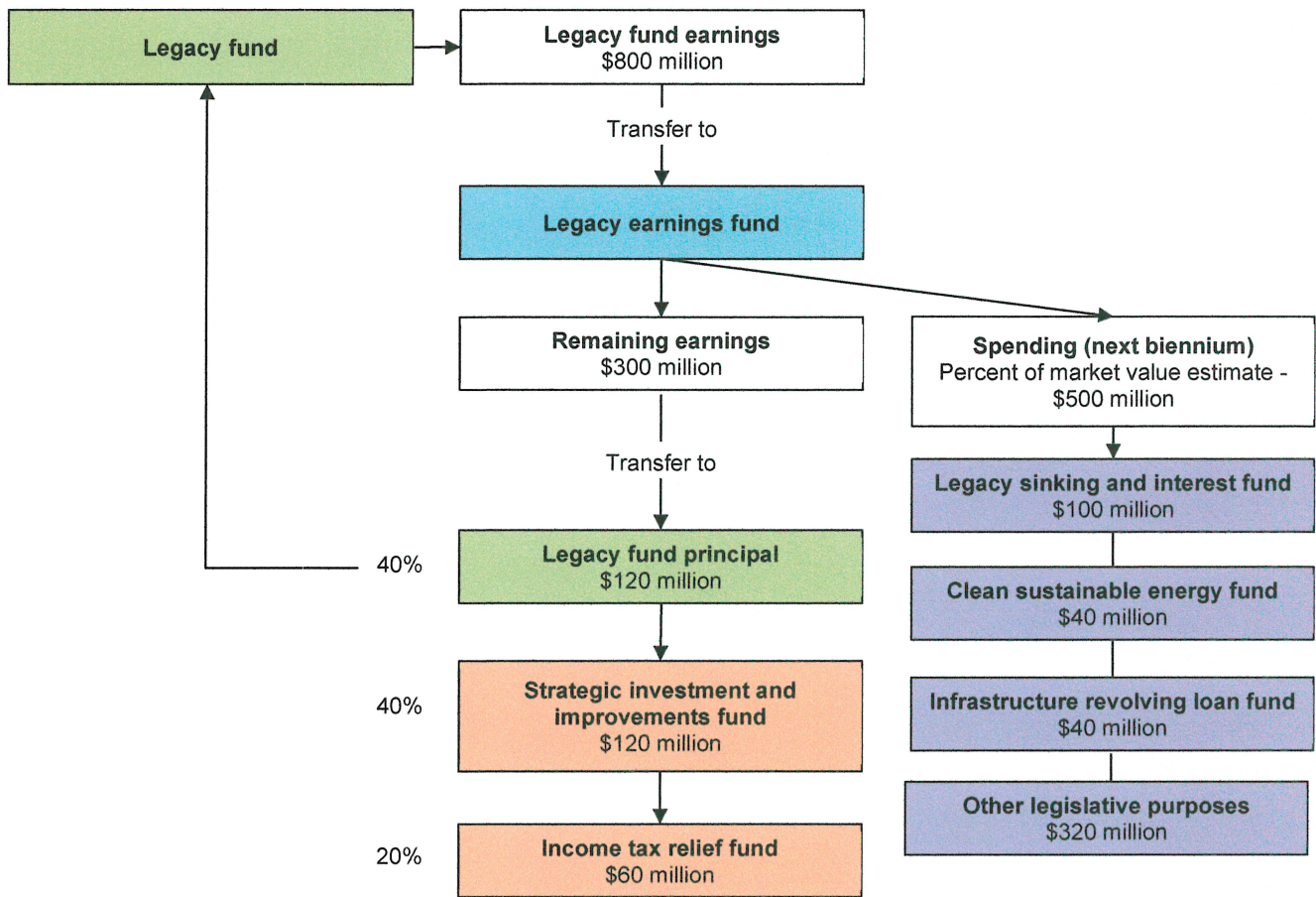
North Dakota Legislative Council

Prepared by the Legislative Council staff
LC# 21.9644.05000
February 2021

LEGACY FUND EARNINGS SCENARIO - HOUSE BILL NO. 1380

This memorandum provides, for illustration purposes only, information on a legacy fund earnings scenario based on the provisions of House Bill No. 1380 with proposed amendments [21.0218.05011].

LEGACY FUND EARNINGS SCENARIO



NOTE: The amounts reflected on this schedule are not official estimates and are provided for illustration purposes only.

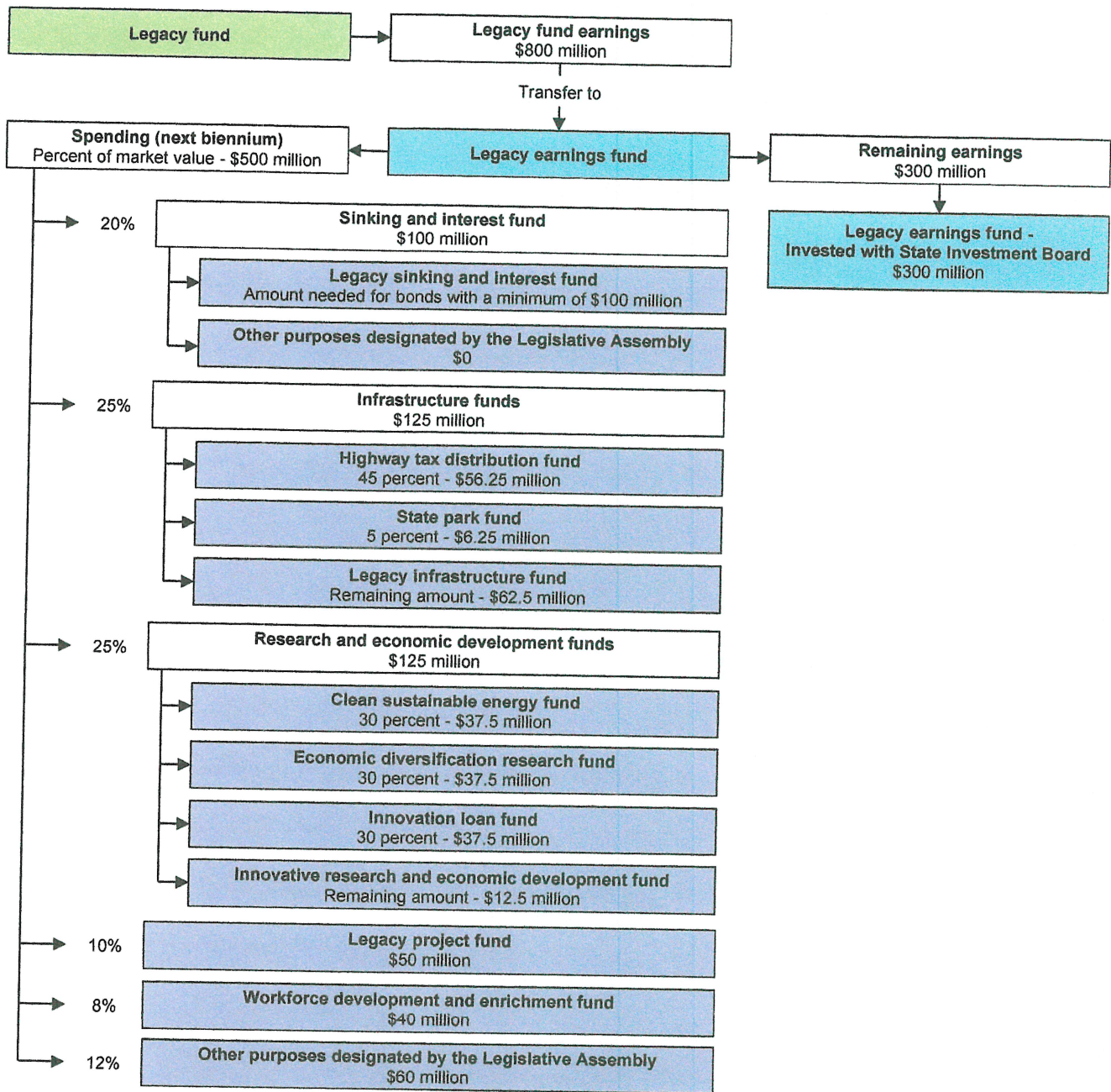


North Dakota Legislative Council

Prepared for Representative Delzer
LC# 21.9644.08000
April 2021

LEGACY FUND EARNINGS SCENARIO - ENGROSSED HOUSE BILL NO. 1380 WITH SENATE AMENDMENTS

This memorandum provides, for illustration purposes only, information on a legacy fund earnings scenario based on the provisions of Engrossed House Bill No. 1380 with Senate amendments [21.0218.08000].



NOTE: These amounts are not official estimates and are provided for illustration purposes only.

2021 SENATE FINANCE AND TAXATION

HB 1380

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1380
3/17/2021

A BILL for an Act to create and enact a new section to chapter 6-09.4, a new section to chapter 21-10, and a new section to chapter 57-38 of the North Dakota Century Code, relating to a legacy sinking and interest fund, a legacy earnings fund, and an income tax relief fund; to amend and reenact section 21-10-12 of the North Dakota Century Code, relating to legacy fund definitions; to provide for a transfer; and to provide a statement of legislative intent.

Chair Bell calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [10:34]

Discussion Topics:

- Federal dollars
- Legacy fund interest
- Income stream deployment
- Revolving loan fund
- Research funding
- Workforce development
- Infrastructure funds
- PERS funding
- Economic diversification and agriculture research

Representative Lefor [10:34] submits testimonies #9563 and #9587 in favor.

Representative Delzer [10:38] in favor #9849

Senator Sorvaag [10:46] submits amendments in favor #9850

Levi Andrist [11:02] GA Group Inc. introduces Steve Burian

Steve Burian [11:03] Co-Chair, Valley Prosperity Partnershp in favor #9754.

Andrew Armacost [11:07] President, University of North Dakota orally in favor.

Steven Shirley [11:12] President, Minot State University, in favor #9739.

Dean Bresciani [11:17] President of NDSU, submits testimony #9572 in favor.

Ryan Warner [11:22] in opposition #9858

Scott Skokos [11:27] Dakota Resource Council in opposition #9688.

Dustin Gawrylow [11:28] Managing Director, North Dakota Watchdog Network in opposition #9705.

Robert Harms [11:31] The Harms Group in opposition #9758.

Additional written testimony:

Blake Crosby, representing ND League of Cities, submits testimony #9016 in favor.

Arik Spencer, representing the Greater ND Chamber, submits testimony #9018 in favor.

James Leiman, commissioner for the Department of Commerce, submits testimony #9128 in favor.

Phil Murphy, Government Liaison for the NDSGA, submits testimony #9180 in favor.

Dan Jacobson, Chairman of the ND Water Resource District Association, submits testimony #9267 in favor.

David Lang, President of the ND Water Users Association, submits testimony #9493 in favor.

Ken Royse, Chairman of the ND Water Coalition, submits testimony #9506 in favor.

Genny Dienstmann, representing the ND Association of Counties and the ND Association of County Engineers, submits testimony #9541 in favor.

Eric Volk, executive director of ND Rural Water, submits testimony #9597 in favor.

Russ Hanson, Executive Vice President of Associated General Contractors of ND, submits testimony #9602.

Wayde Sick, State Director, ND Department of CTE in favor #9627.

Terry Traynor, NDACO Executive Director, ND Association of Counties, in favor #9640.

Brian Ritter, Bismarck Mandan Chamber EDC in favor #9678.

Kylee Merkel, Business Banker – Government Programs & Economic Development, Bank of North Dakota in neutral #9686.

Denise Jonas, West Fargo Public Schools in favor #9710.

Mike Krumwiede, Executive Director, American Council of Engineering Companies in favor #9744.

DeAnn Ament, Executive Director, ND Public Finance Authority in neutral #9775.

Chair Bell adjourns the meeting. [11:45]

Joel Crane, Committee Clerk

HB 1380 Testimony

Senate Finance and Tax Committee

Representative Mike Lefor

Good Morning, Chair Unruh-Bell and members of the Senate Finance and Tax Committee, my name is Mike Lefor and I represent District 37 – Dickinson in the House. Today, I bring HB 1380 also known as the Legacy Streams bill to you for consideration.

When I began to work on this legislation, I incorporated the thoughts of numerous individuals in state government, leaders across the state as well as the executive budget on a plan to utilize a portion of the Legacy fund earnings to benefit the citizens of the state of North Dakota. It is designed for flexibility, which is why they are called funding “streams” as they are always subject to change or updates.

There is nothing in this legislation which could not be changed other than the sinking and interest fund to meet the obligations put forward by the legislature.

As everyone knows, few things in life remain static, the world is always changing, I firmly believe we need to embrace change. That is one of the best attributes of the bill, the streams can be changed, the percentages can be made higher, lower or eliminated. They can have cap’s or a sunset attached to them.

The public is looking to the legislature for leadership on how we are going to deal with the earnings of the legacy fund going forward. The streams may take pressure off the general fund when it comes to appropriating dollars. Additionally, we would be able to leverage more federal dollars. This bill does not appropriate any dollars or take effect until 2023. Each one of these streams are issues which will have to be dealt with sooner or later, they are not going away.

It is imperative we invest in our economy as our state needs to diversify through a smart investment plan, ideas such as clean sustainable energy, economic diversification, research and development and innovation in technology. It would also drive more investment capital into the state.

HB 1380 Testimony

Page 2

This bill supports the ability to bond for projects sooner, lowering maintenance costs. The state of North Dakota has over \$9 billion in infrastructure needs over the next twenty years, the sooner we make these investments, the better.

Chair Unruh-Bell and members of the committee, the concept is designed for flexibility and change. If passed by this assembly, it will serve as a foundation to share with the people of our great state as to how the earnings are being utilized for future ideas and concepts to better serve the citizens of North Dakota.

I thank you for your time and consideration of HB 1380, the Legacy Streams bill. I would be happy to answer any questions you have. In regard to the amended form of the bill, I would defer questions to Chairman Delzer of the House appropriations committee, who is here to testify as to the reasons for the changes.

**LEGACY FUND STREAMS
PROPOSAL COMPARISONS
2023-25 BIENNIUM**

Assumptions:

Five Year Rolling Average

<u>Fiscal Year</u>	<u>Legacy Fund Balance</u>
June 30, 2018	\$5.577 Billion (Actual)
June 30, 2019	\$6.581 Billion (Actual)
June 30, 2020	\$7.000 Billion (Actual)
June 30, 2021	\$7.845 Billion (Forecasted)
<u>June 30, 2022</u>	<u>\$8.630 Billion (Forecasted)</u>
Five Year Total	\$35.633 Billion

Return

5% Annual Earnings
Total Earnings \$800 M

POMV = 3.5% Annual
Earnings Appropriated: \$499.7 M
Earnings Returned-Fund \$301 M

Five Year Average

\$7.126 Billion Percent of Market Value (**POMV**) Annual: 3.5%
Biennium: 7.0%

5Total Dollars available for the **2021-23 biennium** from the Legacy Earnings $\$7.126 \times .07 = \mathbf{\$499 \text{ Million}}$

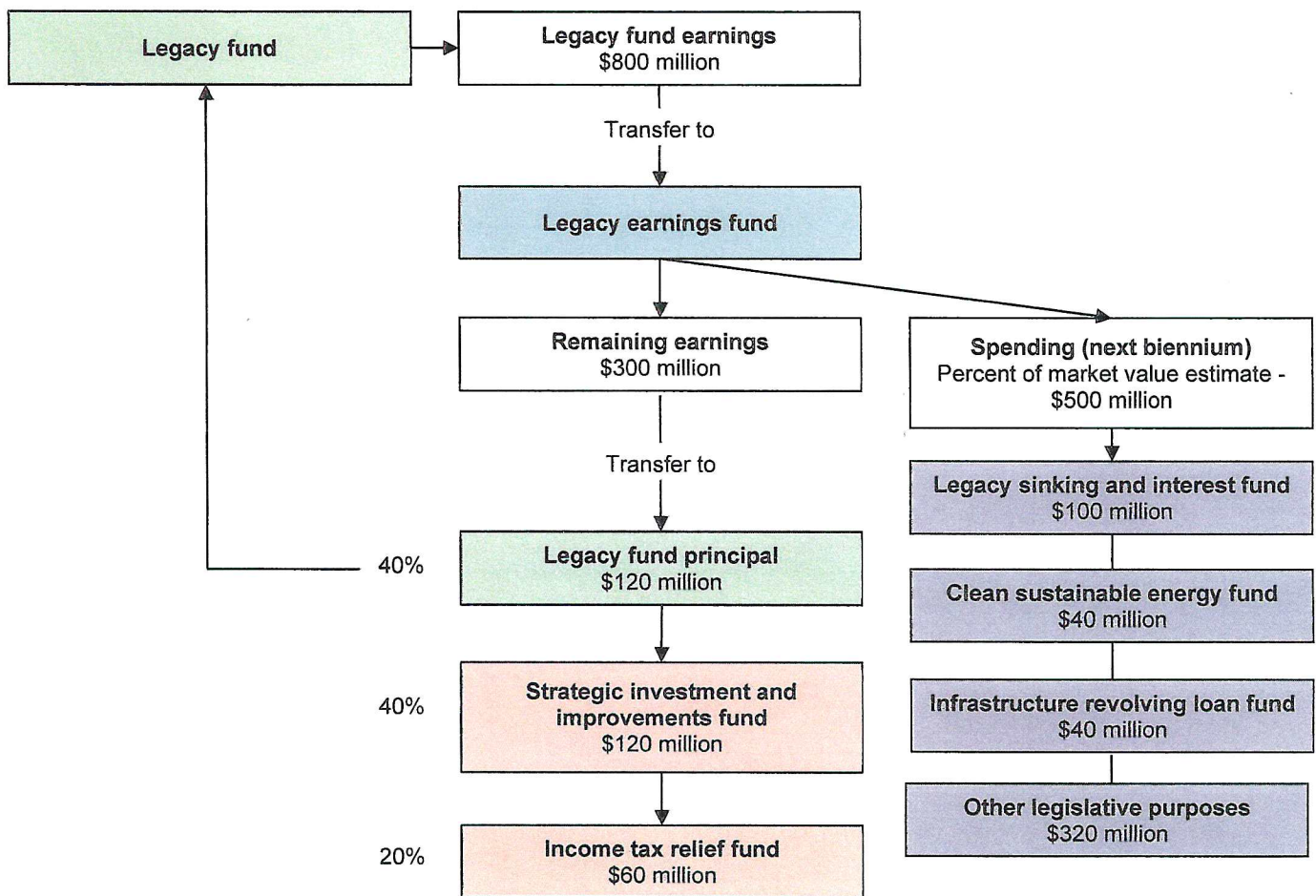
Proposed Streams	Percent	Distribution Dollars
Highway Tax Distribution (DOT)	14%	\$70.00 M
Low Interest Loan Fund – School Const.	8%	\$40.00 M
Low Interest Loan Fund- City Infrastructure	5%	\$35.00 M
Career and Tech Projects	4%	\$20.00 M
Deferred Maintenance Fund for State Buildings and Grounds	4%	\$20.00 M
Clean Sustainable Energy Fund	4%	\$20.00 M
Economic Diversification Fund	4%	\$20.00 M
LIFT Fund	5%	\$25.00 M
Housing Incentive Fund (HIF)	3%	\$15.00 M
PERS Retirement	5%	\$25.00 M
Behavioral Health Programs	5%	\$25.00 M
Debt Service on Bonds	26%	\$120.00 M
Legacy State Cybersecurity	3%	\$ 15.00 M
<u>Legacy Projects</u>	<u>10%</u>	<u>\$ 49.70 M</u>
Totals	100%	\$499.70 M



LEGACY FUND EARNINGS SCENARIO - HOUSE BILL NO. 1380

This memorandum provides, for illustration purposes only, information on a legacy fund earnings scenario based on the provisions of House Bill No. 1380 with proposed amendments [21.0218.05011].

LEGACY FUND EARNINGS SCENARIO



NOTE: The amounts reflected on this schedule are not official estimates and are provided for illustration purposes only.

SECTION 5. LEGISLATIVE INTENT. It is the intent of the sixty-seventh legislative assembly that the sixty-eighth legislative assembly consider additional allocations from the legacy earnings fund, including allocations to the highway tax distribution fund, value-add agricultural programs, the innovation loan fund to support technology advancement, state building maintenance and improvements, and for other one-time initiatives and projects, including initiatives and projects to diversify the state's economy, to improve the efficiency and effectiveness of state government, and to reduce ongoing general fund appropriations of state agencies "

March 17, 2021

2023-25 Biennium - General Fund Preliminary Outlook

July 1, 2023, balance	<u>\$50,000,000</u>
Ongoing tax and fee revenue (2 percent annual increase over 2021-23 estimate)	\$3,787,000,000
Transfers:	
Bank of North Dakota profits	140,000,000
Mill and Elevator profits	15,500,000
Lottery	14,600,000
Budget stabilization fund interest	14,000,000
Gas tax administration	1,900,000
Legacy fund earnings	0
Total general fund revenues	<u>\$3,973,000,000</u>
Total resources available	<u>\$4,023,000,000</u>
Appropriations - Based on anticipated 2021-23 ongoing general fund spending	(\$4,901,000,000)
2023-25 adjustments:	
State employee salary increase - Cost to continue 21-23 second year increase	(10,700,000)
State employee salary increase - 2/2	(33,200,000)
State employee health insurance increase (10 percent increase - 5 biennium avg.)	(24,300,000)
K-12 cost to continue	0
K-12 cost to continue - Additional students	0
K-12 Increase in property values	50,000,000
K-12 - Additional tuition fund/common schools trust fund	55,000,000
K-12 inflation - 1/1	(34,000,000)
Higher education - No increase	0
DHS cost to continue - Cost and caseload	(124,300,000)
DHS FMAP	45,000,000
DHS cost to continue - 2019-21 second year inflation increase	(4,600,000)
DHS provider inflation - 1/1	(14,200,000)
DOCR	(5,000,000)
Other cost to continue items and other adjustments	(50,000,000)
Total appropriations	<u>(\$5,051,300,000)</u>
June 30, 2025, balance	(\$1,028,300,000)

2023-25 Biennium - Preliminary Outlook

March 17, 2021

Plan for Strategic Investment and Improvements Fund

Estimated July 1, 2023, balance available for appropriation or transfer	\$344,680,000
Appropriations and transfers:	
Transfer to general fund to balance budget	0

Estimated remaining funds available for appropriation or transfer	<u>\$344,680,000</u>
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Plan for Budget Stabilization Fund

Estimated June 30, 2023, balance before any transfers	\$760,085,136
Transfer from general fund under current law	<u>0</u>
Estimated July 1, 2023, balance	\$760,085,136
Adjustments/transfers:	

Estimated balance - July 1, 2023	<u>\$760,085,136</u>
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Plan for Foundation Aid Stabilization Fund

Estimated July 1, 2023, balance available for appropriation or transfer	\$127,510,000
Appropriations and transfers:	
Use for Ongoing K-12	(110,000,000)

Estimated remaining funds available for appropriation or transfer	<u>\$17,510,000</u>
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Plan for Tax Relief Fund

Estimated July 1, 2023, balance available for appropriation or transfer	\$200,000,000
Appropriations and transfers:	
County SS takeover	(200,000,000)

Estimated remaining funds available for appropriation or transfer	<u>\$0</u>
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21.0218.06002

FIRST ENGROSSMENT

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1380

Introduced by

Representatives Lefor, Bosch, Dockter, Headland, Howe, Nathe, Porter, M. Ruby, Steiner
Senators Patten, Sorvaag, Wardner

1 A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter
2 6-09.4, a new section to chapter 15-20.1, ~~a four~~ new sectionsections to chapter 21-10, and a
3 new section to chapter ~~57-38~~54-60 of the North Dakota Century Code, relating to an economic
4 diversification research fund, a legacy sinking and interest fund, a workforce development and
5 enrichment fund, a legacy earnings fund, a legacy infrastructure fund, a legacy project fund, a
6 legacy project advisory board, and an ~~income tax relief~~innovative research and economic
7 development fund; to amend and reenact section 21-10-12 of the North Dakota Century Code,
8 relating to legacy fund definitions; to provide for a transfer; and to provide a statement of
9 legislative intent.

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

11 SECTION 1. A new section to chapter 6-09 of the North Dakota Century Code is created
12 and enacted as follows:

13 Economic diversification research fund - Economic diversification research
14 committee - Legislative management report.

15 1. There is created in the state treasury the economic diversification research fund. The
16 fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys
17 in the fund may be spent by the Bank of North Dakota pursuant to legislative
18 appropriations to provide grants to institutions under the control of the state board of
19 higher education for economic diversification research.

20 2. The economic diversification research committee consists of:

21 a. The president of the Bank of North Dakota, as chairman;

22 b. Four members with experience in research or venture capital appointed by the
23 president of the Bank of North Dakota;

24 c. The state commissioner of higher education, or a designee; and

1 d. The president of North Dakota state university and the president of the university
2 of North Dakota.

3 3. In consultation with representatives of North Dakota state university and the university
4 of North Dakota, the committee shall award grants to institutions under the control of
5 the state board of higher education. Up to ninety percent of the funding must be
6 awarded to North Dakota state university and the university of North Dakota with equal
7 amounts awarded to each institution. The remaining funding must be awarded to the
8 other institutions under the control of the state board of higher education, as
9 determined by the committee. The committee may not award more than fifty percent of
10 the available funding during the first year of the biennium. The Bank of North Dakota
11 shall distribute the grant funding as awarded by the committee.

12 4. The committee shall develop guidelines for the economic diversification research
13 grants. The purpose of the grants is to stimulate economic activity across the state
14 through innovation of new technology, concepts, and products; to promote job creation
15 and career and wage growth; to enhance health care outcomes; and to provide
16 experiential learning opportunities for students. Research projects may be initiated by
17 an institution under the control of the state board of higher education or by the private
18 sector. The guidelines must include consideration for research projects with matching
19 funds and provisions for grant oversight by an internal advisory committee and an
20 external advisory committee.

21 5. The committee shall develop reporting requirements for the institutions under the
22 control of the state board of higher education. The reporting requirements must
23 include criteria for assessing performance outcomes related to the grants. The
24 committee shall compile the reports and shall submit a comprehensive report annually
25 to the legislative management. The comprehensive report must include information on
26 how the research efforts by each institution align with the state's priorities, how the
27 institutions collaborate when appropriate, and how the outcomes of the research meet
28 established performance expectations.

29 **SECTION 2.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
30 and enacted as follows:

1 Legacy sinking and interest fund - Debt service requirements - Public finance

2 authority.

3 There is created in the state treasury the legacy sinking and interest fund. The fund consists
4 of all moneys deposited in the fund under section 35 of this Act. Moneys in the fund may be
5 spent by the public finance authority pursuant to legislative appropriations to meet the debt
6 service requirements for evidences of indebtedness issued by the authority. Any moneys in the
7 fund in excess of the amounts necessary to meet the debt service requirements for a biennium,
8 may be appropriated by the legislative assembly for other purposes must be transferred by the
9 state treasurer in September of each odd-numbered year to the public employees retirement
10 system main system plan under chapter 54-52, but only if the public employees retirement
11 system main system plan's actuarial-funded ratio as reported for the most recently completed
12 even-numbered fiscal year is less than ninety percent.

13 **SECTION 3.** A new section to chapter 15-20.1 of the North Dakota Century Code is created
14 and enacted as follows:

15 Workforce development and enrichment fund.

16 1. There is created in the state treasury the workforce development and enrichment fund.

17 The fund consists of all moneys deposited in the fund under section 5 of this Act.

18 Moneys in the fund may be spent pursuant to legislative appropriations to provide
19 grants to support the following:

- 20 a. Strategic workforce development;
21 b. Technical education;
22 c. Workforce diversification initiatives; and
23 d. Workforce guidance and support.

24 2. Grant funding may be awarded only for one-time projects and initiatives.

25 3. Grants awarded for capital projects must have a matching requirement.

26 **SECTION 4. AMENDMENT.** Section 21-10-12 of the North Dakota Century Code is
27 amended and reenacted as follows:

28 **21-10-12. Legacy fund –Earnings defineddefinitions.**

29 For the purposes of section 26 of article X of the Constitution of North Dakota, the term
30 "earnings":

- 1 1. "Earnings" means net income in accordance with generally accepted accounting
2 principles, excluding any unrealized gains or losses.
3 2. "Principal" means all moneys in the legacy fund not included in earnings as defined
4 under subsection 1.

5 **SECTION 5.** A new section to chapter 21-10 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Legacy earnings fund - State treasurer - Transfers.**

- 8 1. There is created in the state treasury the legacy earnings fund. The fund consists of all
9 moneys transferred to the fund under subsection 2 and all interest and earnings upon
10 moneys in the fund.
11 2. Any legacy fund earnings transferred to the general fund at the end of each biennium
12 in accordance with section 26 of article X of the Constitution of North Dakota must be
13 immediately transferred by the state treasurer to the legacy earnings fund.
14 3. ~~If the amounts transferred under subsection 2 exceed the amount available for~~
15 ~~appropriation under subsection 4 the state treasurer shall transfer the excess, within~~
16 ~~thirty days, as follows:~~
17 ~~a. Forty percent to the strategic investment and improvements fund to be used in~~
18 ~~accordance with the provisions of section 15-08.1-08;~~
19 ~~b. Forty percent to the legacy fund to become part of the principal; and~~
20 ~~c. Twenty percent to the income tax relief fund under section 4 of this Act.~~
21 ~~4. For each biennium subsequent to the biennium in which the legacy fund earnings are~~
22 ~~transferred under subsection 2, the amount available for appropriation from the legacy~~
23 ~~earnings fund is ~~six~~eight percent of the five-year average value of the legacy fund~~
24 ~~assets as reported by the state investment board. The average value of the legacy~~
25 ~~fund assets must be calculated using the value of the assets at the end of each fiscal~~
26 ~~year for the five-year period ending with the most recently completed even-numbered~~
27 ~~fiscal year.~~
28 ~~5.4. On July first of each odd-numbered year, from the amount available for appropriation~~
29 ~~or transfer from the legacy earnings fund for the biennium, the state treasurer shall~~
30 ~~transfer funding in the following order:~~

1 ~~a. The~~ the first one hundred fifty million dollars to the legacy sinking and interest
2 fund under section 42 of this Act;

3 ~~b. The next forty million dollars to the clean sustainable energy fund;~~

4 ~~c. The next forty million dollars to the infrastructure revolving loan fund under~~
5 ~~section 6-09-49, but not in an amount that would bring the balance of the~~
6 ~~infrastructure revolving loan fund to more than five hundred million dollars; and~~

7 ~~d. Any remaining funds for other purposes as designated by the legislative~~
8 ~~assembly~~

9 ~~SECTION 6. A new section to chapter 57-38 of the North Dakota Century Code is created~~
10 ~~and enacted as follows:~~

11 ~~Income tax relief fund.~~

12 ~~There is created in the state treasury the income tax relief fund. The fund consists of all~~
13 ~~moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be spent~~
14 ~~pursuant to legislative appropriations for individual and corporate income tax relief, and shall~~
15 ~~transfer the remaining amount as follows:~~

16 ~~a. Thirty-five percent to infrastructure funds, of which:~~

17 ~~(1) Forty percent must be transferred to the highway tax distribution fund for~~
18 ~~allocations under section 54-27-19;~~

19 ~~(2) Five percent to the state park fund under section 55-08-07 for state park~~
20 ~~construction and improvement projects and other state park initiatives~~
21 ~~designated by the legislative assembly; and~~

22 ~~(3) The remaining amount to the legacy infrastructure fund under section 6 of~~
23 ~~this Act;~~

24 ~~b. Thirty percent to research and economic development funds, of which:~~

25 ~~(1) Forty-five percent must be transferred to the clean sustainable energy fund;~~

26 ~~(2) Twenty-five percent must be transferred to the economic diversification~~
27 ~~research fund under section 1 of this Act;~~

28 ~~(3) Twenty-two percent must be transferred to the innovation loan fund to~~
29 ~~support technology advancement under section 6-09.18-05; and~~

30 ~~(4) The remaining amount must be transferred to the innovative research and~~
31 ~~economic development fund;~~

- 1 c. Fifteen percent to the legacy project fund under section 7 of this Act;
2 d. Ten percent to the workforce development and enrichment fund under section 3
3 of this Act; and
4 e. The remaining amount for other purposes designated by the legislative assembly.

5 **SECTION 6.** A new section to chapter 21-10 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Legacy infrastructure fund.**

- 8 1. There is created in the state treasury the legacy infrastructure fund. The fund consists
9 of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund
10 may be spent pursuant to legislative appropriations to support one-time infrastructure
11 projects, including road and bridge projects, airport projects, and water projects.
12 2. If a political subdivision receives funding from the legacy project fund, the political
13 subdivision shall provide a report to the state treasurer by May thirtieth of each
14 even-numbered year on the use of the funding. The state treasurer shall determine the
15 format of the report. The state treasurer shall make the reports available to the public
16 on the state treasurer's website.

17 **SECTION 7.** A new section to chapter 21-10 of the North Dakota Century Code is created
18 and enacted as follows:

19 **Legacy project fund.**

- 20 1. There is created in the state treasury the legacy project fund. The fund consists of all
21 moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be
22 spent pursuant to legislative appropriations for projects and infrastructure. Funding
23 designated for projects must be used to support statewide economic diversification
24 and growth. Funding designated for infrastructure must be used to support one-time
25 infrastructure with a statewide benefit.
26 2. If a political subdivision receives funding from the legacy project fund, the political
27 subdivision shall provide a report to the state treasurer by May thirtieth of each
28 even-numbered year on the use of the funding. The state treasurer shall determine the
29 format of the report. The state treasurer shall make the reports available to the public
30 on the state treasurer's website.

1 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of
2 management and budget for administrative expenses related to the legacy project
3 advisory board.

4 **SECTION 8.** A new section to chapter 21-10 of the North Dakota Century Code is created
5 and enacted as follows:

6 **Legacy project advisory board.**

7 1. The legacy project advisory board consists of the following:

8 a. The governor or the the governor's designee, to serve as chairman;

9 b. The majority and minority leaders of the house of representatives and senate, or
10 their designees;

11 c. The chairmen of the appropriations committees of the house of representatives
12 and the senate, or their designees;

13 d. One member appointed by the North Dakota petroleum council;

14 e. One member appointed by the greater North Dakota chamber of commerce;

15 f. One member appointed by the agriculture commissioner; and

16 g. Three members appointed by the governor.

17 2. The advisory board shall meet at least once per biennium. The office of management
18 and budget shall provide administrative services to the advisory board.

19 3. The advisory board shall submit a report to the legislative assembly regarding
20 recommendations for projects and infrastructure under the legacy project fund.

21 4. The advisory board may not include a recommendation in the report to the legislative
22 assembly unless the recommendation fulfills the purposes of the legacy project fund
23 under section 7 of this Act and is approved by a majority of the members of the
24 advisory board.

25 **SECTION 9.** A new section to chapter 54-60 of the North Dakota Century Code is created
26 and enacted as follows:

27 **Innovative research and economic diversification fund.**

28 There is created in the state treasury the innovative research and economic diversification
29 fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys
30 in the fund may be spent pursuant to legislative appropriations with sixty-five and one-half

1 percent designated for the lignite research council, the oil and gas research council, and other
2 research councils and thirty-seven and one-half percent designated for tourism initiatives.

3 **SECTION 10. LEGISLATIVE INTENT.** It is the intent of the sixty-seventh legislative
4 assembly that the sixty-eighth legislative assembly consider additional allocations from the
5 legacy earnings fund, including allocations to ~~the highway tax distribution fund, value-added~~
6 ~~agricultural programs, the innovation loan fund to support technology advancement, state~~
7 ~~building maintenance and improvements, and for other one-time initiatives and projects,~~
8 including initiatives and projects to diversify the state's economy, and to improve the efficiency
9 and effectiveness of state government, ~~and to reduce ongoing general fund appropriations of~~
10 ~~state agencies.~~

3/17/2021 7:08

✓ \$ 7,100,000,000 4.00%
\$ 568,000,000

STREAM

Sinking Fund \$ 150,000,000
Bond Payments \$ 100,000,000
PERS \$ 50,000,000

Earnings after Liabilities \$ 418,000,000

REDDI

	30%	\$ 125,400,000
<i>Clean Sustainable</i>	45%	\$ 56,430,000
<i>Economic Diversification Research Fund</i>	25%	\$ 31,350,000
<i>LIFT (Innovation Loan Fund)</i>	22%	\$ 27,588,000
<i>Innovative Research/Diversification Fund</i>		
<i>Research Councils</i>	5%	\$ 6,270,000
<i>Tourism</i>	3%	\$ 3,762,000
	100%	

Community Stream

	15%	\$ 62,700,000
<i>Legacy Project</i>		\$ -

Infrastructure

	35%	\$ 146,300,000
<i>Highway Distribution</i>	40%	\$ 58,520,000
<i>State Parks</i>	5%	\$ 7,315,000
<i>Legacy Infrastructure</i>	55%	\$ 80,465,000

Workforce Enrichment 10% \$ 41,800,000

Discretion 10% \$ 41,800,000

100%

Testimony
Senate Finance and Tax Committee
HOUSE BILL NO. 1380
March 17th, 2021

Good morning Chairman Bell and members of the Senate Finance and Tax Committee. I am Steve Burian, President and CEO of Burian & Associates, LLC and Co-Chair of the Valley Prosperity Partnership. The VPP is an initiative led by business executives to advance and advocate for shared strategic economic development opportunities for the Red River Valley and for the state of North Dakota.

The business executives who lead companies across the state of North Dakota that comprise the VPP desire to strengthen and diversify our economy. We believe investing in research and development is critical to insuring a robust and prosperous future for all North Dakotans. For that reason, we are requesting the restoration of HB 1380's original support for the creation of an economic diversification research fund.

A similar R&D bill passed the senate near unanimously in 2019 but failed in the house. Business leaders and the State Board of Higher Education have worked collaboratively during the last interim to make sure the current proposal has statewide impact. As included in amendments being offered by Sen. Sorvaag, at a minimum, 10% of the State-awarded amount is to be made available to fund research proposals at any of the 9 non-research university entities within the purview of the State Board of Higher Education. Further, accountability is codified by the oversight of an internal advisory committee, an external advisory committee, and the Bank of ND. The proposal also reflects the importance of using state dollars as a means of leveraging private-sector and federal research dollars. A one-page summary of the R&D>ND proposal is attached.

It's not only business leaders who support the state investing in research and development. So do the voters of ND. In a state-wide scientific poll commissioned by the VPP in 2018, we found that voters demonstrated strong support for research. Specifically, 79% of respondents agreed that the state of North Dakota should invest research dollars in new industries in addition to agriculture and energy in order to diversify the economy.



We need to find ways to build a more innovation-driven economy, whether it is to build upon our existing economic base or by attracting new talent and ideas that are outside of ag & energy. HB 1380 can be a strong start and an example to accomplish both of these. For that reason, the VPP also commends this committee's support of House Bill 1425 that will enable the state investment board to make fixed income and equity investments in the state. In the same spirit, we also ask for the committee's continued support of House Bill 1141, which continues the LIFT program and is included in the amendments introduced this morning.

As the attached infographic shows, there is considerable support from a statewide coalition of businesses and industry groups for research and development. Thank you for your consideration of these important investments in research and development that will lead to new innovations and enable the expansion of opportunity and prosperity in North Dakota.



The Valley Prosperity Partnership (VPP) is focused on developing a unified, shared vision for high value and sustained economic growth for all Red River Valley residents. A steering committee of private sector industry and higher education leaders, joined by economic development partners, work to advance strategic economic development opportunities for the Red River Valley region of North Dakota and Minnesota and for the entire State of North Dakota.

Marshal Albright, President & CEO
Cass County Electric Cooperative,
Co-Chair, Valley Prosperity Partnership

Steve Burian, President & CEO
Burian & Associates
Co-Chair, Valley Prosperity Partnership

Judd Graham, CEO Fargo Region
Bremer Bank, Vice Co-Chair

Brian Johnson, CEO
Choice Financial Group, Vice Co-Chair

Andrew Armacost, President
University of North Dakota

Tom Astrup, President & CEO
American Crystal Sugar

Barry Batcheller, Chairman
Appareo Systems

Dean Bresciani, President
North Dakota State University

Dan Conrad, President & CEO
Blue Cross Blue Shield North Dakota

Tim Curoe, CEO
RD Offutt Company

Mylo Einarson, President & CEO
Nodak Electric Cooperative

Chad Flanagan, Partner
Eide Bailly

Shawn Gaddie, Director of Infrastructure
Management Services
AE2S

Jim Galloway, Principal
JLG Architects

Keith Lund, President & CEO
Grand Forks Region EDC

William C. Marcil, Sr. Chairman
Forum Communications Company

Pat McAdaragh, President & CEO
Midco

Jeff Melgaard, Vice President
Construction Engineers

Dave Molmen, CEO
Altru Health System

Bryan Nermoe, President
Sanford Medical Center Fargo

Tony Grindberg, ND Principal Manager
Xcel Energy

Joe Raso, President & CEO
Greater Fargo Moorhead EDC

John Richman, President
North Dakota State College of Science

Jim Roers, President & CEO
Roers Construction & Development

Thomas Shorma, President & CEO
WCCO Belting, Inc.

Richard Solberg, Chairman & CEO
Bell State Bank & Trust

Steve Swiontek, Executive Chair
Gate City Bank

David White, President
Border States Electric

Chris Wolf, North Valley Market President
Alerus Financial



Strengthening and Diversifying North Dakota's Economy by Investing in Research and Development

R&D>ND PROPOSAL: This is a private-sector led initiative. The broad-based business coalition wants to **strengthen our core sectors to make them more resilient and diversify our state's economy.** North Dakota's universities and colleges are important economic drivers, whose research and development capabilities sustain our competitive advantages in agriculture and energy, translating innovations into new economic opportunities, a more skilled workforce, and higher-paying jobs for North Dakotans.

NEED for R&D

- **BEYOND OIL & SOIL:** North Dakota's economic trajectory is directly linked to the strength of the agriculture and energy sectors.
- **STRENGTHEN & DIVERSIFY:** Business leaders support the strengthening and diversification of our economy efficiently and effectively meet the unique healthcare needs of the State.
- **ADVANTAGE:** North Dakota does not have a stream of funding that supports basic and applied research and development at research universities.

FUNDING PROPOSAL

- \$ **FIFTEEN PERCENT (15.0%) OF LEGACY FUND EARNINGS** or other comparable State funds will be allocated annually for use by UND, NDSU, the 9 other public universities, and the private sector.
- \$ **TEN PERCENT (10.0%) to ND's NON-RESEARCH UNIVERSITIES & PRIVATE-SECTOR RESEARCHERS:** At minimum, 10% of the State-awarded amount is to be made available to fund research proposals at any of the 9 non-research university entities within the purview of the State Board of Higher Education.
- \$ **LEVERAGE FUNDING:** Leverage federal, private and additional sources of funding.

ACCOUNTABILITY

- ✓ **BANK of NORTH DAKOTA:** Creation of BND panel to provide annual reports.
- ✓ **INTERNAL ADVISORY COMMITTEE:** Members appointed from the education institutions would review and formulate recommendations on effectiveness and implementation of research programs at NDSU & UND.
- ✓ **EXTERNAL ADVISORY COMMITTEE:** External scientific experts would provide feedback and recommendations on the program's strategic direction.

GOALS for INVESTMENT

- **VALUE-ADDED:** Enhance value-added opportunities within the State's core agriculture and energy industries
- **HEALTHCARE:** More efficiently and effectively meet the unique healthcare needs of the State
- **ECONOMY OF THE FUTURE:** Expand investments in UAS, autonomous capabilities, and emerging technologies in advanced manufacturing and materials, augmented reality, data, robotics and automation, and alternative energy and storage technologies.

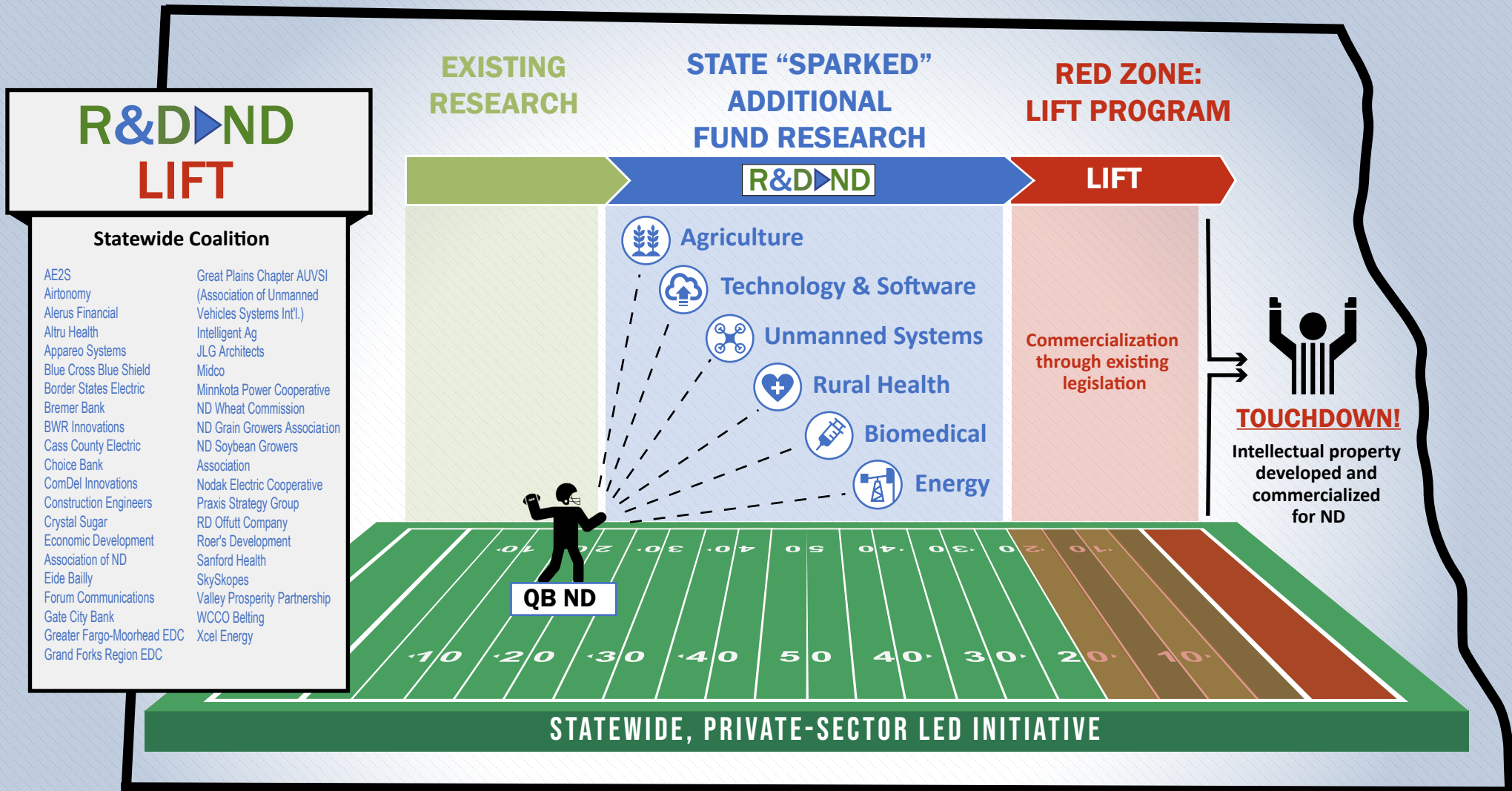
GUIDELINES for USE OF FUNDS

- \$ **LEVERAGE FUNDING:** Basic or applied university research, with the expectation it will leverage funding from federal, corporate, or other sources;
- \$ **PARTNERSHIPS:** University-originated research partnerships with industry, and;
- \$ **INDUSTRY SUPPORT:** Research that is originated by a business, public or private university or non-profit organization that is conducted in partnership with a NDUS university or college.

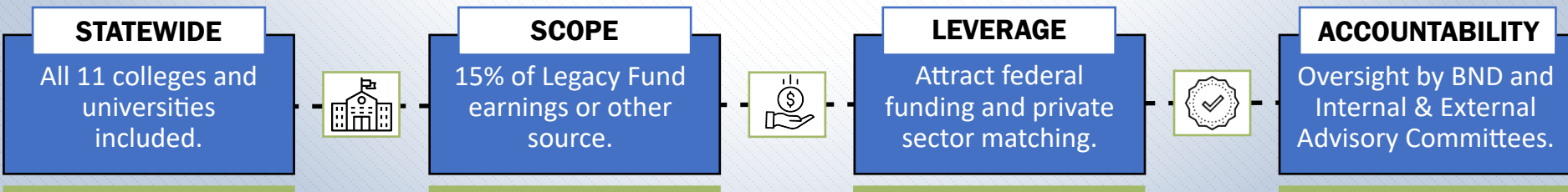
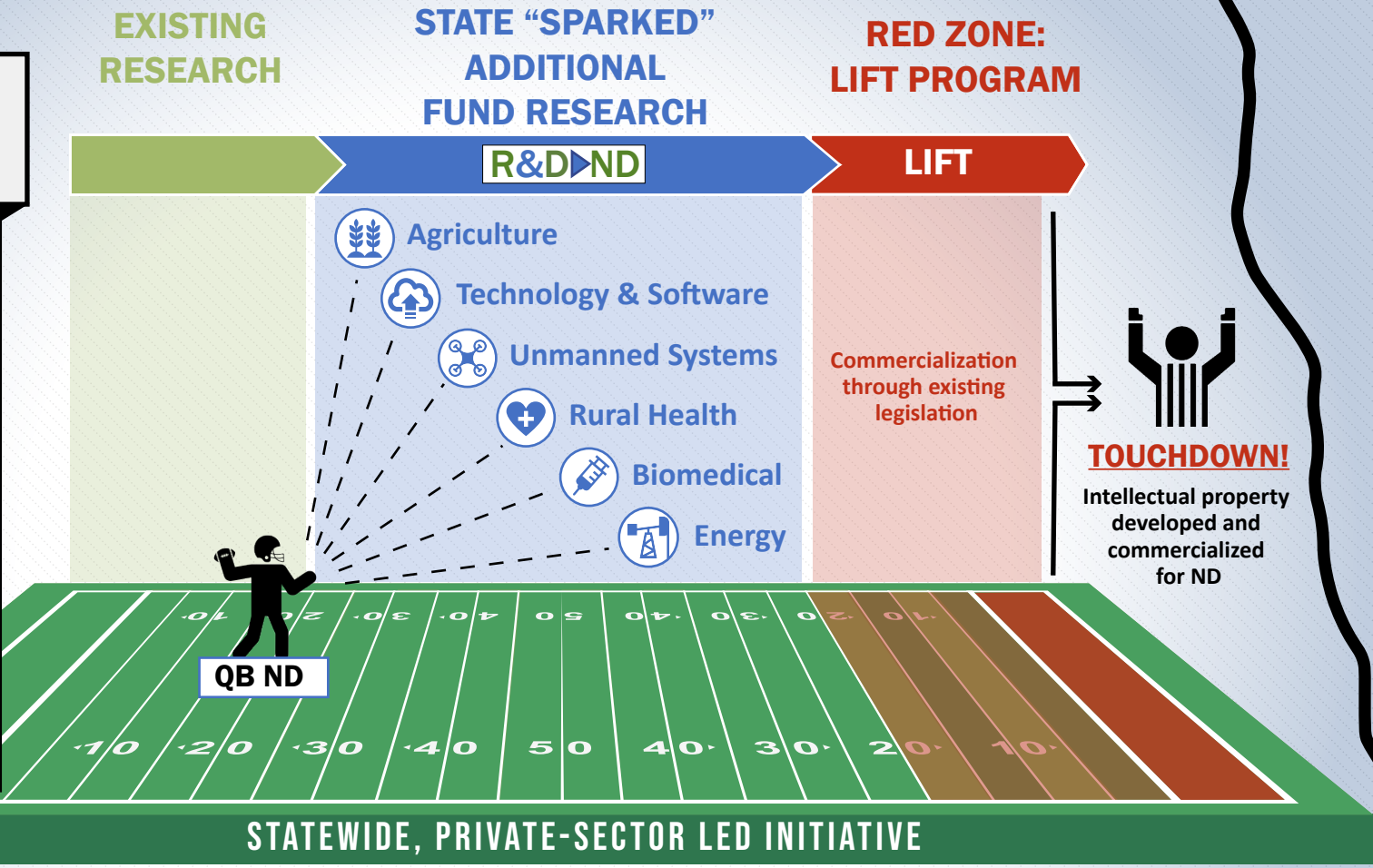
OPPORTUNITIES

- ✓ **INVESTMENT ECOSYSTEM:** R&D>ND will round out the state's R&D ecosystem by getting more ideas to the LIFT program and leveraging existing research activities, including NDSU Extension projects, the EERC and ND's research councils.
- ✓ **ATTRACT TALENT & FUNDING:** Long term, predictable funding will attract research talent and funding for sectors that are key to strengthening and diversifying North Dakota's economy.

STRENGTHENING AND DIVERSIFYING NORTH DAKOTA'S ECONOMY BY INVESTING IN RESEARCH AND DEVELOPMENT



- R&D ND LIFT**
- Statewide Coalition**
- AE2S
 - Airtonomy
 - Alerus Financial
 - Altru Health
 - Appareo Systems
 - Blue Cross Blue Shield
 - Border States Electric
 - Bremer Bank
 - BWR Innovations
 - Cass County Electric
 - Choice Bank
 - ComDel Innovations
 - Construction Engineers
 - Crystal Sugar
 - Economic Development Association of ND
 - Eide Bailly
 - Forum Communications
 - Gate City Bank
 - Greater Fargo-Moorhead EDC
 - Grand Forks Region EDC
 - Great Plains Chapter AUVSI (Association of Unmanned Vehicles Systems Int'l.)
 - Intelligent Ag
 - JLG Architects
 - Midco
 - Minnkota Power Cooperative
 - ND Wheat Commission
 - ND Grain Growers Association
 - ND Soybean Growers Association
 - Nodak Electric Cooperative
 - Praxis Strategy Group
 - RD Offutt Company
 - Roer's Development
 - Sanford Health
 - SkySkopes
 - Valley Prosperity Partnership
 - WCCO Belting
 - Xcel Energy



#9739

ND Senate Finance & Taxation Committee
HB 1380, 67th Session, March 17, 2021
Dr. Steve Shirley, President, Minot State University

Chair Bell and members of the committee, for the record, my name is Steve Shirley, and I have the privilege of serving as president of Minot State University. I am here speaking in support of House Bill 1380, in particular the establishment of an economic diversification research fund.

Currently in my seventh year as president of Minot State, I also serve as president of Dakota College at Bottineau. Prior to MSU and DCB, I served for six years as president of Valley City State University. And so I offer a unique perspective, having the distinction over the past 13 years of leading fully one-third of the State's nine primarily undergraduate institutions comprising the North Dakota University System. In that time, I have seen first-hand the research capabilities of our talented faculty across the state:

Impressive aquatic and wildlife research is occurring at Valley City State, including undergraduate-driven work at the Prairie Waters Education & Research Center, a Center I was proud to help launch while there. VCSU engages students with research opportunities in Fisheries & Wildlife, Software Engineering, and Physics, where faculty and students are involved in helping build a sophisticated particle detector one mile underground as part of the Deep Underground Neutrino Experiment, a truly international collaboration;

At Dakota College at Bottineau, through our unique mission of Nature, Technology, & Beyond, faculty provide hands-on research in horticulture, aquaponics, and specialty crop production, and they have helped ensure vital conservation efforts for North Dakota's outdoors, including active wildlife research on ecosystems in important areas like the Turtle Mountains north of Bottineau;

And, at Minot State, I have seen our faculty in chemistry, geology, addiction studies, education, the biological sciences, and other areas conduct impressive research in such diverse fields as behavior and addiction effects of methamphetamines, optimizing usage of the most effective fracking sand, understanding the genetics of certain types of leukemia, design of fungicides for medicine, veterinary, and agricultural uses, and research in the area of Alzheimer's, just to name a few. For a number of years, Dr. Mikhail Bobylev's chemistry students have been selected to present their research at the prestigious Posters on the Hill event at Capitol Hill in Washington DC; MSU has been the only North Dakota

campus to have students selected the past several years, and they have presented alongside students from the likes of UCLA, Purdue, the University of Chicago, the University of Oregon, and Texas A&M; some of the finest colleges and universities in the country. With some skilled mentoring and support, it is clear our North Dakota students can and do compete against the very best. Our faculty are active with publications, research, and grant activities supported by both federal and state agencies, and this bill would allow us to expand research opportunities for students, thereby benefiting North Dakota's future.

There are many examples from the other six NDUS campuses as well, and we've seen highlights in the State Board of Higher Education's Research Committee's meetings – this included a presentation earlier this winter on impressive research being done at Lake Region State College in precision agriculture and wind energy technology.

Many of these research opportunities across our state's nine primarily undergraduate colleges and universities may not get the headlines of a project at NDSU or UND, but please know the research by professors and students across all campuses have incredible potential in further unleashing economic diversification as today's undergraduate students, North Dakota's next generation of leaders, complete their associate and baccalaureate degrees.

On a final note, with our unified System, students can seamlessly move from one campus to another, and an important aspect of that movement is when students at a primarily undergraduate campus pursue a graduate degree at one of the larger institutions. I can think of many students the past 13 years who have moved on to Medical School at UND or those who have pursued a PhD in a science-based program at NDSU. In many of those situations, the research opportunities afforded during their undergraduate program played a critical role in preparing them for success - both getting accepted into the graduate program and then succeeding while enrolled.

All 11 campuses of the NDUS are collectively excited about this program's potential for our students, our faculty and staff, and most importantly, our state. I appreciate your time today. Thank you.

#9572

No written testimony. Oral testimony in support of HB1380.

Madam Chairwoman, and members of the committee, my name is Ryan Warner. I am here to testify as a private citizen in opposition to HB 1380.

HB 1380 is an innovative attempt to circumvent the democratic and legislative process.

If implemented, HB 1380 would divert constitutionally mandated deposits from the Legacy Fund¹ into a new Legacy earnings fund.

Once in the Legacy earning fund, funds are then automatically transferred to a variety of sources, based on the following priority:

1. The first \$100 million to the Legacy Sinking and Interest Fund
2. The next \$40 million to the Clean Sustainable Energy Authority
3. The next \$40 million to the Infrastructure Revolving Loan Fund²
4. Any remaining funds for any purposes as designated by the legislative assembly.

The amount available for appropriation from the Legacy earnings fund is capped at 6% of the 5-year rolling average of the Legacy fund. Any transfers from the Legacy Fund to the Legacy earnings fund that exceed this cap shall be diverted within 30 days according to the following formula:

1. 40% to the Strategic Investments and Improvements Fund
2. 40% back to the Legacy Fund to become a part of the principal
3. 20% back to the Income Tax Relief Fund

It is not clear why the State of North Dakota requires so many Funds. Currently, we have 44 special funds³ and one General Fund. This bill creates another 3 funds on top of the existing 45 we currently administer. Do we really need this much bureaucracy to simply fund and run the government?

¹ In the last biennium, \$455 million of Legacy Fund earnings were returned back to the state's General Fund via this mechanism. If implemented, HB 1380 would divert these funds and create a reduction in available General Fund revenue.

² Provided it does not bring the total in that Fund to greater than \$500 million.

³ Abandoned Mine Reclamation Fund, Abandoned Oil/Gas Well Plugging and Site Reclamation Fund, Budget Stabilization Fund, Capitol Building Fund, Children's Trust Fund, Coal Development Trust Fund, Common Schools Trust Fund, Community Development Loan Fund, Corporate/Individual Refund, Reserves Fund, Credit Sale Contract Indemnity Fund, Energy Conservation Fund, Environment and Rangeland Protection Fund, Foundation Aid Stabilization Fund, Highway Tax Distribution Fund, Indian Cultural Education Trust, Insurance Trust Fund, Legacy Fund, Lignite Research Fund, Oil and Gas Impact Grant Fund (Energy Development Impact Fund), Oil/Gas Production Tax Distribution, Oil/Gas Research Fund, Highway Tax Distribution Fund, Oil and Gas Production Tax Distribution Fund, Oil Extraction Tax Development Trust Fund, State Aid Distribution Fund, Township Road and Bridge Fund, Outdoor Heritage Fund, Pension Trust (TFFR/PERS), Renewable Energy Development Fund, Research ND Fund, Resources Trust Fund, Siting Process Recovery Fund, State Disaster Relief Fund, Statewide Interoperable Radio Network Fund, Strategic Investment and Improvements Fund, Tax Relief Fund, Tobacco Prevention and Control Trust Fund, Tobacco Settlement Trust Fund, Township Road and Bridge Fund, Veteran's Cemetery Trust Fund, Veterans Postwar Trust Fund, Water Development Trust Fund, and the Workforce Enhancement Fund.

More importantly, the formulas and automatic transfers included in the creation of these 3 new funds circumvent the democratic and legislative process by substituting one-time public debates and public hearings for ongoing allocations. As it stands now, the Legacy fund earnings are transferred into the General Fund, and any funding decisions are debated and vetted across multiple committees before being passed and sent to the Governor to become law. If HB 1380 is passed, all that democratic process is subverted, and certain special interests receive ongoing allocations without public or legislative oversight.

The absence of democratic and legislative process is made worse by the fact that the destination of one such automatic transfer - the Clean Sustainable Energy Authority - is shielded from open records laws, so we won't even know where the money goes. In essence, HB 1380 creates an ongoing transfer of \$40 million dollars every 2 years into a blackhole. Do we really need to automate this? Shouldn't we be reviewing these transfers every 2 years? Isn't that why this committee exists?

The public has a right to know where its money is going, and setting up ongoing automatic transfers behind a shield of bureaucracy and overly complicated formulas does nothing but subvert our democratic and legislative process.

In the interest of transparency and good governance, I urge a DO NOT PASS designation.

Testimony of Dakota Resource Council
House Bill 1380
March 17th, 2021

Chairwoman Bell & members of the committee, my name is Scott Skokos and I am testifying on behalf of Dakota Resource Council and our members. Thank you for allowing me to testify today in opposition of HB 1380.

Dakota Resource Council (DRC) is a non-partisan grassroots group of landowners, ranchers, farmers, and other citizens. We were founded to watchdog over energy policies that impact family farms and ranches. We stand here today in opposition to HB 1380 because the bill is in our view a misuse of legacy fund dollars, and the bill creates an ongoing appropriation every two years with very little oversight.

The Legacy Fund was created in order to support North Dakota once the coal, oil, and gas industry run their course, not to prop up industries in decline. In 2013, a stakeholder group consisting of elected officials and citizens of all political spectrums met to discuss the best ways to use the Legacy Fund. The group ultimately concluded that the Legacy Fund should be used conservatively in the following manner: *allocate 25 percent of annual Legacy Fund earnings from 2017 through 2039 to bold and visionary purposes that build a bridge to a future*¹. In our view, using Legacy Fund dollars to prop up the declining coal industry is neither bold, or visionary. It would be like investing in efforts to keep Blockbuster Videos open in the mid-2000s as video streaming services were emerging as reliable and consumer trusted method used to watch movies. Other communities throughout the United States are not following in the way this legislative body is looking at how to invest in energy, rather they are divesting from coal and reinvesting into other emerging energy industries and retraining coal workers to be ready for those same emerging industries.

The other issue we have with this bill is that it will create an ongoing appropriation every two years without oversight or transparency. The appropriations that will occur every two years for what is being called the “Clean Sustainable Energy Authority” would not be subject to the same scrutiny as other funds because of fears over trade secrets and industry competition. In our view, it is not good for the government to provide millions of dollars every two years to various funds without the public having the ability to properly scrutinize the use of the money.

Lastly, in our view a more appropriate use of the Legacy Fund dollars would be to direct it towards an equitable transition for communities that are reliant on coal and people working in the coal industry through retraining, economic diversification, community development, and transition planning as experts around the country recommend. This is being done in other places like Colorado. Specifically, Colorado Governor Jared Polis created an Office of Just Transition in order to support coal workers, employers, and communities as they plan for the future closings of coal plants upon which their communities depended upon². We think using Legacy Fund dollars to fund efforts similar to what Colorado is doing surrounding coal transition would be a more appropriate use of the money.

¹ https://www.betterenergy.org/wp-content/uploads/2018/03/North_Dakota_Legacy_Fund_Recommendations.pdf pg. 5

² <https://cdle.colorado.gov/the-office-of-just-transition>

In conclusion HB 1380 represents a bill that allows the misuse of legacy fund dollars, which could be better spent towards other efforts to diversify North Dakota's energy economy and retrain workers in coal dependent communities. As a result, we urge the committee to oppose HB 1380 and recommend a **DO NOT PASS** on HB 1380.

#9705

HB 1380 – Testimony by Dustin Gawrylow (Lobbyist #266) North Dakota Watchdog Network

This bill sets up a framework for using Legacy Fund interest earnings.

The problem with this bill is the open ended nature that it funds the Clean Sustainable Energy Fund at a \$40 million per biennium level.

That fund, which does not yet exist and is still being debated in HB 1452 is itself open-ended with problems surrounding its governance structure. It is also becoming apparent that the goal of the Clean Sustainable Energy Fund is to use state tax dollars to create a government program that will subsidize speculative technology with the goal of making fossil fuel based energy more marketable to states that have decided they don't want such power sources.

The Legacy Earnings portion of HB 1380 should either be triggered by the passage of HB 1452, or the Legacy Fund earnings provisions from HB 1380 should be placed into HB 1452 so that it is clear that HB 1452's fiscal note is not a one-time expense and that this will be an on-going subsidy and government program.

We oppose both HB 1452 and HB 1380 for these reasons and urge a DO NOT PASS as currently written.

March 16, 2021

Senate Finance and Tax Committee

HB1380 OPPOSE

Chairwoman Bell and Members of the Committee:

For the record my name is Robert Harms, I'm a lifelong resident of North Dakota and am speaking as a taxpayer. I was one of a handful of people who helped guide the Legacy Fund through passage in 2010. That coalition included a host of organizations including: Farm Bureau, ND Retailers, ND Petroleum Council, NDEA, and the ND Chamber of Commerce and a host of individuals.

I'll share my specific concerns about HB 1380 at the end of my testimony. Some history of oil tax revenue is instructive and forms the foundation upon which the Legacy Fund was created.

HISTORY:

1997--"Permanent oil trust fund" created; Governor Schafer wanted it in the Constitution; Legislators resisted and made it statutory (subject to future invasion).

2003—Governor Hoeven first taps the permanent oil trust fund; thereafter each biennium the "permanent oil trust fund" is raided and not allowed to grow. Seldom exceeded \$71 million.

2007—our 1st attempt at creating a constitutionally protected fund. Governor Hoeven, and NDEA campaigned against it. It was defeated.

2009---our second attempt. Reconfigured with input from AARP and NDEA. Legacy Fund resolution was approved; we campaigned statewide and secured passage. At the time we told the voters: ***"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."*** (See the attached campaign literature from 2010).

The point: The Legacy Fund was designed to replace oil revenues when they decline—something that will happen. We see today, how dependent we've become on ONE revenue stream---oil taxes. They ARE going to go away. (Over 50% of our revenue comes from oil; 27% of the general fund comes from oil production and extraction taxes—as per Legislative Council).

PREVIOUS RECOMMENDATIONS:

Great Plains Institute: In 2014 the Institute recommended----spend 25% earnings, reinvest the balance (20 years) until oil revenues/production begins to decline----then stabilize budgets and spend balance of earnings.

MEMBERS included:

Steve Burian, former CEO of AE2S; member of Valley Prosperity Partnership

Nick Archuleta, president, North Dakota United
State Sen. Kelly Armstrong, R-Dickinson, an attorney
Rod Backman, former director, ND OMB
Dina Butcher, former Deputy Ag. Commissioner, Schafer sub-cabinet member
Mike Eggl, SVP Communications, Basin Electric Power Cooperative, Bismarck
Jon Godfread, VP, Greater North Dakota Chamber
Eric Hardmeyer, CEO of the Bank of North Dakota
Bob Mau, president of MW Industries Inc., Kenmare
State Sen. Mac Schneider, D-Grand Forks, Senate minority leader and an attorney
Larry Skogen, interim chancellor of the North Dakota University System
Gene Veeder, Exec. Director, McKenzie County Job Development Authority

Alaska: During the interim, the Legacy Committee heard from Mr. David Teal the manager of the Alaska Permanent Fund; his recommendation was to save and reinvest the earnings into the fund for future generations, and help the fund grow. The Alaska Fund has \$72 billion.

Teal asked, “is the fund for current residents or future residents”? He defined the Alaska fund as “intergenerational”. He suggested that North Dakota determine WHEN, we will need Legacy Fund earnings to replace declining oil revenue. (Do we know that date)? Permanent commitments of earnings limit your ability to solve the problem that is coming.

Norway: In 2019---we shared with the entire Legislature, the Norway Fund management summary and how they manage one of the largest sovereign funds in the world; its recommendations too were----save, don’t spend. (The Norway Fund is worth \$1 TRILLION).

In 2019, **Legacy Fund Founders Committee** also recommended saving and investing MOST of the earnings as per the attached-policy recommendations. (I do not purport to speak for anyone this morning, but myself).

Policy Concerns:

1. HB 1380 speaks of spending “6%” of the Legacy Fund earnings over a five-year average. That essentially is planning to spend ALL of the earnings. So, the Legacy Fund will NOT grow, except from oil production revenues deposited into the fund---which impedes its growth and hampers its fundamental mission of replacing oil revenues.
2. We don’t know WHEN Legacy earnings will be needed. Before we proceed, we should know the answer to 3 questions:
 - a. What will the rate of growth of the general fund be for the next decade?
 - b. What percentage of the general fund will be reliant on oil revenue?
 - c. When will oil revenues decline so LEGACY earnings can replace them?
3. We already use Legacy Fund earnings to meet current spending. We will exacerbate the budgetary pressure with permanent allocations of all the earnings as HB 1380 contemplates. (Legacy earnings used: \$200million in 2017; \$300 million in 2019, and potentially \$500 million in 2021 according to Legislative Council).

4. The creation of buckets of various funds as provided in Section 3 creates a perception or expectation of “ownership” by the beneficiaries of those funds, and then removes the funds from competitive budgetary processes that would better serve the long-term interests of the state.
5. Finally, the reduction of the income tax based upon an oil fund earnings stream appears unlikely to occur given its placement in the “bucket” hierarchy and further creates an imbalance of our tax structure.

For these reasons I believe HB 1380 is bad policy for our state and urge you to examine its implications carefully and recommend a DO NOT PASS to the Senate.

Thank you.

Robert W. Harms
Box 895
Bismarck, North Dakota



North Dakota Legacy Fund

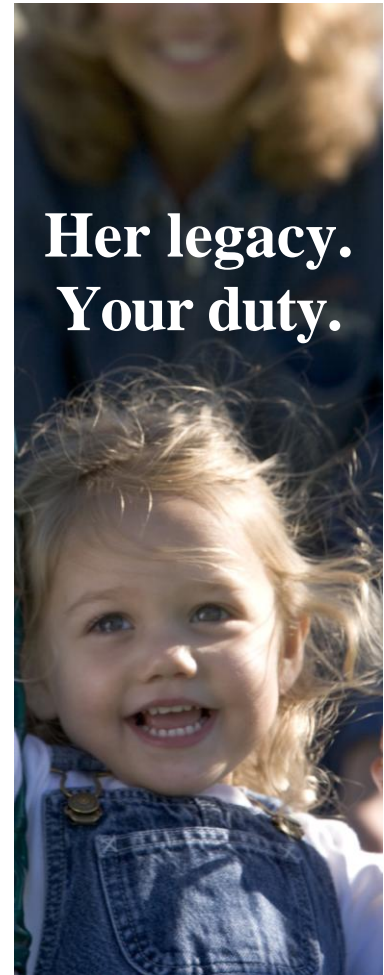
August 9, 2010

What does Measure 1 do?

- Measure 1 would establish a North Dakota Legacy Fund from the oil and gas tax money that is accumulating at record-breaking levels. Saving some of this money makes sense. It's the fiscally responsible thing to do.
- The oil tax is not a new tax. Oil companies have been paying this tax to the state since oil was discovered in North Dakota.
- The Legacy Fund would be a *permanent savings account* for the state of North Dakota with the earnings generated from the fund available for government spending after 2017.
- The North Dakota Legislature placed Measure 1 on the ballot as a proposed Constitutional Amendment because it believes the state should be saving, rather than spending all the oil wealth. HCR 3054 passed the Senate 40-7 and the House 82-8.
- Under the ballot measure, 30 percent of the oil taxes would be placed in the Legacy Fund. The principal and earnings could not be spent until 2017. In addition to the earnings, the Legislature could also spend up to 15 percent of the principal in any biennium with a 2/3 vote of both chambers.
- The voters defeated a similar measure in 2008, but that measure set aside specific dollar amounts and required a 75% vote by the Legislature to spend the principal. This is a more balanced approach to spending and saving.
- Revenues to existing trust funds (oil producing counties, common schools trust fund, water resources trust fund, oil impact fund, oil and gas research council) will be unaffected by this change.

Why should you vote YES?

- 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.
- Let's not repeat the mistakes of the 1970s and 1980s boom and bust of the oil industry. During the windfall years, the state increased its percentage share of K-12 education funding. As a result of the oil bust, that level could not be sustained and the education funding burden has shifted to local property. Let's not allow that to happen again.
- North Dakota is now the fourth largest oil producing state in the U.S. This Legacy Fund would capture a nonrenewable oil resource and transform it into a permanent funding stream for future generations.
- Most other oil-producing states have a permanent oil trust fund. Wyoming's oil trust fund covers 25% percent of the state's general budget. New Mexico uses its oil trust fund earnings for roads and bridges. Other states return the surplus to its citizens or provide college scholarships.
- Measure 1 is a legacy for future generations and it's our duty to provide that legacy.



Vote YES to save some oil money

North Dakota Legacy Fund

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 told the voters, ***“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, and 2020), which required extreme adjustments in state spending. Oil revenues currently represent 27%* 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 (2009-2010)

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

For more information contact:

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March 17, 2021
Senate Finance and Taxation
Sen. Bell, Chairperson
HB 1380

Good morning Madame Chair and members of the Senate Finance and Taxation Committee. For the record Blake Crosby, Executive Director, North Dakota League of Cities.

I am here in support of HB 1380 as amended, as the bill still recognizes the time for the State to bond to support clean energy, income tax relief and the infrastructure revolving loan fund is now. Bond rates are not going to stay this low forever.

The Federal Reserve continues to state their intentions of keeping interest rates at historic lows in the range of 0 to .25 percent until the economy has weathered the full effects of the coronavirus and until inflation has crept above 2%. That decision by the Federal Reserve Board drives municipal bond rates just as it drives mortgage rates. As an example, I have had cities tell me that they have recently issued refunding bonds, or sometimes combinations of refunding bonds and regular bonds, at interest rates in the 1.4% to 1.9% range. We cannot ignore these rates. The longer we kick the can, the more expensive it becomes.

The bill specifies using 6% of the 5-year average value (percent of market value or POMV) and I believe that is an appropriate amount and protects the Legacy Fund for the future.

I ask as you discuss this bill, and other bills related to bonding, to think about the needs of the citizens and how these bills could quickly get some projects started, finished and save taxpayers money. Paying back a 30 year 2% loan is a lot cheaper than paying back a 30 year 5% loan.

Thank you for your time. I will try to answer any questions.

Greater North Dakota Chamber
HB 1380
Senate Finance and Taxation Committee
March 17th, 2021

Chair Bell and Senate Finance and Taxation Committee members, my name is Arik Spencer, President and CEO of the Greater North Dakota Chamber. GNDC is North Dakota's largest statewide business advocacy organization. We are also affiliated with the US Chamber of Commerce and the National Association of Manufacturers and support House Bill 1380.

The Greater North Dakota Chamber (GNDC) believes HB 1380 to be one of the most critical Legacy Fund bills of the session. For years, lawmakers and citizens have debated the Legacy Fund's purpose and how its earnings should be used. While HB 1380 is silent on the long-term purpose of the fund, it creates in statute a plan for the earnings that can be modified over time.

Beginning in the 23-25 biennium, HB 1380 directs the Legacy Fund earnings to several uses that demonstrate the fund's value to North Dakotans. GNDC supports those streams related to infrastructure, economic diversification, and workforce development while also prioritizing reinvestment. We also suggest that language be added so citizens of our state know which specific projects benefiting their community and our state were funded with Legacy Fund earnings.

I'll conclude by saying that HB 1380 strives to set a plan for the responsible use of Legacy Fund earnings, which we strongly support. We stand ready to provide input to the committee as needed and thank the bill sponsors for their leadership on this issue. I urge the committee to support the earnings plan created by HB 1380 generally, and I would be happy to stand for any questions you have.

#9128

My name is James Leiman and I have the honor of serving as the Director of Strategy for the North Dakota Department of Commerce. Today, I am here to express the Department's support for the development and deployment of an economic diversification research fund. As you are likely aware, recent programs aimed toward applied research as well as diversification activities have yielded impressive results for the state. In North Dakota, we are rapidly accelerating the growth of high-tech opportunities such as the recruitment and expansion of biotech, commercialization of intellectual property that improves agricultural and energy sector bottom lines, VANTIS- the nation's first Beyond Line of Sight program, and assists in recruiting top tier talent in every region. This concludes our supportive testimony and I stand for any questions. Thank you.

#9180

Testimony in Favor of 1380 Phil Murphy for ND Soybean Growers Association

Our organization stands in full support of this forward-looking bill. 1380 would use some innovative methods and backing to promote funding for many purposes with a plan for the future we could count on. It would benefit our citizens with transportation and career tech perhaps the two most focused for agricultural producers. We hope that this committee will recommend a Do Pass to the floor and perhaps see if it could be restored closer to its original form if the committee sees merit in that. Thank you for your work on behalf of all North Dakotans.

Testimony, HB1380

March 17, 2021

Senate Finance and Taxation Committee

Dan Jacobson, Chairman, North Dakota Water Resource Districts Association

Chair Bell and Members of the Senate Finance and Tax Committee:

My name is Dan Jacobson and I serve as the Chairman of the ND Water Resource Districts Association.

North Dakota water interests depend on the state's healthy economy and revenue outlook and can only be supported by a strong budget for the North Dakota State Water Commission's (NDSWC) operations and critical water project funding and grants. Water resource districts have a long history of providing valuable services in North Dakota to the local constituents in their respective counties and regions. Enabling legislation for the establishment of water resource districts was first passed in 1935. The responsibility of water resource districts includes water management from a local and regional perspective for beneficial uses of water, as well as for protection against flooding, erosion, and other detrimental effects of too much water.

The beneficial uses of water and protection against damages caused by flooding is critical to the agricultural and other local economies, as well as the social well-being of our citizens. Rural flood control provides crucial drainage relief not only for North Dakota farms and ranches, it also reduces flood damages to township, county, and state infrastructure.

As was mentioned in testimony for HB 1431, the current funding model for water projects through the NDSWC will leave the state with significant funding shortfalls in the upcoming biennium and into the future. The ND Water Resource Districts Association support the bonding authority authorized in HB 1431 as a mechanism to continue long term investment in water projects across the state. In like manner, we support HB 1380, which includes language allowing the use of legacy funds to make payments on these bonds.

I would be happy to answer any questions the committee may have regarding this testimony.

Thank you.



#9493, 9506

PO Box 2254 • Bismarck, ND 58502-2254

Senate Finance and Taxation Committee

House Bill 1380 Committee Hearing March 17, 2021

Testimony of David Lang, North Dakota Water Users Association

Chair Bell and members of the Senate Finance and Tax Committee. I am David Lang and I serve as the President of the North Dakota Water Users Association. The North Dakota Water Users Association supports passage of House Bill 1380.

The Water Users Association was organized in 1959 to protect, develop, and manage North Dakota's water resources. It is currently comprised of over 300 local, statewide and regional organizations in North Dakota who have an active interest in water. We work closely with the North Dakota Water Coalition to build consensus within the water community regarding funding needs and priorities. Collaboration is essential in meeting the water resource management needs of North Dakota.

The North Dakota Water Users Association supports House Bill 1380 as it identifies Legacy Fund earnings as the 'pay-for' for the bonds authorized in HB 1431. As discussed in previous testimony, we believe using Legacy Fund earnings as payment for bonds for important water projects is an innovative way of meeting the state's commitment to support water infrastructure in North Dakota.

We appreciate the state's long-standing commitment to fund water projects and urge your continued support of North Dakota's water infrastructure financing through passage of House Bill 1380.

Testimony Prepared for the
Senate Finance & Taxation Committee

Wednesday, March 17, 2021

By: Genny Dienstmann, NDACo

NDACE Executive Director

RE: Engrossed House Bill 1380

Chair Bell and members of the Senate Finance & Taxation Committee, thank you for the opportunity to provide testimony in support of HB 1380. I am Genny Dienstmann with the ND Association of Counties and I also serve as Executive Director of our member association, the North Dakota Association of County Engineers and Highway Superintendents.

County and state government have many challenges keeping up with the demands of improving and maintaining our statewide transportation system. County road levies across the state currently total about \$60 million annually, with a similar amount distributed from the State Highway Distribution Fund. In addition, counties receive federal funding from the DOT of approximately \$12 million per year. Counties have an estimated \$132 million per year to meet infrastructure needs. Compare that to county and township need totals from the Upper Great Plains Transportation Institute Study, the total is about \$466 million per year; this is a difference of \$334 million annually.

In prior legislative sessions, a portion of these needs were met with 'surge' funding. This one-time funding was an immense benefit in assisting counties with road projects. Counties were hopeful the Operation Prairie Dog funding would have provided a more consistent funding source, but in the short term, this is not likely. While we acknowledge the House removed the Highway Distribution Fund as a recipient of the Legacy Fund interest earnings; we respectfully request consideration to restore this funding mechanism for transportation needs.

As maintenance and construction costs continue to rise each year, your consideration of supporting funding options for transportation infrastructure now would be beneficial to local and state government. Transportation is what connects our citizens and economy to our neighborhoods and across the state.

What better legacy than to provide funding that can sustain and rebuild our highway and bridge networks for future generations. Thank you again for the opportunity to support HB 1380.



#9597

Eric Volk, Executive Director

ND Rural Water Systems Association

In Support of House Bill 1380

Senate Finance & Taxation

March 17, 2021

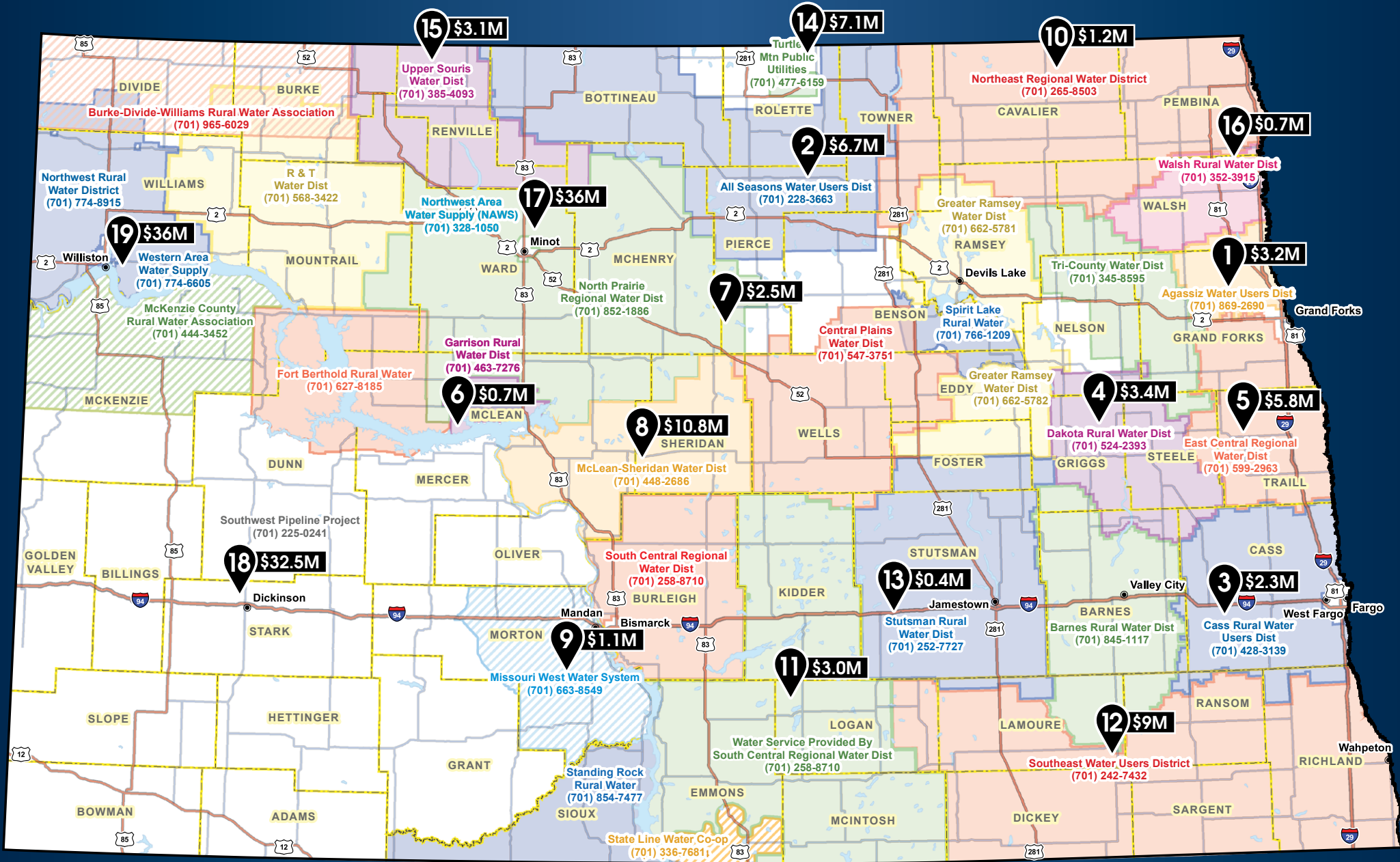
Chair Bell and members of the Senate Finance & Taxation Committee, my name is Eric Volk. I am the executive director of the North Dakota Rural Water Systems Association (NDRWSA). Our vision is to ensure all of North Dakota has access to affordable, ample, and quality water. NDRWSA is committed to completing and maintaining North Dakota's water infrastructure for economic growth and quality of life. Today, I am submitting written testimony in support of Engrossed House Bill 1380.

HB 1380 sets up a disbursement formula for earnings from the Legacy Fund. The bill allows for an appropriation of 6% of the 5-year rolling average value of Legacy Fund assets. Important to the water industry is the \$100 million appropriation that will be used to pay off the bond payment set up in HB 1431.

The Resources Trust Fund (RTF) provides cost-share for water projects across the state. Some of these projects are small (thousands of dollars), some are moderate (millions), and some are HUGE (billions). Each biennium there is only a finite amount of assistance the RTF can provide. The funding amount is never enough to meet the critical water needs of the state. Current bonding proposals would help fund the state's major flood control projects. This biennium alone, the use of bond revenue would allow for approximately \$142M of RTF dollars to be used for other important water projects. Bonding would also meet the state's promise for the Fargo Diversion Project. Completing this promise would have future benefits for other water projects using RTF dollars, as that promise was being paid out at \$66.5M/biennium.

For reference, the attached funding map highlights the rural & regional water supply projects that would benefit from the RTF. (Please see the attached 21-23 project funding map).

With that said, the NDRWSA supports HB 1380 which will help meet the critical water needs of North Dakota. Thank you for giving me the opportunity to provide testimony on behalf of the NDRWSA. Eric Volk, ericvolk@ndrw.org.



#9602

Testimony HB 1380
Senate Finance & Taxation Committee
March 17, 2021

Chair Bell and members of the Senate Finance & Taxation committee, my name is Russ Hanson of the Associated General Contractors of North Dakota. AGC of ND is a 400 member association which has been in existence since 1951. Our membership consists of all aspects of commercial construction - highway contractors, vertical contractors, civil/heavy, specialty contractors, subcontractors as well as material and equipment suppliers.

I appreciate the opportunity to present this testimony in support of HB 1380. This concept of funding the critical infrastructure is being considered at the right time, for projects already being planned, and in the right concept of using the Legacy Fund earnings for projects which will truly be a Legacy to North Dakota.

Having legislation introduced and considering a bonding option this session is appreciated and we hope when the 2021 Legislature adjourns, there is a package to begin working on the critical infrastructure projects sooner, rather than later. We encourage restoring the mechanisms to fund future infrastructure projects that were included in the original bill.

Thanks for the opportunity to comment on HB 1380. We respectfully request the committee issue a Do Pass Recommendation.

Senate Finance and Tax HB1380

March 17, 2021

Chair Bell and members of the committee, my name is Wayde Sick, State Director of the Department of Career and Technical Education. I am submitting testimony in support for HB1380 but ask that it is amended to reflect the original version of the bill.

In the original version, Section 3 of HB1380 created a career and technical education support fund for the Department of Career and Technical Education to support career and technical education centers and programs. Section 6, subsection 5h. in the original version, stated that 4% of the Legacy Fund earnings would be deposited in this fund.

Currently there are approximately 590 CTE programs across the state, taught through our high schools and ten Area Career and Technology Centers. These programs include Agriculture Education, Business Education, Career Development, Family and Consumer Science, Health Sciences, Information Technology, Marketing, Technology and Engineering and Trade and Industry. These programs are delivered in a variety of methods, including face-to-face, online and Interactive Television or ITV. Regardless of the delivery method, CTE instructors and administrators ensure coursework aligns with industry, through industry advisory committees and national industry standards. Also, students have the opportunity for hands-on work-based learning experiences; whatever delivery method is used. During the 2019-20 school year, over 23,000 students enrolled in at least one CTE course, which is about 72% of

the state's high school student population. Students enrolled in a total of 36,818 courses. Of those students, 8,129 were classified as a CTE Concentrator, or student that had completed at least two credits in a CTE Program. The impact of Career and Technical Education on graduation rates is telling. In 2018-19, graduation rates across the state was 88%. The CTE Concentrators graduation rate was 95.87%. Native American concentrators graduated at 91.26% compared to all Native American students' graduation rate of 72%.

The Department of Career and Technical supports CTE programs in our schools and centers by providing technical assistance, professional development, and funding. CTE programs at our high schools are reimbursed 27% of certain operating expenditures and CTE centers are reimbursed at 40%. The governing body of an area career and technology center consists of representatives from its member schools. This ensures a center is a partnership and not simply a vendor serving customers. Centers can often provide programs many school districts cannot because smaller schools may not be able to operate these programs to scale. Programs such as building trades, health careers and welding typically are types of programs often provided by centers because multiple schools are needed to make the program efficient.

What HB1380 would do, if passed and amended to include CTE funding, it would provide sustainable long-term funding for the continued expansion and creation of CTE programs. On an annual basis, the Department of Career and Technical Education receives applications from schools and centers for new and expanding programs. These programs are created or expanded because of student interest and industry requests. There is continued interest coming from our business community for more CTE

programming, that will help students discover their career paths, pursue the appropriate post-secondary direction, whether that is work, military, college or university, and cut down on unnecessary student loan debt.

North Dakota's Career and Technical Education community does a phenomenal job providing access to quality CTE programs, whether provided by schools or Centers, but gaps still exist. Those gaps are both geographic and program offerings. Additional funding would provide local administrators the security their expanding CTE programs would have funding long term, to create new programs, provide more choice and options for our students and help fill the workforce needs of now and future.

This concludes my testimony and I am here to answer any questions you may have.

#9640

Testimony Prepared for the
Senate Finance & Taxation Committee
Wednesday, March 17, 2021
By: Terry Traynor, NDACo Executive Director



RE: Engrossed House Bill 1380

Chair Bell and committee members, thank you for the opportunity to briefly address you regarding this bold proposal to invest in our State's infrastructure.

Counties recognize the challenges that state government has with maintaining and improving state infrastructure, and the members of this committee surely recognize that county officials struggle with the same issues for county road infrastructure, but with fewer, and lessor, sources of revenue. While I recognize the House removed the Highway Distribution Fund as a recipient of Legacy Fund interest, it is the hope of counties that restoration may be considered.

The Local Roads Study, recently completed by the Upper Great Plains Transportation Institute, states: *"...the combined estimate of infrastructure needs for all county and township roads is \$9.3 billion over the next 20 years. If averaged over the next 20 years, the annualized infrastructure need is equivalent to \$466 million per year."* <https://www.ugpti.org/resources/reports/downloads/2020-11-infrastructure-needs.pdf>

To put this into perspective, the annual portion of the Highway Distribution Fund (Vehicle Taxes) that is distributed to all 53 counties is about \$60 million, and the annual road levies from the 53 counties also currently generate about \$60 million (although \$16 million of this will statutorily expire in 2024 unless voter approved). The county share of federal USDOT funding averages about \$12 million per year, for a grand total of \$132 million – to address a \$466 million need.

Granted, we have a handful of counties that have a fourth major revenue source – the local share of gross production tax. This is truly needed and truly appreciated by these counties where the infrastructure is so heavily impacted by the energy industry. For the remainder of the counties however, the unmet need has only been addressed when the Legislature has found it possible to assist.

And indeed, counties did have highway infrastructure revenue to meet the annual need in CY2015 and CY2016, due to the Legislatures “surge” funding. This injection of state funding into local roads was tremendous. Counties were very hopeful that the Operation Prairie Dog legislation would provide this sort of injection on an ongoing basis, but of course, for the near term at least, it could not.

As you discuss and debate the state’s ability to support local road infrastructure, through fuel taxes, the Legacy Fund or bonding, a point in favor of doing something now, rather than later, may be another statement from the UGPTI study comparing costs from four years ago. It states: *“The current 2020 study also shows an increase of approximately \$400 million in 20-year pavement needs compared to the 2016 study. Much of the increase is because of inflation of construction and maintenance costs for pavements over the 4 years.”*

Thank you again for the opportunity to support this important bill.

#9678



Senate Finance and Taxation Committee – HB 1380

Senator Jessica Bell, Chair

March 17, 2021

Chair Bell, Members of the Committee:

My name is Brian Ritter and I am President of the Bismarck Mandan Chamber EDC. Please accept the following testimony in support of HB 1380 on behalf of our organization's approximately 1,200 members.

Infrastructure is a key focus of the Chamber EDC's 2021 Legislative Agenda given how valuable investments in infrastructure funding are. More specifically, investing in infrastructure projects put 'blue collar' trades such as road contractors, excavators and more to work in addition to 'white collar' consultants such as engineers, architects, etc. And make no mistake; these types of investments are needed in communities like Bismarck-Mandan which continue to grow.

Specifically, HB 1380 provides the mechanism by which future earnings from the Legacy Fund can be invested in areas such as: school construction, career and technical education and the Housing Incentive Fund. Again, all of these are areas of importance for Bismarck-Mandan's growing business community and would provide a direct return to all residents of the State who have paid into the Legacy Fund itself.

I thank you for the opportunity to submit this testimony in support of HB 1380 and would respectfully ask for a 'Do Pass' recommendation.

March 17, 2021

Kylee Merkel, Business Banker for Large Projects and Administrated Programs
Bank of North Dakota
HB1380

Position: Neutral

Kylee Merkel will not have formal testimony. She will be available for questions related to the infrastructure revolving loan fund.



March 17, 2021

Members of the North Dakota
SENATE FINANCE AND TAX COMMITTEE

Support for HB 1380 - in its ORIGINAL Version – Dr. Denise Jonas, Director of Career and Technical Education

Chairperson Bell and members of the Senate Finance and Tax Committee. My name is Denise Jonas, Director of Career and Technical Education Center, serving Central Cass, Fargo, Northern Cass and West Fargo Public Schools. Thank you for the opportunity to provide written testimony in support of the original version of HB 1380. I respectfully ask for a “DUE PASS” of the bill, including a career and technical education support fund, which will aid in new and expanding career and technical education programs for schools and academies.

As Director of CTE, I am approached almost daily by business and industry seeking opportunities to connect with our K-12 teachers and students. These requests are not limited to high school students but extend to elementary and middle school learners. With our State’s low unemployment, workforce demands, and natural employee attrition, K12-business partnerships are viewed as a mechanism to create company awareness, expose students to future careers, and provide experiential learning.

In Cass County, we are pleased to offer a variety of career and technical education programs and pathways in our current K-12 educational systems, yet in a 2018 Career Workforce Academy Program and Curriculum study, it revealed program gaps in agriculture education, construction, manufacturing, and transportation. In our region, there is also a growing demand in medical careers, information technology, transportation, and biomedical technologies influenced by Sanford Health, Microsoft, and Aldevron. Despite K-12 efforts, schools are challenged to meet local school district demands, along with workforce demands. Offering new CTE programs, and expanding existing programs could be an option, yet a bottleneck exists through the Department of Career and Technical with funding limits, and cuts for new and expanding CTE programs.

With the promotion of Choice Ready, workforce demands, learner interest, and increasing technical training needs; school district, Centers, and colleges across North Dakota have the desire to grow CTE, yet they are hindered to provide opportunities due to these limitations. **To scale, support, and grow CTE, the legacy sinking and interest fund will provide an on-going, sustainable options for these institutions.**

Based on high school registrations for the 2021-2022 school year, Cass County schools have increased CTE programs requests in aviation, diesel technology, engineering, information technology, health science, FACS, business and marketing education, graphic design, construction, automotive technology, and career education, along with needs for support with work-base learning. Although thrilled by the increases, state reimbursements for these programs may not be available due flat levels of funding under the Department of CTE for new and expanded programming.

Beyond current CTE programming, the career academy vision will also influence new and expanded CTE programming growth for career exploration and workforce development. In Cass County, synergy from this vision has led to collaboration between business partners, K-12 schools, post-secondary leaders, the cities of Fargo and West Fargo, the Cass County Commission, FM Economic Development, FMWF Chamber of Commerce, and local legislators. All are driven to improve education, along with workforce development to support local and state economies.

With our current CTE need, and the anticipated demand through the academy model, I respectfully ask for your support of the original version of HB 1380, which would include a career and technical education support fund. Dedicated funding will provide a mechanism to leverage career and technical education programs and the academy model, creating a systemic workforce pipeline for our region and the future of North Dakota!



AMERICAN COUNCIL OF ENGINEERING COMPANIES
of North Dakota

#9744

Senate Finance and Taxation

Testimony in Support HB 1380

Madam Chair Bell and Members of the Committee, my name is Mike Krumwiede appearing on behalf of the American Council of Engineering Companies in support of HB 1380. The American Council of Engineering Companies of North Dakota (ACEC/ND) is a nonprofit, voluntary, self-governing organization which represents 29 member firms and nearly 1500 employees. The American Council of Engineering Companies of North Dakota (ACEC/ND) is the business voice of North Dakota's consulting engineering industry. ACEC Member Firms are at the heart of the built environment, bringing us bridges, roads, water, sanitation, transit, rail, buildings, environmental protection and cleanup.

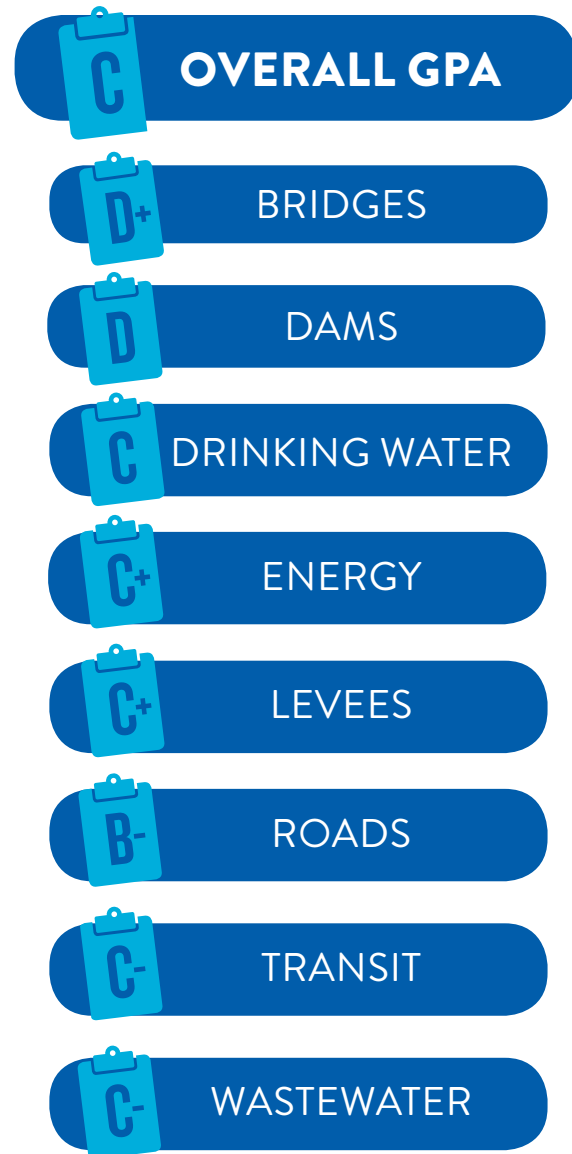
ACEC North Dakota has long recognized the importance of investing in our states critical infrastructure needs, including transportation, water, energy, buildings, airports, parks and communication systems. Beyond those, a well-maintained infrastructure is the backbone of all sectors in a healthy and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

While ACEC North Dakota supports occasional one-time infusions of additional funds in those areas as budgets allow, current funding shortfalls and long-term funding gaps need to be addressed with long-term funding solutions. We believe additional resources help grow a solid business environment by providing jobs in every field from health care to education. As a result, ACEC North Dakota advocates for predictable, sustainable, infrastructure support and consistent policies across all North Dakota state agencies.

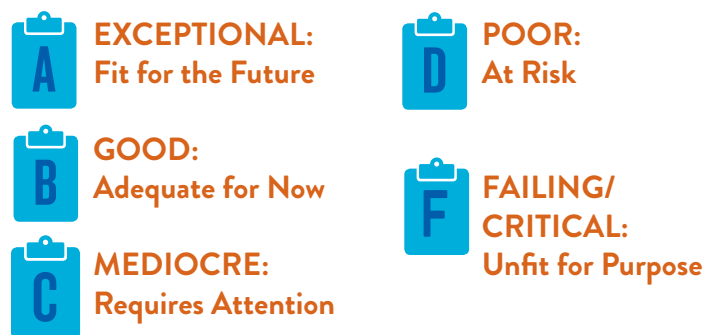
Recently American Society of Civil Engineers (ASCE) published a report card outlining the status of infrastructure in the state of North Dakota. This Report Card is the first of its kind for the state of North Dakota, providing a snapshot for eight categories of infrastructure: Bridges, Dams, Drinking Water, Energy, Levees, Roads, Transit, and Wastewater. Our state's infrastructure received an overall GPA of C, which is slightly better than the national GPA of D+. A GPA letter grade of C means the infrastructure in our state is in mediocre condition. Our networks show general signs of deterioration and require attention, and some elements exhibit significant deficiencies in conditions and functionality, with increasing vulnerability to risk. I have included a copy of this report card at the end of my testimony.

ACEC North Dakota supports HB 1380 because it is an effective tool in the toolbox to get projects going and move infrastructure projects along. We believe that through fiscally and responsible infrastructure funding mechanisms we can build things more promptly to accelerate the economic recovery. HB 1380 provides for dedicated legacy funds to help with highway tax distribution fund, infrastructure loan fund, and the new legacy infrastructure project fund, all helping create a well-rounded vision to fund future projects. For these reasons we would urge a DO PASS recommendation on HB 1380. Thank you for your time and consideration.

NORTH DAKOTA'S GRADE SUMMARY



Individual Report Card categories were analyzed based on the following criteria:



Cover Photo: Garrison Dam
Photo by Harry Weddington, USACE, used with permission

RECOMMENDATIONS TO RAISE THE GRADE

IMPLEMENT SUSTAINABLE FUNDING SOURCES

- ◆ Increase the motor fuel tax to provide a sustainable transportation funding source and allow us to meet the local portion of the federal gas tax match. Currently, the North Dakota fuel tax is 23 cents per gallon. This is the second lowest in the Midwest and it hasn't been raised since 2005. The North Dakota state taxes and fees per gallon of gasoline are lower than neighboring states: Minnesota (28.6 cents), South Dakota (30 cents), and Montana (32.25 cents) per gallon. The national average fuel tax is 31 cents per gallon.
- ◆ Provide funds for programs that offer low interest loans for all types of infrastructure projects. Legacy Funds can be transferred to programs within the Bank of North Dakota, such as the Infrastructure Loan Fund, to provide low interest loans for transportation and new development infrastructure improvements.
- ◆ Encourage and assist cities to develop user rate structures that can fully support the local share of capital improvements for infrastructure, not just operation and maintenance (O&M). Rates should be adjusted to reflect the true cost of service for the infrastructure.

ENCOURAGE INNOVATIVE DESIGN SOLUTIONS AND TECHNOLOGIES

Historically, our state has been cautious to implement new design solutions and technologies. Innovation can improve the efficiency of the infrastructure systems. Additional funds for planning, design and construction of innovative projects can support better deployment of new technologies, such as connected vehicles and infrastructure.

ENCOURAGE INFRASTRUCTURE OWNERS TO DEVELOP ASSET MANAGEMENT PLANS

Asset management plans help infrastructure owners anticipate future infrastructure needs. North Dakota should consider providing financial assistance as asset management plans enable better ownership and save money down the line.

ABOUT THE REPORT CARD

The 2019 Report Card for North Dakota's Infrastructure was prepared by a local committee of civil engineers from North Dakota. These civil engineers volunteered to collect and analyze data, prepare the facts and trends to assist in grading each category, hold meetings with the respective agencies overseeing the infrastructure, and ultimately prepare the final reports and grades for each category of infrastructure.

CONTACT
PHONE: 800-548-ASCE (2723)
EMAIL: reportcard@asce.org
WEB: infrastructurereportcard.org/north-dakota

INFRASTRUCTURE MATTERS

North Dakota's infrastructure is the backbone of our state's economy. Infrastructure provides our most important asset – our people – with the ability to effectively push our state and nation forward into the future. The condition of our state's infrastructure impacts our ability to be competitive in the national and international markets and provides the quality of life that all North Dakotans expect to have and be proud of. North Dakota, known for the unwavering work ethic of its people, can position its next generation of people by implementing changes in funding, asset management and innovative solutions for maintaining, improving and expanding the state's infrastructure.

This Report Card is the first of its kind for the state of North Dakota, providing a snapshot for eight categories of infrastructure: Bridges, Dams, Drinking Water, Energy, Levees, Roads, Transit, and Wastewater. Our state's infrastructure received an overall GPA of C, which is slightly better than the national GPA of D+. A GPA letter grade of C means the infrastructure in our state is in mediocre condition. Our networks show general signs of deterioration and require attention, and some elements exhibit significant deficiencies in conditions and functionality, with increasing vulnerability to risk.

As civil engineers, our responsibility is to protect the public health, safety, and welfare of those who use our state's infrastructure. We hope the public and policymakers find this Report Card insightful so the important and difficult conversations can happen and action can take place.

HOW TO GET INVOLVED

1

Get the full story behind this Report Card at InfrastructureReportCard.org/North-Dakota.

2

Find out the condition of the infrastructure near you on the Save America's Infrastructure app available on iTunes and GooglePlay.

3

Ask your elected leaders what they're doing to make sure your infrastructure is reliable for the future. Use your zip code to find your list of elected officials at infrastructurereportcard.org/take-action.

REPORT CARD FOR NORTH DAKOTA'S INFRASTRUCTURE

2019



North Dakota Section of the American Society of Civil Engineers

INFRASTRUCTUREREPORTCARD.ORG/NORTH-DAKOTA

ASCE
AMERICAN SOCIETY OF CIVIL ENGINEERS



NORTH DAKOTA'S INFRASTRUCTURE REPORT CARD

Executive Summary

BRIDGES

North Dakota is home to 4,377 bridges. Statewide, 14% of bridges are structurally deficient, compared with 8.9% nationally. While not unsafe, structurally deficient bridges require significant maintenance, rehabilitation, or replacement because critical load-carrying elements were found to be in poor condition. Meanwhile, 43% of North Dakota bridges are over 50 years in age, meaning they are past their initial design life. Most structurally deficient bridges are owned by local jurisdictions and there is a more than \$400 million backlog of necessary projects on the local bridge network. Another challenge in North Dakota is the weather; cold and snowy conditions with heavy freeze/thaw cycles increase bridge deterioration. Overall, North Dakota bridges are in worse shape than the national average.

DAMS

North Dakota has approximately 3,153 intact dams, with a wide range of purposes from flood control to recreation. According to the National Inventory of Dams (NID), there are 49 high hazard potential (HHP) dams in the state (including federal and state-regulated dams). A HHP dam is a dam in which failure is expected to result in loss of life. Seventy-three percent of the HHP dams in the NID have a condition assessment rating and half of those are considered deficient and do not meet accepted safety standards in some way.

The condition of these dams is concerning; however, inspections are occurring regularly. Eighty-eight percent of HHP dams have emergency action plans (EAPs), which is higher than the national average of 77%. This is a positive but does not offset the overall concern with the condition of the HHP dams. The State Water Commission has

cost-share policies in place to assist owners in developing EAPs; however, commodity prices and legislatively directed funding priorities greatly influence available funding.

DRINKING WATER

Public water systems provide potable drinking water to 98.8% of North Dakota's residents. Most of the state's public water systems are small, serving 3,300 residents or less. Major new drinking water infrastructure projects, such as the Williston Regional Water Treatment Plant expansion and the Western Area Water Supply Project, were completed in response to the oil boom's population growth. However, other portions of the distribution system are at the end of their service lives and require either rehabilitation or replacement. The North Dakota Drinking Water State Revolving Fund (DWSRF) Intended Use Plan indicated that in 2018, there were approximately \$594 million worth of DWSRF-eligible infrastructure projects state-wide. Fortunately, investments are being made. Approximately \$125 million will be available from the 2017-2019 biennium for water projects from the State Water Commission, while the DWSRF is funding approximately \$46 million in projects. Despite challenges associated with an aging system, the state has an excellent public health record.

ENERGY

North Dakota's 65,000 miles of transmission and distribution lines transmit about twice the amount of electricity the state uses on average. Most of the electricity is generated by coal, but recently wind has made a considerable addition to the market, up to 1/4 of the total generation. This has impacted the way the coal industry needs to look at daily demands and long-term

planning. Meanwhile, hundreds of miles of transmission line were planned during the early 2000s oil boom, but portions of projects were canceled when oil prices declined. Rates are capped at investor owned utilities and increasing fees to pay for transmission line land acquisition, permitting and routing has proven difficult. North Dakota's electric rates are relatively low, averaging \$0.12 per kwh.

LEVEES

The North Dakota State Water Commission has issued permits for 627 flood control levees, totaling 325 miles. Heavy flooding across North Dakota in 2009, 2010 and 2011 exposed deficiencies in the levee systems, and major investments are now underway to improve the condition and capacity of levees to reduce flood damage in the future. Over \$1 billion has been spent, from all funding sources, on flood-related projects along the Red River alone since 1997. Residents in Fargo, Grafton, Valley City and Minot approved sales tax increases to pay for the local share of various flood mitigation project costs.

The state and local governments have done a commendable job of prioritizing investment in levees in recent years and great strides have been made. The United States Army Corps of Engineers periodically inspects 94.19 miles of North Dakota levees, 21.54 miles of which are presently rated as unacceptable, but these bad marks are sometimes the result of incomplete paperwork rather than reflective of the actual condition of the structures. North Dakota does not require periodic levee inspections nor reports on levee conditions after their construction.

ROADS

North Dakota ranks among the highest-spending states per capita on highways. Currently, 67% of urban roads and 77% of county and township roads are in good or very good condition. However, looking ahead, significant work will need to be done to address roadside safety, find alternative sources of funding, and ensure equitable assignment of resources among high-growth areas.

Should funding remain stagnate, estimates show that state-maintained roads in poor condition will nearly double between 2018 and 2021, from 443 miles to 872 miles. And while capacity remains adequate across the state, despite a 64%

increase in vehicle miles traveled over the last 20 years, the state has major challenges during winter months responding quickly to snow removal and de-icing.

TRANSIT

Public transportation plays a major role in improving livability for transit-dependent populations in the state of North Dakota. Three of the 29 transit agencies in the state are classified as urban transit providers, four are tribal transit providers, and the remaining 22 are rural operators. Three modes of public transportation are available in North Dakota: Fixed-Route Bus, Demand Response Transit, and Demand Response Taxi. Public transit ridership in North Dakota dropped 6.5% from 2015 to 2016 and 4.9% from 2014 to 2015, mirroring a national trend of decreased ridership. The farebox recovery rate (percent of trip's operating costs recovered through passenger fares) for all transit operations across the state is observed as 8.4%, which is close to the national average (9%) for rural transit agencies. Meanwhile, with operating expenses totaling over \$34 million, increased funding is needed to improve accessibility and public transportation services and facilities.

WASTEWATER

North Dakota's 755,000 residents are served by over 350 municipal wastewater systems. Rapid population growth associated with the oil industry resulted in many recently completed or ongoing upgrades and expansions of municipal wastewater treatment facilities (WWTFs).

Over the last 10 years, more than \$265 million was spent to improve and upgrade the mechanical WWTFs in the larger communities. Approximately \$180 million is expected to be invested in the WWTFs of Fargo, Grand Forks, Bismarck, and Minot over the next 10 years. However, per capita spending on wastewater operations and maintenance has remained flat and older communities struggle with stormwater infiltration and inflow issues as the collection systems age. Additionally, communities served by wastewater pond treatment systems are challenged by storage volume needs, dike erosion protection, seasonal odors, and delayed discharges due to pollutant variability.

Industrial Commission
of North Dakota

Doug Burgum
GOVERNOR

Wayne Stenehjem
ATTORNEY GENERAL

Doug Goehring
AGRICULTURE COMMISSIONER



**North Dakota Public
Finance Authority**

Date: March 17, 2021

From: DeAnn Ament, Executive Director of the North Dakota Public Finance Authority

RE: House Bill 1380 – Related to Economic Diversification Fund

Position: Neutral

DeAnn Ament will not have formal testimony. She will be available to answer questions related to bonding.

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1380
3/24/2021
AM

A BILL for an Act to create and enact a new section to chapter 6-09.4, a new section to chapter 21-10, and a new section to chapter 57-38 of the North Dakota Century Code, relating to a legacy sinking and interest fund, a legacy earnings fund, and an income tax relief fund; to amend and reenact section 21-10-12 of the North Dakota Century Code, relating to legacy fund definitions; to provide for a transfer; and to provide a statement of legislative intent.

Chair Bell calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [10:18]

Discussion Topics:

- Debt servicing fund
- Legacy fund earnings
- Market value
- Bond payments
- Advisory board

Chair Bell [10:19] submits an amendment [LC 21.0218.06004] #10654

No committee action.

Chair Bell adjourns the meeting. [10:26]

Joel Crane, Committee Clerk

Introduced by

Representatives Lefor, Bosch, Dockter, Headland, Howe, Nathe, Porter, M. Ruby, Steiner
Senators Patten, Sorvaag, Wardner

1 A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter
2 6-09.4, a new section to chapter 15-20.1, ~~a four~~ new sectionsections to chapter 21-10, and a
3 new section to chapter ~~57-38~~54-60 of the North Dakota Century Code, relating to an economic
4 diversification research fund, a legacy sinking and interest fund, a workforce development and
5 enrichment fund, a legacy earnings fund, a legacy infrastructure fund, a legacy project fund, a
6 legacy project advisory board, and an ~~income tax relief~~innovative research and economic
7 development fund; to amend and reenact section 21-10-12 of the North Dakota Century Code,
8 relating to legacy fund definitions; to provide for a transfer; and to provide a statement of
9 legislative intent.

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

11 SECTION 1. A new section to chapter 6-09 of the North Dakota Century Code is created
12 and enacted as follows:

13 Economic diversification research fund - Economic diversification research
14 committee - Legislative management report.

15 1. There is created in the state treasury the economic diversification research fund. The
16 fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys
17 in the fund may be spent by the Bank of North Dakota pursuant to legislative
18 appropriations to provide grants to institutions under the control of the state board of
19 higher education for economic diversification research.

20 2. The economic diversification research committee consists of:

21 a. The president of the Bank of North Dakota, as chairman;

22 b. Four members with experience in research or venture capital appointed by the
23 president of the Bank of North Dakota;

24 c. The state commissioner of higher education, or a designee; and

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d. The president of North Dakota state university and the president of the university of North Dakota.

3. In consultation with representatives of North Dakota state university and the university of North Dakota, the committee shall award grants to institutions under the control of the state board of higher education. Up to ninety percent of the funding must be awarded to North Dakota state university and the university of North Dakota with equal amounts awarded to each institution. The remaining funding must be awarded to the other institutions under the control of the state board of higher education, as determined by the committee. The committee may not award more than fifty percent of the available funding during the first year of the biennium. The Bank of North Dakota shall distribute the grant funding as awarded by the committee.

4. The committee shall develop guidelines for the economic diversification research grants. The purpose of the grants is to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; and to provide experiential learning opportunities for students. Research projects may be initiated by an institution under the control of the state board of higher education or by the private sector. The guidelines must include consideration for research projects with matching funds and provisions for grant oversight by an internal advisory committee and an external advisory committee.

5. The committee shall develop reporting requirements for the institutions under the control of the state board of higher education. The reporting requirements must include criteria for assessing performance outcomes related to the grants. The committee shall compile the reports and shall submit a comprehensive report annually to the legislative management. The comprehensive report must include information on how the research efforts by each institution align with the state's priorities, how the institutions collaborate when appropriate, and how the outcomes of the research meet established performance expectations.

SECTION 2. A new section to chapter 6-09.4 of the North Dakota Century Code is created and enacted as follows:

1 **Legacy sinking and interest fund - Debt service requirements - Public finance**
2 **authority.**

3 There is created in the state treasury the legacy sinking and interest fund. The fund consists
4 of all moneys deposited in the fund under section 35 of this Act. Moneys in the fund may be
5 spent by the public finance authority pursuant to legislative appropriations to meet the debt
6 service requirements for evidences of indebtedness issued by the authority. Any moneys in the
7 fund in excess of the amounts necessary to meet the debt service requirements for a biennium.
8 may be appropriated by the legislative assembly for other purposes.

9 **SECTION 3.** A new section to chapter 15-20.1 of the North Dakota Century Code is created
10 and enacted as follows:

11 **Workforce development and enrichment fund.**

12 1. There is created in the state treasury the workforce development and enrichment fund.

13 The fund consists of all moneys deposited in the fund under section 5 of this Act.

14 Moneys in the fund may be spent pursuant to legislative appropriations to provide
15 grants to support the following:

16 a. Strategic workforce development;

17 b. Technical education;

18 c. Workforce diversification initiatives; and

19 d. Workforce guidance and support.

20 2. Grant funding may be awarded only for one-time projects and initiatives.

21 3. Grants awarded for capital projects must have a matching requirement.

22 **SECTION 4. AMENDMENT.** Section 21-10-12 of the North Dakota Century Code is
23 amended and reenacted as follows:

24 **21-10-12. Legacy fund –Earnings defineddefinitions.**

25 For the purposes of section 26 of article X of the Constitution of North Dakota, the term
26 "earnings":

27 1. "Earnings" means net income in accordance with generally accepted accounting
28 principles, excluding any unrealized gains or losses.

29 2. "Principal" means all moneys in the legacy fund not included in earnings as defined
30 under subsection 1.

1 **SECTION 5.** A new section to chapter 21-10 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Legacy earnings fund - State treasurer - Transfers.**

4 1. There is created in the state treasury the legacy earnings fund. The fund consists of all
5 moneys transferred to the fund under subsection 2 and all interest and earnings upon
6 moneys in the fund.

7 2. Any legacy fund earnings transferred to the general fund at the end of each biennium
8 in accordance with section 26 of article X of the Constitution of North Dakota must be
9 immediately transferred by the state treasurer to the legacy earnings fund.

10 3. ~~If the amounts transferred under subsection 2 exceed the amount available for~~
11 ~~appropriation under subsection 4 the state treasurer shall transfer the excess, within~~
12 ~~thirty days, as follows:~~

13 ~~a. Forty percent to the strategic investment and improvements fund to be used in~~
14 ~~accordance with the provisions of section 15-08.1-08;~~

15 ~~b. Forty percent to the legacy fund to become part of the principal; and~~

16 ~~c. Twenty percent to the income tax relief fund under section 4 of this Act.~~

17 ~~4.~~ For each biennium subsequent to the biennium in which the legacy fund earnings are
18 transferred under subsection 2, the amount available for appropriation from the legacy
19 earnings fund is ~~six~~eight percent of the five-year average value of the legacy fund
20 assets as reported by the state investment board. The average value of the legacy
21 fund assets must be calculated using the value of the assets at the end of each fiscal
22 year for the five-year period ending with the most recently completed even-numbered
23 fiscal year.

24 ~~5.4.~~ On July first of each odd-numbered year, from the amount available for appropriation
25 or transfer from the legacy earnings fund for the biennium, the state treasurer shall
26 transfer funding in the following order:

27 ~~a. The first one hundred million dollars to the legacy sinking and interest fund under~~
28 ~~section 1 of this Act;~~

29 ~~b. The next forty million dollars to the clean sustainable energy fund;~~

- 1 ~~c. The next forty million dollars to the infrastructure revolving loan fund under~~
2 ~~section 6-09-49, but not in an amount that would bring the balance of the~~
3 ~~infrastructure revolving loan fund to more than five hundred million dollars; and~~
4 ~~d. Any remaining funds for other purposes as designated by the legislative~~
5 ~~assembly.~~

6 ~~SECTION 6. A new section to chapter 57-38 of the North Dakota Century Code is created~~
7 ~~and enacted as follows:~~

8 ~~**Income tax relief fund.**~~

9 ~~There is created in the state treasury the income tax relief fund. The fund consists of all~~
10 ~~moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be spent~~
11 ~~pursuant to legislative appropriations for individual and corporate income tax relief.~~

12 a. Thirty percent, with a minimum of one hundred fifty million dollars, to a sinking
13 and interest fund and a retirement system fund, of which:

14 (1) An amount equal to one hundred twenty percent of any bond payments
15 appropriated by the most recently adjourned special or regular session of
16 the legislative assembly from the legacy sinking and interest fund, with a
17 minimum of one hundred million dollars, must be transferred to the legacy
18 sinking and interest fund under section 2 of this Act;

19 (2) Up to fifty million dollars must be transferred to the public employees
20 retirement system main system plan under chapter 54-52, but only if the
21 public employees retirement system main system plan's actuarial-funded
22 ratio as reported for the most recently completed even-numbered fiscal year
23 is less than ninety percent; and

24 (3) Any remaining amounts under this subdivision are available for other
25 purposes designated by the legislative assembly;

26 b. Twenty-five percent to infrastructure funds, of which:

27 (1) Forty-five percent must be transferred to the highway tax distribution fund
28 for allocations under section 54-27-19;

29 (2) Five percent to the state park fund under section 55-08-07 for state park
30 construction and improvement projects and other state park initiatives
31 designated by the legislative assembly; and

1 (3) The remaining amount to the legacy infrastructure fund under section 6 of
2 this Act;

3 c. Twenty-five percent to research and economic development funds, of which:

4 (1) Forty percent must be transferred to the clean sustainable energy fund;

5 (2) Twenty-seven percent must be transferred to the economic diversification
6 research fund under section 1 of this Act;

7 (3) Twenty-five percent must be transferred to the innovation loan fund to
8 support technology advancement under section 6-09.18-05; and

9 (4) The remaining amount must be transferred to the innovative research and
10 economic development fund;

11 d. Ten percent to the legacy project fund under section 7 of this Act;

12 e. Five percent to the workforce development and enrichment fund under section 3
13 of this Act; and

14 f. The remaining amount for other purposes designated by the legislative assembly.

15 **SECTION 6.** A new section to chapter 21-10 of the North Dakota Century Code is created
16 and enacted as follows:

17 **Legacy infrastructure fund.**

18 1. There is created in the state treasury the legacy infrastructure fund. The fund consists
19 of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund
20 may be spent pursuant to legislative appropriations to support one-time infrastructure
21 projects, including road and bridge projects, airport projects, and water projects.

22 2. If a political subdivision receives funding from the legacy project fund, the political
23 subdivision shall provide a report to the state treasurer by May thirtieth of each
24 even-numbered year on the use of the funding. The state treasurer shall determine the
25 format of the report. The state treasurer shall make the reports available to the public
26 on the state treasurer's website.

27 **SECTION 7.** A new section to chapter 21-10 of the North Dakota Century Code is created
28 and enacted as follows:

29 **Legacy project fund.**

30 1. There is created in the state treasury the legacy project fund. The fund consists of all
31 moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be

- 1 spent pursuant to legislative appropriations for projects and infrastructure. Funding
2 designated for projects must be used to support statewide economic diversification
3 and growth. Funding designated for infrastructure must be used to support one-time
4 infrastructure with a statewide benefit.
- 5 2. If a political subdivision receives funding from the legacy project fund, the political
6 subdivision shall provide a report to the state treasurer by May thirtieth of each
7 even-numbered year on the use of the funding. The state treasurer shall determine the
8 format of the report. The state treasurer shall make the reports available to the public
9 on the state treasurer's website.
- 10 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of
11 management and budget for administrative expenses related to the legacy project
12 advisory board.

13 **SECTION 8.** A new section to chapter 21-10 of the North Dakota Century Code is created
14 and enacted as follows:

15 **Legacy project advisory board.**

- 16 1. The legacy project advisory board consists of the following:
- 17 a. The governor or the the governor's designee, to serve as chairman;
- 18 b. The majority and minority leaders of the house of representatives and senate, or
19 their designees;
- 20 c. The chairmen of the appropriations committees of the house of representatives
21 and the senate, or their designees;
- 22 d. The chairmen of the finance and taxation standing committees of the house of
23 representatives and the senate, or their designees;
- 24 e. One member appointed by the North Dakota petroleum council;
- 25 f. One member appointed by the greater North Dakota chamber of commerce;
- 26 g. One member appointed by the agriculture commissioner; and
- 27 h. Three members appointed by the governor.
- 28 2. The advisory board shall meet at least once per biennium. The office of management
29 and budget shall provide administrative services to the advisory board.
- 30 3. The advisory board shall submit a report to the legislative assembly regarding
31 recommendations for projects and infrastructure under the legacy project fund.

1 4. The advisory board may not include a recommendation in the report to the legislative
2 assembly unless the recommendation fulfills the purposes of the legacy project fund
3 under section 7 of this Act and is approved by a majority of the members of the
4 advisory board.

5 **SECTION 9.** A new section to chapter 54-60 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Innovative research and economic diversification fund.**

8 There is created in the state treasury the innovative research and economic diversification
9 fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys
10 in the fund may be spent pursuant to legislative appropriations with sixty-five and one-half
11 percent designated for the lignite research council, the oil and gas research council, and other
12 research councils and thirty-seven and one-half percent designated for tourism initiatives.

13 **SECTION 10. LEGISLATIVE INTENT.** It is the intent of the sixty-seventh legislative
14 assembly that the sixty-eighth legislative assembly consider additional allocations from the
15 legacy earnings fund, including allocations to ~~the highway tax distribution fund,~~ value-added
16 agricultural programs, ~~the innovation loan fund to support technology advancement,~~ state
17 building maintenance and improvements, and for other one-time initiatives and projects,
18 including initiatives and projects to diversify the state's economy, and to improve the efficiency
19 and effectiveness of state government, ~~and to reduce ongoing general fund appropriations of~~
20 ~~state agencies.~~

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1380
3/24/2021
PM

A BILL for an Act to create and enact a new section to chapter 6-09.4, a new section to chapter 21-10, and a new section to chapter 57-38 of the North Dakota Century Code, relating to a legacy sinking and interest fund, a legacy earnings fund, and an income tax relief fund; to amend and reenact section 21-10-12 of the North Dakota Century Code, relating to legacy fund definitions; to provide for a transfer; and to provide a statement of legislative intent.

Chair Bell calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [3:00]

Discussion Topics:

- PERS Fund
- Legacy Advisory Board
- Market value
- Discretionary Bucket
- Clean Sustainable Energy Authority
- Bond Rates

Chair Bell [3:01] submits a spending handout #10677

Senator Kannianen moved the amendment [LC 21.0218.06004]

Senator J. Roers seconds

Motion passed by voice vote

Kylee Merkel [3:11] Business Banker, Bank of North Dakota, provided bonding information #10679.

Chair Bell adjourns the meeting. [3:20]

Chair Bell calls the meeting back to order [4:09]

Senator Patten [4:10] moved DO PASS as Amended and re-refer to Appropriations.

Senator J. Roers seconds

Senators	Vote
Senator Jessica Bell	Y
Senator Jordan Kannianen	Y
Senator Scott Meyer	Y
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Jim Roers	Y
Senator Mark Weber	Y

Motion passes 7-0-0

Chair Bell carries

Chair Bell adjourned the meeting [4:11]

Joel Crane, Committee Clerk

March 23, 2021

SK
1055
3124

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

Page 1, line 1, after "enact" insert "a new section to chapter 6-09,"

Page 1, line 1, after "6-09.4" insert ", a new section to chapter 15-20.1"

Page 1, line 1, replace the second "a" with "four"

Page 1, line 1, replace the second "section" with "sections"

Page 1, line 2, replace "57-38" with "54-60"

Page 1, line 2, after the second "to" insert "an economic diversification research fund,"

Page 1, line 3, after "fund" insert ", a workforce development and enrichment fund"

Page 1, line 3, after the second "fund" insert ", a legacy infrastructure fund, a legacy project fund, a legacy project advisory board"

Page 1, line 3, replace "income tax relief" with "innovative research and economic development"

Page 1, after line 6, insert:

"**SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Economic diversification research fund - Economic diversification research committee - Legislative management report.

1. There is created in the state treasury the economic diversification research fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent by the Bank of North Dakota pursuant to legislative appropriations to provide grants to institutions under the control of the state board of higher education for economic diversification research.
2. The economic diversification research committee consists of:
 - a. The president of the Bank of North Dakota, as chairman;
 - b. Four members with experience in research or venture capital appointed by the president of the Bank of North Dakota;
 - c. The state commissioner of higher education, or a designee; and
 - d. The president of North Dakota state university and the president of the university of North Dakota.
3. In consultation with representatives of North Dakota state university and the university of North Dakota, the committee shall award grants to institutions under the control of the state board of higher education. Up to ninety percent of the funding must be awarded to North Dakota state university and the university of North Dakota with equal amounts awarded

to each institution. The remaining funding must be awarded to the other institutions under the control of the state board of higher education, as determined by the committee. The committee may not award more than fifty percent of the available funding during the first year of the biennium. The Bank of North Dakota shall distribute the grant funding as awarded by the committee.

4. The committee shall develop guidelines for the economic diversification research grants. The purpose of the grants is to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; and to provide experiential learning opportunities for students. Research projects may be initiated by an institution under the control of the state board of higher education or by the private sector. The guidelines must include consideration for research projects with matching funds and provisions for grant oversight by an internal advisory committee and an external advisory committee.
5. The committee shall develop reporting requirements for the institutions under the control of the state board of higher education. The reporting requirements must include criteria for assessing performance outcomes related to the grants. The committee shall compile the reports and shall submit a comprehensive report annually to the legislative management. The comprehensive report must include information on how the research efforts by each institution align with the state's priorities, how the institutions collaborate when appropriate, and how the outcomes of the research meet established performance expectations."

Page 1, line 12, replace "3" with "5"

Page 1, line 15, remove the underscored comma

Page 1, after line 16, insert:

"**SECTION 3.** A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Workforce development and enrichment fund.

1. There is created in the state treasury the workforce development and enrichment fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to provide grants to support:
 - a. Strategic workforce development;
 - b. Technical education;
 - c. Workforce diversification initiatives; and
 - d. Workforce guidance and support.
2. Grant funding may be awarded only for one-time projects and initiatives.
3. Grants awarded for capital projects must have a matching requirement."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "eight"

Page 2, line 25, replace "5." with "4."

Page 2, remove lines 28 through 30

Page 3, replace lines 1 through 11 with:

"a. Thirty percent, with a minimum of one hundred fifty million dollars, to a sinking and interest fund and a retirement system fund, of which:

(1) An amount equal to one hundred twenty percent of any bond payments appropriated by the most recently adjourned special or regular session of the legislative assembly from the legacy sinking and interest fund, with a minimum of one hundred million dollars, must be transferred to the legacy sinking and interest fund under section 2 of this Act;

(2) Up to fifty million dollars must be transferred to the public employees retirement system main system plan under chapter 54-52, but only if the public employees retirement system main system plan's actuarial-funded ratio as reported for the most recently completed even-numbered fiscal year is less than ninety percent; and

(3) Any remaining amounts under this subdivision are available for other purposes designated by the legislative assembly;

b. Twenty-five percent to infrastructure funds, of which:

(1) Forty-five percent must be transferred to the highway tax distribution fund for allocations under section 54-27-19;

(2) Five percent to the state park fund under section 55-08-07 for state park construction and improvement projects and other state park initiatives designated by the legislative assembly; and

(3) The remaining amount to the legacy infrastructure fund under section 6 of this Act;

c. Twenty-five percent to research and economic development funds, of which:

(1) Forty percent must be transferred to the clean sustainable energy fund;

(2) Twenty-seven percent must be transferred to the economic diversification research fund under section 1 of this Act;

(3) Twenty-five percent must be transferred to the innovation loan fund to support technology advancement under section 6-09.18-05; and

- (4) The remaining amount must be transferred to the innovative research and economic development fund;
- d. Ten percent to the legacy project fund under section 7 of this Act;
- e. Five percent to the workforce development and enrichment fund under section 3 of this Act; and
- f. The remaining amount for other purposes designated by the legislative assembly.

SECTION 6. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy infrastructure fund.

- 1. There is created in the state treasury the legacy infrastructure fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects.
- 2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.

SECTION 7. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project fund.

- 1. There is created in the state treasury the legacy project fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations for projects and infrastructure. Funding designated for projects must be used to support statewide economic diversification and growth. Funding designated for infrastructure must be used to support one-time infrastructure with a statewide benefit.
- 2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.
- 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of management and budget for administrative expenses related to the legacy project advisory board.

SECTION 8. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project advisory board - Report to legislative assembly.

1. The legacy project advisory board consists of:
 - a. The governor or the the governor's designee, to serve as chairman;
 - b. The majority and minority leaders of the house of representatives and senate, or their legislative designees;
 - c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;
 - d. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;
 - e. One member appointed by the North Dakota petroleum council;
 - f. One member appointed by the greater North Dakota chamber of commerce;
 - g. One member appointed by the agriculture commissioner; and
 - h. Three members appointed by the governor.
2. The advisory board shall meet at least once per biennium. The office of management and budget shall provide administrative services to the advisory board.
3. The advisory board shall submit a report to the legislative assembly regarding recommendations for projects and infrastructure under the legacy project fund.
4. The advisory board may not include a recommendation in the report to the legislative assembly unless the recommendation fulfills the purposes of the legacy project fund under section 7 of this Act and is approved by a majority of the members of the advisory board.

SECTION 9. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Innovative research and economic diversification fund.

There is created in the state treasury the innovative research and economic diversification fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations with sixty-five and one-half percent designated for the lignite research council, the oil and gas research council, and other research councils and thirty-seven and one-half percent designated for tourism initiatives."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, line 15, remove "the innovation loan fund to support technology advancement,"

Page 3, line 17, after the comma insert "and"

Page 3, line 18, remove ", and to reduce ongoing general fund appropriations of state"

Page 3, line 19, remove "agencies"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1380, as engrossed: Finance and Taxation Committee (Sen. Bell, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1380 was placed on the Sixth order on the calendar.

Page 1, line 1, after "enact" insert "a new section to chapter 6-09,"

Page 1, line 1, after "6-09.4" insert ", a new section to chapter 15-20.1"

Page 1, line 1, replace the second "a" with "four"

Page 1, line 1, replace the second "section" with "sections"

Page 1, line 2, replace "57-38" with "54-60"

Page 1, line 2, after the second "to" insert "an economic diversification research fund,"

Page 1, line 3, after "fund" insert ", a workforce development and enrichment fund"

Page 1, line 3, after the second "fund" insert ", a legacy infrastructure fund, a legacy project fund, a legacy project advisory board"

Page 1, line 3, replace "income tax relief" with "innovative research and economic development"

Page 1, after line 6, insert:

"SECTION 1. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Economic diversification research fund - Economic diversification research committee - Legislative management report.

1. There is created in the state treasury the economic diversification research fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent by the Bank of North Dakota pursuant to legislative appropriations to provide grants to institutions under the control of the state board of higher education for economic diversification research.
2. The economic diversification research committee consists of:
 - a. The president of the Bank of North Dakota, as chairman;
 - b. Four members with experience in research or venture capital appointed by the president of the Bank of North Dakota;
 - c. The state commissioner of higher education, or a designee; and
 - d. The president of North Dakota state university and the president of the university of North Dakota.
3. In consultation with representatives of North Dakota state university and the university of North Dakota, the committee shall award grants to institutions under the control of the state board of higher education. Up to ninety percent of the funding must be awarded to North Dakota state university and the university of North Dakota with equal amounts awarded to each institution. The remaining funding must be awarded to the other institutions under the control of the state board of higher

education, as determined by the committee. The committee may not award more than fifty percent of the available funding during the first year of the biennium. The Bank of North Dakota shall distribute the grant funding as awarded by the committee.

4. The committee shall develop guidelines for the economic diversification research grants. The purpose of the grants is to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; and to provide experiential learning opportunities for students. Research projects may be initiated by an institution under the control of the state board of higher education or by the private sector. The guidelines must include consideration for research projects with matching funds and provisions for grant oversight by an internal advisory committee and an external advisory committee.
5. The committee shall develop reporting requirements for the institutions under the control of the state board of higher education. The reporting requirements must include criteria for assessing performance outcomes related to the grants. The committee shall compile the reports and shall submit a comprehensive report annually to the legislative management. The comprehensive report must include information on how the research efforts by each institution align with the state's priorities, how the institutions collaborate when appropriate, and how the outcomes of the research meet established performance expectations."

Page 1, line 12, replace "3" with "5"

Page 1, line 15, remove the underscored comma

Page 1, after line 16, insert:

"SECTION 3. A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Workforce development and enrichment fund.

1. There is created in the state treasury the workforce development and enrichment fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to provide grants to support:
 - a. Strategic workforce development;
 - b. Technical education;
 - c. Workforce diversification initiatives; and
 - d. Workforce guidance and support.
2. Grant funding may be awarded only for one-time projects and initiatives.
3. Grants awarded for capital projects must have a matching requirement."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "eight"

Page 2, line 25, replace "5." with "4."

Page 2, remove lines 28 through 30

Page 3, replace lines 1 through 11 with:

"a. Thirty percent, with a minimum of one hundred fifty million dollars, to a sinking and interest fund and a retirement system fund, of which:

- (1) An amount equal to one hundred twenty percent of any bond payments appropriated by the most recently adjourned special or regular session of the legislative assembly from the legacy sinking and interest fund, with a minimum of one hundred million dollars, must be transferred to the legacy sinking and interest fund under section 2 of this Act;
- (2) Up to fifty million dollars must be transferred to the public employees retirement system main system plan under chapter 54-52, but only if the public employees retirement system main system plan's actuarial-funded ratio as reported for the most recently completed even-numbered fiscal year is less than ninety percent; and
- (3) Any remaining amounts under this subdivision are available for other purposes designated by the legislative assembly;

b. Twenty-five percent to infrastructure funds, of which:

- (1) Forty-five percent must be transferred to the highway tax distribution fund for allocations under section 54-27-19;
- (2) Five percent to the state park fund under section 55-08-07 for state park construction and improvement projects and other state park initiatives designated by the legislative assembly; and
- (3) The remaining amount to the legacy infrastructure fund under section 6 of this Act;

c. Twenty-five percent to research and economic development funds, of which:

- (1) Forty percent must be transferred to the clean sustainable energy fund;
- (2) Twenty-seven percent must be transferred to the economic diversification research fund under section 1 of this Act;
- (3) Twenty-five percent must be transferred to the innovation loan fund to support technology advancement under section 6-09.18-05; and
- (4) The remaining amount must be transferred to the innovative research and economic development fund;

d. Ten percent to the legacy project fund under section 7 of this Act;

e. Five percent to the workforce development and enrichment fund under section 3 of this Act; and

- f. The remaining amount for other purposes designated by the legislative assembly.

SECTION 6. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy infrastructure fund.

1. There is created in the state treasury the legacy infrastructure fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects.
2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.

SECTION 7. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project fund.

1. There is created in the state treasury the legacy project fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations for projects and infrastructure. Funding designated for projects must be used to support statewide economic diversification and growth. Funding designated for infrastructure must be used to support one-time infrastructure with a statewide benefit.
2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.
3. Up to one hundred thousand dollars per biennium may be appropriated to the office of management and budget for administrative expenses related to the legacy project advisory board.

SECTION 8. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project advisory board - Report to legislative assembly.

1. The legacy project advisory board consists of:
 - a. The governor or the the governor's designee, to serve as chairman;
 - b. The majority and minority leaders of the house of representatives and senate, or their legislative designees;
 - c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;
 - d. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;

- e. One member appointed by the North Dakota petroleum council;
 - f. One member appointed by the greater North Dakota chamber of commerce;
 - g. One member appointed by the agriculture commissioner; and
 - h. Three members appointed by the governor.
2. The advisory board shall meet at least once per biennium. The office of management and budget shall provide administrative services to the advisory board.
 3. The advisory board shall submit a report to the legislative assembly regarding recommendations for projects and infrastructure under the legacy project fund.
 4. The advisory board may not include a recommendation in the report to the legislative assembly unless the recommendation fulfills the purposes of the legacy project fund under section 7 of this Act and is approved by a majority of the members of the advisory board.

SECTION 9. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Innovative research and economic diversification fund.

There is created in the state treasury the innovative research and economic diversification fund. The fund consists of all moneys deposited in the fund under section 5 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations with sixty-five and one-half percent designated for the lignite research council, the oil and gas research council, and other research councils and thirty-seven and one-half percent designated for tourism initiatives."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, line 15, remove "the innovation loan fund to support technology advancement,"

Page 3, line 17, after the comma insert "and"

Page 3, line 18, remove ", and to reduce ongoing general fund appropriations of state"

Page 3, line 19, remove "agencies"

Re-number accordingly

HB 1380 Funding Streams

#10677

POMV \$ 7,100,000,000 4.00%
\$ 568,000,000

STREAM

Sinking Fund	N/A	\$ 150,000,000	30%	\$ 170,400,000
<i>Bond Payments</i>		\$ 100,000,000	Min	\$ 100,000,000
<i>PERS</i>		\$ 50,000,000	Max	\$ 50,000,000
Earnings after Liabilities		\$ 418,000,000		\$ 397,600,000
REDDI	30%	\$ 125,400,000	25%	\$ 99,400,000
<i>Clean Sustainable</i>	45%	\$ 56,430,000	40%	\$ 39,760,000
<i>University</i>	25%	\$ 31,350,000	27%	\$ 26,838,000
<i>LIFT</i>	22%	\$ 27,588,000	25%	\$ 24,850,000
<i>Research Councils</i>	5%	\$ 6,270,000	5%	\$ 4,970,000
<i>Tourism</i>	3%	\$ 3,762,000	3%	\$ 2,982,000
	100%		100%	
Legacy Stream	15%	\$ 62,700,000	10%	\$ 39,760,000
<i>Legacy Project</i>		\$ -		
<i>Legacy Infrastructure</i>		\$ -		
Infrastructure	35%	\$ 146,300,000	25%	\$ 99,400,000
<i>Highway Distribution</i>	40%	\$ 58,520,000	45%	\$ 44,730,000
<i>State Parks</i>	5%	\$ 7,315,000	5%	\$ 4,970,000
<i>Discretion</i>	55%	\$ 80,465,000	50%	\$ 49,700,000
Workforce Enrichment	10%	\$ 41,800,000	5%	\$ 19,880,000
Discretion				\$ 40,280,000
Formula carryover	10%	\$ 41,800,000	5%	\$ 19,880,000
				\$ 20,400,000
	100%		100%	

Interaction Between HB1380 and HB1431

#10679

House Bill 1380--Streams

POMV		\$7,100,000,000	4.00%
			\$ 568,000,000
Sinking Fund--30%			
			\$ 170,000,000
<i>Bond Payments</i>	Miniumum	\$ 100,000,000	
<i>PERS</i>	Maximum	\$ 50,000,000	
<i>Overage</i>		\$ 20,000,000	
Earnings After Liabilities			
			\$ 398,000,000
REDDI--25%			
			\$ 99,500,000
<i>Clean Sustainable Energy</i>	40%	\$ 39,800,000	
<i>University</i>	27%	\$ 26,865,000	
<i>LIFT</i>	25%	\$ 24,875,000	
<i>Research Councils</i>	5%	\$ 4,975,000	
<i>Tourism</i>	3%	\$ 2,985,000	
Legacy Stream--10%			
			\$ 39,800,000
<i>Legacy Projects</i>			
<i>Legacy Infrastructure</i>			
Infrastructure--25%			
			\$ 99,500,000
<i>Highway Distribution</i>	45%	\$ 44,775,000	
<i>State Parks</i>	5%	\$ 4,975,000	
<i>Discretion</i>	50%	\$ 49,750,000	
Workforce Enrichment--5%			
	5%	\$ 19,900,000	
Discretion--5% + S.F. Overage			
	5%	\$ 39,900,000	

House Bill 1431--Bonding

Project	Total Proposed
Fargo Flood Diversion	\$ 435,000,000
Resources Trust Fund	\$ 74,500,000
Infrastructure RLF	\$ 50,000,000
Highway Trust Fund	\$ 70,000,000
NDSU Ag Research	\$ 50,000,000
Township Roads	\$ 30,000,000
Current Tech Ed	\$ 60,000,000
Deferred Maintenance	\$ 65,000,000
Pulver Hall	\$ 4,000,000
Historical Buildings	\$ 4,700,000
State Park Maintenance	\$ 10,000,000
UND Space Command	\$ 4,000,000
ND Arts Initiative	\$ 1,000,000
State Capital ADA	\$ 700,000
Brynhild Haugland Room	\$ 600,000
Clean Sustainable Energy	\$ 250,000,000
Long Term Care Loan Fund	\$ 100,000,000
Total Bonding Proposed	\$ 1,209,500,000

HB1452—CSE creates a revolving loan fund with a 2% IR.

SB2014—LTC is at cost with repayment coming back General Fund

House Bill 1425

Legacy Fund Principal Balance	\$7,100,000,000
20% of Principal	\$1,420,000,000
10% of 20% to Fixed Investment	\$710,000,000
BND Match Program	\$426,000,000
Legacy Infrastructure Loan Fund	\$284,000,000
10% of 20% to Equity Investment	\$710,000,000
3% to Venture	\$21,300,000
Pref to In-State	\$688,700,000

Bonding—Policy Decisions—All At Once

Project	Total Proposed
Fargo Flood Diversion	\$ 435,000,000
Resources Trust Fund	\$ 74,500,000
Infrastructure RLF	\$ 50,000,000
Highway Trust Fund	\$ 70,000,000
NDSU Ag Research	\$ 50,000,000
Township Roads	\$ 30,000,000
Current Tech Ed	\$ 60,000,000
Deferred Maintenance	\$ 65,000,000
Pulver Hall	\$ 4,000,000
Historical Buildings	\$ 4,700,000
State Park Maintenance	\$ 10,000,000
UND Space Command	\$ 4,000,000
ND Arts Initiative	\$ 1,000,000
State Capital ADA	\$ 700,000
Brynhild Haugland Room	\$ 600,000
Clean Sustainable Energy	\$ 250,000,000
Long Term Care Loan Fund	\$ 100,000,000
Total Bonding Proposed	\$ 1,209,500,000



Proposed in HB1380	Bond for \$100m	Bond for \$100m
	20-Year Term	30-Year Term
Proceeds for Projects	\$696,886,296	\$874,082,215
Biennial Debt Service	\$100,000,000	\$100,000,000
All In Total Issuance Cost	3.11%	3.57%
Tax Status	Taxable	Taxable
Date of Issuance	7/1/2022	7/1/2022
Capitalized Interest	\$17,224,689	\$26,290,745



All In Cost / All Bills	Bond Entire Amount	Bond Entire Amount
	20-Years	30-Years
Proceeds for Projects	\$1,200,000,000	\$1,200,000,000
Biennial Debt Service	\$172,200,000	\$137,300,000
All In Total Issuance Cost	3.11%	3.57%
Tax Status	Taxable	Taxable
Date of Issuance	7/1/2022	7/1/2022
Capitalized Interest	\$29,660,090	\$36,093,613

Policy Decisions

1. What is the total amount the Legislature wants to dedicate to bond repayment from Legacy Fund Earnings?
2. Bonding the entire amount vs bonding in tranches as projects are ready.



Bonding—Policy Decisions—Incremental Bonding

Project	Total Proposed	2021-2023	2023-2025	2025-2027	2027-2029
Fargo Flood Diversion	\$ 435,000,000		\$ 100,000,000	\$ 170,000,000	\$ 165,000,000
Resources Trust Fund	\$ 74,500,000	\$ 74,500,000			
Infrastructure RLF	\$ 50,000,000	\$ 50,000,000			
Highway Trust Fund	\$ 70,000,000	\$ 70,000,000			
NDSU Ag Research	\$ 50,000,000		\$ 50,000,000		
Township Roads	\$ 30,000,000	\$ 30,000,000			
Current Tech Ed	\$ 60,000,000	\$ 30,000,000	\$ 30,000,000		
Deferred Maintenance	\$ 65,000,000	\$ 25,000,000	\$ 25,000,000	\$ 15,000,000	
Pulver Hall	\$ 4,000,000	\$ 4,000,000			
Historical Buildings	\$ 4,700,000	\$ 4,700,000			
State Park Maintenance	\$ 10,000,000	\$ 5,000,000	\$ 5,000,000		
UND Space Command	\$ 4,000,000	\$ 4,000,000			
ND Arts Initiative	\$ 1,000,000	\$ 1,000,000			
State Capital ADA	\$ 700,000	\$ 700,000			
Brynhild Haugland Room	\$ 600,000	\$ 600,000			
Clean Sustainable Energy	\$ 250,000,000			\$ 250,000,000	
Long Term Care Loan Fund	\$ 100,000,000	\$ 50,000,000	\$ 50,000,000		
Total Bonding Proposed Per Biennium		\$ 349,500,000	\$ 260,000,000	\$ 435,000,000	\$ 165,000,000

Bond Payments Via Tranches

30-Year Bonds Issued in Tranches

Total \$1.25B

	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033	2033-2035
Bond Issued	\$349,500,000	\$260,000,000	\$435,000,000	\$165,000,000			
30-year Repayment	\$37,508,508	\$27,903,631	\$46,684,855	\$17,708,403	\$129,805,397	\$129,805,397	\$129,805,397
Contribution to Sinking Fund	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$104,433,832	\$129,805,397
Balance in Sinking Fund	\$ 62,491,492	\$ 162,491,492	\$ 197,079,353	\$ 184,982,359	\$155,176,962	\$129,805,397	\$129,805,397
Cash in Sinking Fund	\$ 62,491,492	\$ 97,079,353	\$ 84,982,359	\$ 55,176,962	\$25,371,565	\$0	\$0

- Issue Bonds over 4-Beinnium
- Using \$100m as payment, requires transition to full payment in 2031-2033 biennium

2021 SENATE APPROPRIATIONS

HB 1380

2021 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1380
3/31/2021
Senate Appropriations Committee

Relating to a legacy sinking and interest fund, a legacy earnings fund, and an income tax relief fund.
--

Senator Holmberg opened the hearing 3:52 p.m.

Senators present: **Holmberg, Krebsbach, Wanzek, Bekkedahl, Poolman, Erbele, Dever, Oehlke, Rust, Davison, Hogue, Sorvaag, Mathern, and Heckaman.**

Discussion Topics:

- Revenue Sources
- Bond Payments

Mike Lefor, Representative, District 37, introduced the bill; testimony #11235.

Senator Sorvaag, District 45, testified in favor and submitted testimony #11205

Brian Johnson, Vice Chair, Valley Prosperity Partnership, testified in favor and submitted testimony #11144

Scott Meske, ND Transportation Coalition, testified in favor and submitted testimony #11190

Terri Thiel, Chair, Travel Alliance Partnership, testified in favor and submitted testimony #11189

Ryan Warner, testified neutrally and submitted testimony #11237

Dustin Gawrylow, Watchdog Network, testified in opposition and submitted testimony #11125, #11126, #11127

Additional written testimony: #10940, #10943, #10956, #11032, #11044, #11058, #11067, #11086, #11092, #11102, #11120, #11148, #11169, #11179, #11185, #11187, #11206.

Senator Holmberg closed the hearing at 4:59 p.m.

Skyler Strand, Committee Clerk

HB 1380 Testimony

Senate Appropriations Committee

Representative Mike Lefor

Good Morning, Chair Holmberg and members of the Senate Appropriations Committee, my name is Mike Lefor and I represent District 37 – Dickinson in the House. Today, I bring HB 1380 also known as the Legacy Streams bill to you for consideration.

When I began to work on this legislation, I incorporated the thoughts of numerous individuals in state government, leaders across the state as well as the executive budget on a plan to utilize a portion of the Legacy fund earnings to benefit the citizens of the state of North Dakota. It is designed for flexibility, which is why they are called funding “streams” as they are always subject to change or updates.

There is nothing in this legislation which could not be changed other than the sinking and interest fund to meet the obligations put forward by the legislature.

As everyone knows, few things in life remain static, the world is always changing, I firmly believe we need to embrace change. That is one of the best attributes of the bill, the streams can be changed, the percentages can be made higher, lower or eliminated. They can have cap’s or a sunset attached to them.

The public is looking to the legislature for leadership on how we are going to deal with the earnings of the legacy fund going forward. The streams may take pressure off the general fund when it comes to appropriating dollars. Additionally, we would be able to leverage more federal dollars. This bill does not appropriate any dollars or take effect until 2023. Each one of these streams are issues which will have to be dealt with sooner or later, they are not going away.

It is imperative we invest in our economy as our state needs to diversify through a smart investment plan, ideas such as clean sustainable energy, economic diversification, research and development and innovation in technology. It would also drive more investment capital into the state.

HB 1380 Testimony

Page 2

This bill supports the ability to bond for projects sooner, lowering maintenance costs. The state of North Dakota has over \$9 billion in infrastructure needs over the next twenty years, the sooner we make these investments, the better.

Chair Holmberg and members of the committee, the concept is designed for flexibility and change. If passed by this assembly, it will serve as a foundation to share with the people of our great state as to how the earnings are being utilized for future ideas and concepts to better serve the citizens of North Dakota.

I thank you for your time and consideration of HB 1380, the Legacy Streams bill. I would be happy to answer any questions you have.

HB 1380 proposed amendments and purposes:

Section 5

Page 5 Line 12

Update to 30% from 40% (due to mistake in formula adjustment made for funding)

Page 5 Line 13

Update to 30% from 27% (due to mistake in formula adjustment made for funding)

Page 5 Line 15

Update to 30% from 25% (due to mistake in formula adjustment made for funding)

Section 7

Page 6 Line 12

Add regional (reads statewide or regional benefit)

Section 8

Page 7 Line 5

Change biennium to annual

Section 9

Page 7 Line 18

Change sixty-five and one half (65.5%) to seventy (70%)

Page 7 line 20

Change thirty-seven and one half (37.5%) to thirty (30%)

NOTE That the bill currently adds up to 103%

Current

POMV	\$ 7,100,000,000 (2018-2022 5-year average est.)		8.00%	\$ 568,000,000
STREAMS				
Sinking Fund		30%		\$ 170,400,000
	Bond Payments		Min	\$ 100,000,000
	PERS		Max	\$ 50,000,000
REDDI		25%		\$ 142,000,000
	Clean Sustainable		40%	\$ 56,800,000
	University		27%	\$ 38,340,000
	LIFT		25%	\$ 35,500,000
	Research Councils		5%	\$ 7,100,000
	Tourism		3%	\$ 4,260,000
Legacy Stream		10%		\$ 56,800,000
	Legacy Project			
	Legacy Infrastructure			
Infrastructure		25%		\$ 142,000,000
	Highway Distribution		45%	\$ 63,900,000
	State Parks		5%	\$ 7,100,000
	Discretion		50%	\$ 71,000,000
Workforce Enrichment		5%		\$ 28,400,000
Discretionary				\$ 48,800,000
	Streams Formula	5%		\$ 28,400,000
	From Sinking Fund			\$ 20,400,000

New

POMV	\$ 7,100,000,000 (2018-2022 5-year average est.)		8.00%	(4% annual)		
			\$ 568,000,000			
STREAMS						
Sinking Fund		30%	\$ 170,400,000			
	Bond Payments	Min	\$ 100,000,000			
	PERS	Max	\$ 50,000,000			
REDDI		25%	\$ 142,000,000			\$ 142,000,000
	Clean Sustainable	40%	\$ 56,800,000		30%	\$ 42,600,000
	University	27%	\$ 38,340,000		30%	\$ 42,600,000
	LIFT	25%	\$ 35,500,000		30%	\$ 42,600,000
	Research Councils	5%	\$ 7,100,000		7%	\$ 9,940,000
	Tourism	3%	\$ 4,260,000		3%	\$ 4,260,000
Legacy Stream		10%	\$ 56,800,000			
	Legacy Project					
	Legacy Infrastructure					
Infrastructure		25%	\$ 142,000,000			
	Highway Distribution	45%	\$ 63,900,000			
	State Parks	5%	\$ 7,100,000			
	Discretion	50%	\$ 71,000,000			
Workforce Enrichment		5%	\$ 28,400,000			
Discretionary			\$ 48,800,000			
	Streams Formula	5%	\$ 28,400,000			
	From Sinking Fund		\$ 20,400,000			

Testimony
Senate Appropriations Committee
HOUSE BILL NO. 1380
March 31, 2021

Chairman Holmberg and members of the Senate Appropriations Committee. I am Brian Johnson the CEO of Choice Bank and Vice Co-Chair of the Valley Prosperity Partnership (VPP), an initiative led by business executives to advance and advocate for shared strategic economic development opportunities for the Red River Valley region and for North Dakota.

The business executives who lead companies across the state of North Dakota that comprise the VPP desire to strengthen and diversify our economy. They feel that investing in research and development and workforce development are critical to insuring a robust and prosperous future for all North Dakotans. Thanks to the vision of these business leaders and to public policy leaders like yourself, the legislature will have multiple proposals to consider that seek to diversify the state's economy by investing state dollars into the research and workforce development.

HB 1380's provisions relating to an economic diversification research fund are right on target. My experience tells me that North Dakota faces both a need & perception challenge. We are proud of ag & oil but we are so heavily identified with these labels that it keeps outside investment away because capital can go to other places without the swings that often affect ag & oil.

I have experienced this directly while serving as the Chair of the Community Depository Institutions Advisory Council of the Minneapolis Federal Reserve Board and while raising over \$100 million to diversify our ag bank both geographically and in terms of our business lines (insurance, wealth, health benefits, Fintech space)

We need to find ways to attract outside capital, whether it is to build upon our existing economic base or by attracting new talent and ideas that are outside of ag & oil. HB 1380 can be the start and an example to accomplish both of these.

Likewise, the VPP supports passage of House Bill No. 1141, which continues a legacy innovation fund to support technology advancement in the state. We also welcome recent



passage of House Bill 1425 that will enable the state investment board to allocate funding to qualified investment firms and financial institutions for the purpose of making fixed income investments and equity investments within the state.

Thank you for your consideration of these important investments in research and development that will lead to new innovations and enable the expansion of opportunity in North Dakota.



Strengthening and Diversifying North Dakota's Economy by Investing in Research and Development

R&D>ND PROPOSAL: This is a private-sector led initiative. The broad-based business coalition wants to **strengthen our core sectors to make them more resilient and diversify our state's economy.** North Dakota's universities and colleges are important economic drivers, whose research and development capabilities sustain our competitive advantages in agriculture and energy, translating innovations into new economic opportunities, a more skilled workforce, and higher-paying jobs for North Dakotans.

NEED for R&D

- **BEYOND OIL & SOIL:** North Dakota's economic trajectory is directly linked to the strength of the agriculture and energy sectors.
- **STRENGTHEN & DIVERSIFY:** Business leaders support the strengthening and diversification of our economy efficiently and effectively meet the unique healthcare needs of the State.
- **ADVANTAGE:** North Dakota does not have a stream of funding that supports basic and applied research and development at research universities.

FUNDING PROPOSAL

- \$ **FIFTEEN PERCENT (15.0%) OF LEGACY FUND EARNINGS** or other comparable State funds will be allocated annually for use by UND, NDSU, the 9 other public universities, and the private sector.
- \$ **TEN PERCENT (10.0%) to ND's NON-RESEARCH UNIVERSITIES & PRIVATE-SECTOR RESEARCHERS:** At minimum, 10% of the State-awarded amount is to be made available to fund research proposals at any of the 9 non-research university entities within the purview of the State Board of Higher Education.
- \$ **LEVERAGE FUNDING:** Leverage federal, private and additional sources of funding.

ACCOUNTABILITY

- ✓ **BANK of NORTH DAKOTA:** Creation of BND panel to provide annual reports.
- ✓ **INTERNAL ADVISORY COMMITTEE:** Members appointed from the education institutions would review and formulate recommendations on effectiveness and implementation of research programs at NDSU & UND.
- ✓ **EXTERNAL ADVISORY COMMITTEE:** External scientific experts would provide feedback and recommendations on the program's strategic direction.

GOALS for INVESTMENT

- **VALUE-ADDED:** Enhance value-added opportunities within the State's core agriculture and energy industries
- **HEALTHCARE:** More efficiently and effectively meet the unique healthcare needs of the State
- **ECONOMY OF THE FUTURE:** Expand investments in UAS, autonomous capabilities, and emerging technologies in advanced manufacturing and materials, augmented reality, data, robotics and automation, and alternative energy and storage technologies.

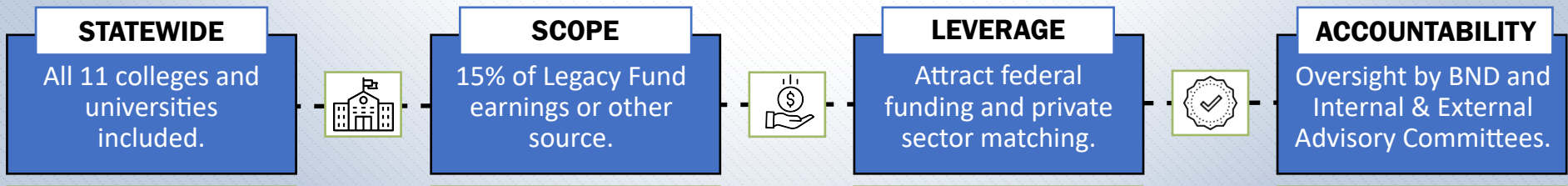
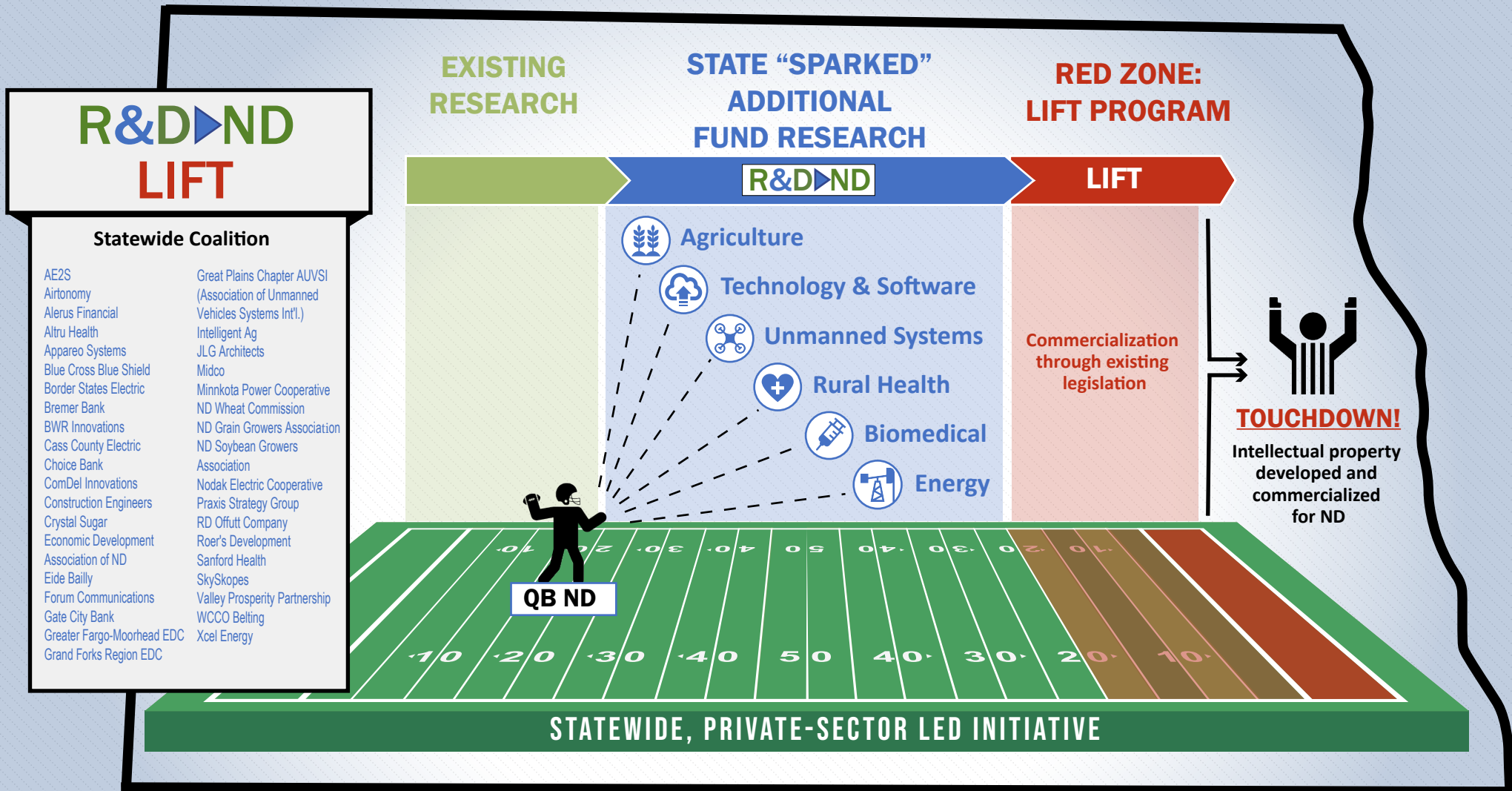
GUIDELINES for USE OF FUNDS

- \$ **LEVERAGE FUNDING:** Basic or applied university research, with the expectation it will leverage funding from federal, corporate, or other sources;
- \$ **PARTNERSHIPS:** University-originated research partnerships with industry, and;
- \$ **INDUSTRY SUPPORT:** Research that is originated by a business, public or private university or non-profit organization that is conducted in partnership with a NDUS university or college.

OPPORTUNITIES

- ✓ **INVESTMENT ECOSYSTEM:** R&D>ND will round out the state's R&D ecosystem by getting more ideas to the LIFT program and leveraging existing research activities, including NDSU Extension projects, the EERC and ND's research councils.
- ✓ **ATTRACT TALENT & FUNDING:** Long term, predictable funding will attract research talent and funding for sectors that are key to strengthening and diversifying North Dakota's economy.

STRENGTHENING AND DIVERSIFYING NORTH DAKOTA'S ECONOMY BY INVESTING IN RESEARCH AND DEVELOPMENT





The Valley Prosperity Partnership (VPP) is focused on developing a unified, shared vision for high value and sustained economic growth for all Red River Valley residents. A steering committee of private sector industry and higher education leaders, joined by economic development partners, work to advance strategic economic development opportunities for the Red River Valley region of North Dakota and Minnesota and for the entire State of North Dakota.

Marshal Albright, President & CEO
Cass County Electric Cooperative,
Co-Chair, Valley Prosperity Partnership

Steve Burian, President & CEO
Burian & Associates
Co-Chair, Valley Prosperity Partnership

Judd Graham, CEO Fargo Region
Bremer Bank, Vice Co-Chair

Brian Johnson, CEO
Choice Financial Group, Vice Co-Chair

Andrew Armacost, President
University of North Dakota

Tom Astrup, President & CEO
American Crystal Sugar

Barry Batcheller, Chairman
Appareo Systems

Dean Bresciani, President
North Dakota State University

Dan Conrad, President & CEO
Blue Cross Blue Shield North Dakota

Tim Curoe, CEO
RD Offutt Company

Mylo Einarson, President & CEO
Nodak Electric Cooperative

Chad Flanagan, Partner
Eide Bailly

Shawn Gaddie, Director of Infrastructure
Management Services
AE2S

Jim Galloway, Principal
JLG Architects

Keith Lund, President & CEO
Grand Forks Region EDC

William C. Marcil, Sr. Chairman
Forum Communications Company

Pat McAdaragh, President & CEO
Midco

Jeff Melgaard, Vice President
Construction Engineers

Dave Molmen, CEO
Altru Health System

Bryan Nermoe, President
Sanford Medical Center Fargo

Tony Grindberg, ND Principal Manager
Xcel Energy

Joe Raso, President & CEO
Greater Fargo Moorhead EDC

John Richman, President
North Dakota State College of Science

Jim Roers, President & CEO
Roers Construction & Development

Thomas Shorma, President & CEO
WCCO Belting, Inc.

Richard Solberg, Chairman & CEO
Bell State Bank & Trust

Steve Swiontek, Executive Chair
Gate City Bank

David White, President
Border States Electric

Chris Wolf, North Valley Market President
Alerus Financial



HB 1380 – Responsible allocation of Legacy Fund Earnings for Infrastructure

Ongoing earnings stream helps fill infrastructure needs

- ✓ **North Dakota state highways, bridges, rural roads and city streets have maintenance and construction needs that exceed the current ongoing revenues designed to address them.**
- ✓ **The State's infrastructure needs are estimated to be more than \$2 billion above the current funding levels.**
- ✓ **The Coalition strongly supports Section 6 of HB 1380 as amended which includes the creation of the Legacy Infrastructure Fund.**
- ✓ **With HB 1464 being defeated, we are encouraged by the allocation of Section 5, sub (b) of 25 percent of LFE to infrastructure funds, 45% of which is designated to the highway tax distribution fund.**
- ✓ **Our state is fortunate to have a growing, continually diverse economy. The infrastructure needs must keep up with the growth of our communities and our economy. The Legacy Fund Earnings streams as identified in HB 1380 are a proactive, responsible, legislative-driven attempt to continue to meet these crucial needs in our State.**

The NDTC was formed in 2020 and represents industry sectors, individual businesses, and political subdivisions, or individuals with a direct interest in transportation, for the specific purpose of enhancing North Dakota transportation. The Coalition consists of 19 of the largest trade organizations across all sectors including transportation and construction, agriculture, political subdivisions and energy.

NDTC



NORTH DAKOTA TRANSPORTATION COALITION



Travel Alliance Partnership

P.O. Box 2599
Bismarck, ND 58502
(701) 355-4458
FAX (701) 223-4645

MEMBERS

America's Best Value
Inn & Suites

Basin Electric
Power Cooperative

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Bismarck-Mandan CVB

Bottineau Area Chamber of
Commerce

Destination Marketing
Association of North Dakota

Devils Lake CVB

Dickinson CVB

Eastbay Campground

Fargo Air Museum

Fargo-Moorhead CVB

Friends of Lake Sakakawea

Greater Grand Forks CVB

Hampton Inn & Suites Minot
Airport

Jamestown Tourism

Leistikow Park Campground

Lone Butte Ranch/Log Cabin
Vacations

McKenzie County Tourism

Minot Convention & Visitors
Bureau

Missouri Valley Heritage Alliance/
Fort Abraham Lincoln
Foundation

Municipal Airport Authority
of the City of Fargo

National Hospitality Services

Newman Outdoor Advertising

Norsk Hostfest Association

North Dakota Association of
Rural Electric Cooperatives

North Dakota State Fair

North Dakota Tourism Division
(ex-officio)

Odney

Rocky Mountain International

Roosevelt Park Zoo

State Historical Society of
North Dakota Foundation

Theodore Roosevelt Medora
Foundation

Valley City CVB/Sheyenne RV
Scenic Byway

Vern's Rental

Williston CVB

Testimony of Terri Thiel

Chair, Travel Alliance Partnership

In support of HB 1380

March 31, 2021

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Terri Thiel, and I am the chair of the North Dakota Travel Alliance Partnership (ND TAP). ND TAP is a coalition of travel industry stakeholders, including CVBs, state attractions, businesses and other interested stakeholders, in this viable and growing sector of North Dakota's economy. On behalf of the tourism industry and its partners, I am writing to voice support for HB 1380.

HB 1380 creates an Economic Diversification Fund that would appropriate funding derived from Legacy Fund earnings to support tourism initiatives. Funding for tourism projects would be administered by the North Dakota Tourism Division.

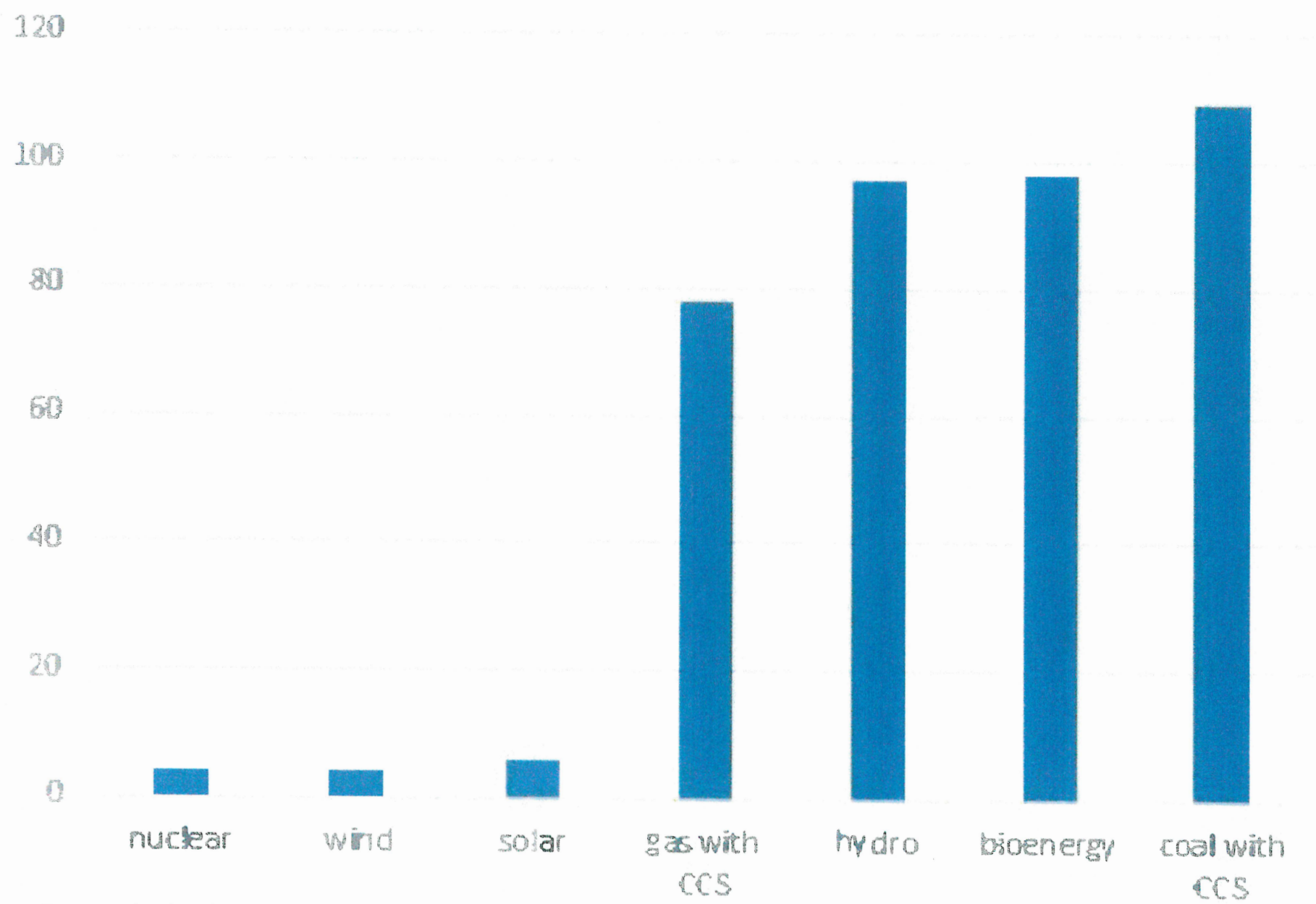
This proposal is similar to ND TAP's vision of creating a Destination Development Fund, which would fund new or expanded operations capable of attracting visitors from outside North Dakota. HB 1380's proposal is also similar to a previous tourism infrastructure grant program that was funded from 2013-2017. While the grant program was short lived, it funded many projects that have since become staples of many communities across North Dakota including stage expansion at Sleepy Hollow Park in Bismarck, the

North Valley Arts Council in Grand Forks, the Fargo Moorhead Curling Club facility, Lund's Landing on Lake Sakakawea, exhibits at the Dakota Territory Air Museum in Minot, and the High Plains Cultural Center in Killdeer.

As our industry has found, workers do not move to a new state without visiting one first and tourism projects are essential to attracting and retaining visitors to a community. As a result, tourism initiatives funded by the economic diversification fund in HB 1380 can equally serve as a workforce development tool.

ND TAP realizes the potential and value of creating an economic diversification fund and asks the Senate Appropriations Committee recommend a do-pass on HB 1380.

Lifecycle Carbon Footprint in Grammes of CO2 per kWh



HB 1380 – Testimony by Dustin Gawrylow (Lobbyist #266) North Dakota Watchdog Network**Testimony Specific To HB 1380**

While there are many issue related to how the state should use Legacy Fund earnings I am confining my comments to stream created for the clean sustainable energy fund found in Section 5 Subsection C (Page 5, Line 11-18).

Suggested Changes: Replace Section 5 Subsection C entirely with the “income tax relief fund” provisions found in the version of this bill that passed the House.

Testimony from HB 1431 for Context and Background

HB 1431 is one of three bills (HB 1380 and HB 1452 being the other two) seeking to put money into a fund that does not yet exist called the Clean and Sustainable Energy Fund found in HB 1452.

Each of these bills has been modified since first being heard by either the Senate Energy or Senate Tax committees. As of last week, the total amount of money being funneled into the Clean and Sustainable Energy Fund was over \$500 million over the next 5 years – including the \$250 million grant funded with bonding currently in this bill, HB 1431. The changes made to HB 1380 may reduce that figure down below \$500 million over 5 years – but not not much below.

The transparency surrounding this agenda is fairly rotten, and in my view something more akin to what Congress would do rather than what this legislature would do.

Suggested Improvements

1. My first request of this committee is to consolidate provision and appropriation related to the Clean and Sustainable Energy Fund into one clean bill, with one fiscal note where every legislator can understand how these things work together. This is something the policy committees should have done, but I believe there was an effort to intentionally make this concept less than transparent.

Hopefully this is considered reasonable as it will actually help you and all other legislators know what it going on here.

2. Secondly, if the state is going to spend this roughly \$500 million over the next 5 years let’s be honest about where the money is going and what it is for.

The name of the fund being created in HB 1452, and being given \$250 million in this bill, HB 1431 is the “Clean and Sustainable Energy Fund”. It is pretty clear based on the governance structure that there will be a bias toward using this fund to subsidize research, development, and deployment of technology to support the coal industry.

According to the most recent newsletter (attached) of the Western Dakota Energy Association quote:

Although not exclusively dedicated to CO2-capture and sequestration, it is one of the primary projects for which the "clean sustainable energy fund" is being developed. A separate bill, [HB](#)

[1452](#), establishes the clean sustainable energy authority, which would consider grants and loans issued to cutting edge, high tech energy projects. That bill is currently awaiting action in the Senate Appropriations Committee.

The Senate committee also approved an amendment to [HB 1380](#), which has become known as the Legacy Fund "streams bill." It would direct future Legacy earnings to various categories of spending. The House had reduced the streams to a trickle, directing funds to cover only the bonding repayment, \$40 million for the clean sustainable energy fund, and \$40 million to the infrastructure revolving loan fund. Additions to the streams bill approved by the committee include funds directed to economic diversification research at state universities, a workforce development enrichment fund, an infrastructure fund for one-time projects, a legacy project fund, and an innovation research and diversification fund.

The committee also approved [HB 1412](#), which would provide a 5-year reduction in the coal severance tax, but before doing so approved an amendment offered by Senator Bell. The change increases to 85 percent the amount the severance tax would be reduced, but excludes the 15 percent that goes to support counties, cities and school districts in the coal-producing counties. The original House version would have reduced the tax by just 60 percent.

3. Third, with so much money on the line, the legislature should give itself oversight and an approval process on any spending over a certain amount. I will leave it to you to determine that amount, but clearly this should not be a blank check.

Conclusion

As a state, we need to determine where we want to put our public funds. When it comes to taking on \$250 million in debt to be paid for by Legacy Fund earnings, there should be a much more purposeful and deliberate plan than to just create a Clean and Sustainable Energy fund that sounds good but is nothing more than a corporate welfare program to an industry with a diminishing export market beyond our borders.

I urge you to oppose this \$250 million grant to the Clean and Sustainable Energy Fund, to oppose the creation of the fund in HB 1452, and oppose any other provisions hiding in other bills that are set to have this purpose.

But if you can't do that, at least provide the taxpayers and your own colleagues with some transparency and honesty about what this is really about.

This is an expansion of government, and a bailout of an industry we just happen to like.

If it were anything else, it would be called Socialism.

Bonding Bill Back to \$1.1 Billion
Loan Pool Added for CO2 Capture Projects
Committee Okays Coal Severance Tax Break

A revolving loan fund added this week to a bonding bill under consideration by the North Dakota Legislature could help fund future projects aimed at capturing carbon dioxide from coal plants.

The \$250 million loan pool was tacked onto the bill by the Senate Finance and Taxation Committee, chaired by Beulah Senator Jessica Bell. It was added on top of a previous amendment to [HB 1431](#) previously pitched to the committee by Senate Majority Leader Rich Wardner. That amendment had increased the bill's price tag to \$860 million, adding back many items taken out in the House-passed \$680 million version of the bill. With the amendment approved this week by the Tax Committee, the bill is now back to \$1.1 billion, which is [where it started](#) the first week of the legislative session.



Jessica Bell

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Other items added to the bonding bill by Wardner's amendment include \$60 million for career and tech ed projects; \$65 million for deferred maintenance on state buildings; \$30 million for township roads; \$10 million for state parks; \$4 million for digitization of documents for the Theodore Roosevelt Library; \$4 million to complete Pulver Hall at Dickinson State; and \$4.7 million for maintenance of historical buildings.

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All three pieces of legislation will move from the Tax Committee to the Senate Appropriations Committee.

News

MARCH 26, 2021

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Print Newsletter

Young Educators



Students from White Shield visited the Capitol this week to help promote SB 2304 about teaching Native American history (see story below). Pictured from left are Elijah, Sophie, Instructors Hunter Andes and Margaret Yellowbird, Raylene, Lexus and Eatosh.

[f](#) [t](#) [in](#) [l](#) [e](#) [p](#)



Julie Fedorchak Randy Christmann

**Committee Debates Grid Responsibility
Bill Incentivizes Utilities to Focus on Reliability**

A House Energy and Natural Resources subcommittee is debating merits of a proposal from the ND Public Service Commission to put new life back into legislation aimed at promoting grid reliability.

An amendment to [SB 2313](#) would allow the PSC to impose big penalties if utilities fail to keep the lights on. The original bill would have imposed a "firming" requirement on utilities to maintain adequate dispatchable (reliable) generation, but it was opposed by utility lobbyists. The bill was watered down in the Senate to simply require the state transmission authority to gather information from utilities for a report to the legislature on the adequacy of the state's generation resources.

However, the latest version under consideration in the subcommittee would allow the PSC to determine "qualitative benefits" of generation resources and allow the PSC to impose penalties if a public utility fails to provide reliable service. PSC Chair Julie Fedorchak said the value that a utility's generation assets contribute to reliability needs to be an important consideration in the company's resource mix.

Click [here](#) to listen to Fedorchak's comments.

PSC Commissioner Randy Christmann said utilities need to be encouraged to secure firm capacity to meet customer demands. Christmann said at times companies have been too casual about their ability to secure backup power when non-dispatchable (wind and solar) resources are not available.

Click [here](#) to listen to Christmann's comments.

Christmann supports the penalty provisions in the bill, but opposed a suggestion that any fine be

capped at \$2 million. He said it would hardly be adequate in a worst case scenario where a power failure resulted in loss of life. Christmann said it's important that the law provides a powerful incentive to motivate utilities to maintain a reliable electric system.

Click [here](#) to listen to Christmann's comments.

Legislators have said they're frustrated by "finger pointing" in the wake of power outages, with different entities blaming each other and not accepting responsibility for the failure. Fedorchak told utility lobbyists at the hearing that the legislation should clearly assign that responsibility to the utility.

Click [here](#) to listen to Fedorchak's comments.

WDEA supports the PSC's proposal. WDEA Executive Director Geoff Simon said the legislation amounts to a state policy, communicating to utilities and grid operators that electric reliability is absolutely essential.

Click [here](#) to listen to Simon's comments.

The subcommittee took no action on the amendment, and urged the PSC and utilities to discuss language they could agree upon that would define the conditions under which a penalty could be imposed. The subcommittee will meet again at 8:00 a.m. Tuesday. The PSC has posted a [public meeting notice](#) that it will discuss the bill at 4:00 p.m. Monday.



Coal Creek Sales Talks Down to One GRE in Exclusive Negotiations to Sell Plant

Gov. Doug Burgum announced this week that Great River Energy is now in exclusive negotiations with a single buyer to sell Coal Creek Station and GRE's high-voltage, direct current transmission system.

Last year GRE announced plans to retire Coal Creek Station, a 1,151-megawatt coal-fired power plant near Underwood in the second half of 2022. Since then, state officials led by Lt. Gov. Brent Sanford have worked with GRE and potential buyers to keep the plant in operation. The facility has 240 employees, with another 450 working at North American Coal's nearby Falkirk Mine, the plant's coal supplier.

"This is wonderful news for Coal Creek Station's employees, their local communities and the entire state of North Dakota," Burgum said. "We're deeply grateful to Lt. Gov. Sanford, GRE, the legislature, our state's congressional delegation and everyone involved in creating a viable path forward for Coal Creek Station and our lignite coal industry."

According to the governor's office, the potential buyer would buy the plant and the DC line, and intends to pursue plans to capture carbon dioxide from the coal plant's emissions. This week, Burgum signed [SB 2152](#), which provides a sales tax exemption for carbon dioxide used for secure geologic storage, providing an incentive to continue developing North Dakota's lignite coal reserves.

Click [here](#) for a Bismarck Tribune article about the negotiations.



Bonding Bill Back to \$1.1 Billion Loan Pool Added for CO2 Capture Projects Committee Okays Coal Severance Tax Break

A revolving loan fund added this week to a bonding bill under consideration by the North Dakota Legislature could help fund future projects aimed at capturing carbon dioxide from coal plants.

The \$250 million loan pool was tacked onto the bill by the Senate Finance and Taxation Committee, chaired by Beulah Senator Jessica Bell. It was added on top of a previous amendment to [HB 1431](#) previously pitched to the committee by Senate Majority Leader Rich Wardner. That amendment had increased the bill's price tag to \$860 million, adding back many items taken out in the House-passed \$680 million version of the bill. With the amendment approved this week by the Tax Committee, the bill is now back to \$1.1 billion, which is [where it started](#) the first week of the legislative session.



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All three pieces of legislation will move from the Tax Committee to the Senate Appropriations Committee.



House Considers Straddle Well Bill MHA Nation Wants Tax Sharing Deal

There are hundreds of oil wells around the perimeter of the Fort Berthold Reservation, many of which have underground laterals that begin inside the reservation and go out, while others have laterals that begin outside the boundary and go in. The state of North Dakota currently gets a share of the tax revenue from those inside the boundary, but the MHA Nation does not receive tax revenue from those on the outside. [SB 2319](#) would change that.



Chairman Mark Fox

The bill, which narrowly passed the Senate 25-21, was heard this week by the House Finance and Taxation Committee. MHA Chairman Mark Fox told committee members there are currently 132 wells outside the reservation with laterals that go into it, and said the tribe is entitled to the tax revenue they generate.

Click [here](#) to listen to listen to Fox's comments.

As a bargaining chip to entice the state to approve the tax sharing agreement, Fox has proposed seeking an exception from the Biden administration's ban on federal leasing to tap separate parcels under the control of the federal government. The areas, known as Blue Buttes in McKenzie County and Lost Creek in northern Dunn County, are currently inaccessible, but could be tapped with underground laterals from oil wells on the reservation.

Committee members heard a [presentation](#) from Joel Brown, vice-president of Mineral Tracker, who evaluated the potential production from oil formations under the two parcels. Brown said they have some of "the best geology in the state," and have EURs (estimated ultimate oil recovery) that are well above the state average.

Click [here](#) to listen to Brown's comments.

Brown said based on establishment of 10 spacing units, 67 new wells could be drilling in Dunn County and 43 in McKenzie County, producing upwards of 25,000 barrels of oil per day within five years. He estimated over the life of the wells, they could produce more than 90 million barrels, generating an estimated \$426 million in tax revenue for the state, \$50 million for Dunn County and \$40 million for McKenzie County. The counties would also receive a share of the federal royalties if the area is developed.

Fox shared with the committee a [draft letter](#) addressed to the Corps of Engineers requesting a

meeting to discuss the continuing operation of the Dakota Access Pipeline. Previous testimony indicated that DAPL transports about 225,000 barrels of oil per day that is produced on the reservation, and its shutdown could cost the tribe and the state's producers millions in lost revenue due to higher transportation costs. Fox was asked why the letter was just a draft and had not been mailed since it was in the tribe's interest to do so. The letter was subsequently mailed the next day.

To get the bill through the Senate, it was amended to delay the effective date of the tax-sharing agreement until 2023, and then only if at least one well is drilled in the federal land. It would also exempt Mountrail County from any tax loss if agreement is reached. Fox asked the committee to restore the bill to its original form.



Jordan Kannianen

Senate Defeats Gas Tax Increase Other Legislation Provides Road Funds

The North Dakota Senate today soundly rejected [HB 1464](#), a bill that would have raised the state motor fuel tax by 3 cents to 26 cents per gallon, defeating the measure on a 29-16 vote.

The bill, which previously cruised through the House on a 62-32 vote, would also have included an annual registration fee increase of \$15 for electric vehicles and \$20 for hybrid vehicles. Senator Jordan Kannianen from Stanley said Senate Finance and Tax Committee members, who gave the bill a "do not pass" recommendation, felt other legislation could help meet the state's road construction needs. Kannianen cited the pending bonding bill, the streams bill and last session's

Prairie Dog bill, which would all direct funding for road and bridge infrastructure work.

Click [here](#) to listen to Kannianen's comments.

Sen. Kannianen also noted that a lower gas tax than surrounding states gives North Dakota a competitive retail advantage, particularly for border cities.

Click [here](#) to listen to Kannianen's comments.

Sen. Jim Roers of Fargo, who supported the bill, said the gas tax is a true user fee since the revenue generated through the tax can only be used for highways and cannot be diverted to fund any other government program. Roers said even with the proposed increase, North Dakota's fuel tax would still be lower than the neighboring states of Montana, Minnesota, and South Dakota.

Click [here](#) to listen to Roers' comments.

The state gas tax has not been raised in North Dakota since 2005. Click [here](#) for a story on the bill from KFYZ-TV and [here](#) for Fargo Forum coverage. Click [here](#) for an article from the WDEA newsletter on House passage of the bill in February.



Senate Kills Recreational Marijuana Bill Public Safety & Workplace Issues Cited

After more than an hour of debate, the North Dakota Senate defeated an effort to legalize, manage and regulate adult use of recreational marijuana in the state. The Senate vote was decisive, with the legislation failing by a 37-10 margin. Last month the House passed the bill 56-38.

Proponents of [HB 1420](#) viewed the legislation as a way to head off future citizen-initiated efforts to legalize marijuana with a constitutional measure. That view was advocated by West Fargo Senator Judy Lee, who presented the bill on the Senate floor.

Click [here](#) to listen to Lee's comments.

Senator Lee compared recreational marijuana use in the state to an oncoming train that the state has an opportunity to control.

Click [here](#) to listen to Lee's comment.

Lee said the Secretary of State has already approved the petitions that will be used to gather



signatures for at least one citizen-initiated measure for a



Judy Lee

constitutional amendment, which she pointed out cannot be changed by the legislature

West Fargo Senator David Clemens opposed the legislation, citing testimony from health organizations, transportation groups, law enforcement agencies and business interests concerned about public safety and workforce issues. Clemens said he trusts the decisions of North Dakota citizens and prefers to "let the voters decide" the issue.

Click [here](#) to listen to Clemens' comments.



David Clemens

Edinburg Senator Janne Myrdal, picking up on Lee's analogy, said the train is heading in the wrong direction and North Dakota should not jump on. Myrdal said she sees nothing positive about legalizing marijuana.

Click [here](#) to listen to Myrdal's comments.



Janne Myrdahl

The bill would have restricted recreational marijuana to people 21 and older, limited possession to 1 ounce, limited and tracked purchase amounts, limited use to private property and banned home growing. A companion bill ([HB 1501](#)) that would have set a tax policy for recreational marijuana was unanimously defeated following the floor vote killing recreational use.

Click [here](#) for a Bismarck Tribune article on the Senate vote. Click [here](#) for WDEA's article on House action last month.



School Carry Over

Bill Passes House

Amendment Provides Two-Year Moratorium

The House this week overwhelmingly approved [SB 2165](#), a bill changing the amount of ending fund balances school districts are allowed to carry forward.

Prior to House passage, an amendment was added creating a two-year moratorium on implementing the ending fund balance law in order to give school districts the time they need to use federal assistance from the Elementary and Secondary School Emergency Relief Fund (ESSER), which they receive to handle impacts from the COVID-19 pandemic.



David Richter

Williston Rep. David Richter said the moratorium will give districts the time they need to spend the federal assistance wisely.

Click [here](#) to listen to Richter's comments.

State law currently provides two sections dealing with ending fund balances and amounts that can be carried forward. Both limit a school district's ending fund balance, but they're computed differently with different limitation percentages. One section is computed based on the current annual budget and there is no fiscal penalty for exceeding the limit. The second section is computed based on actual expenditures and results in a deduction of state school aid if the limit is exceeded.

SB 2165 aligns both sections to allow for 35% of actual expenditures plus \$50,000 or \$100,000 if the school district is in a cooperative agreement with another school district. Pending concurrence from the Senate, the carryover rule would be implemented July 1, 2023. The Senate unanimously approved the bill in January.

The carry forward limitation was put in place to ensure a local district did not continue to levy tax on its citizens or accept state funds while sitting on larger than necessary reserves. Click [here](#) for an article from the WDEA newsletter regarding the legislation from the House Education Committee discussion in early March.



Native American History Tied Up

Bill to be Reconsidered after 47-47 Vote





Steve Vetter

A bill that would have required an emphasis on Native American history in all public and non-public schools in North Dakota appeared to have gone down to defeat, falling one vote short of passage on 47-47 tie vote in the House on Tuesday, but the following day Grand Forks Rep. Steve Vetter requested reconsideration of the legislation.

The House agreed to reconsider [SB 2304](#) and then re-referred it to the House Education Committee for further discussion and possible amendments.

In the floor debate Tuesday, legislators argued that schools already teach some form of Native American studies, and requiring such specificity in curriculum doesn't have a place in state law.

Those supporting the legislation said it would provide more structure to studies of Native American history, which they argued has not been sufficient to help students understand Native American culture.

The bill previously passed the Senate without a dissenting vote. Click [here](#) for an article from the WDEA newsletter about the initial discussion of the bill before the House Education Committee.

Click [here](#) for a Dickinson Press article about the debate.



Lewis & Clark Plant Shutting Down Coal Plant Generated Power Since 1958

Its red and white smokestack has been part of the Sidney, Montana skyline for more than six decades, but next week Lewis and Clark Station will generate its last electron.

Montana-Dakota Utilities will shut down the 44-megawatt lignite-fired plant that has been generating electricity since 1958. The company also plans to shut down the two coal-fired units of

Hestkett Station in Mandan next year. In its [news release](#) two years ago announcing plans to shut down the plants, MDU said, "Low-cost power available on the market, due to low-cost natural gas and increasing wind resources, as well as rising costs to operate these facilities, led to the decision to retire the coal plants.

"The plants have served our customers well, providing low-cost energy for many years, operating roughly twice as long as expected when they were constructed in the mid-1950s and early 1960s," said Nicole Kivisto, president and CEO of Montana-Dakota, in the 2019 news release. "The age of the plants, low-cost competition on the market, and the ongoing cost to operate the plants all have contributed to the plants being too expensive to operate much longer."

Lewis and Clark Station will be officially shut down March 31, according to MDU spokesman Mark Hanson. He said the plant currently employs 27 people, some of whom will remain to operate the natural gas fired combustion engines at Lewis and Clark. Hanson said training was offered to employees who wish to fill open positions in other areas of the company, and some will remain on site in the early stages of the decommissioning work, which is expected to take three to six months.

The plant's fuel comes from the nearby Savage Mine operated by Westmoreland Coal. It's not known if the mine will continue to operate.



API Participates in DOI Leasing Forum NDPC Objects to State Representation Absence

The American Petroleum Institute participated in a forum conducted yesterday by the U.S. Department of the Interior to discuss the Biden administration's Executive Order in January that "paused" oil and natural gas leasing on federal land.

API Senior VP of Policy, Economics and Regulatory Affairs Frank Macchiarola participated in a panel with other national energy industry stakeholders. Macchiarola highlighted the importance of continued federal leasing and development for America's energy security and environmental progress.



"The Biden administration inherits a strong



Frank J. Macchiarola

American energy outlook, and ensuring access to federal leasing and energy development is imperative to continuing low household energy costs, record greenhouse gas emissions reductions and reduced reliance on foreign energy," Macchiarola said.

He encouraged Interior to complete its review quickly and fully reinstate federal oil and gas leasing.

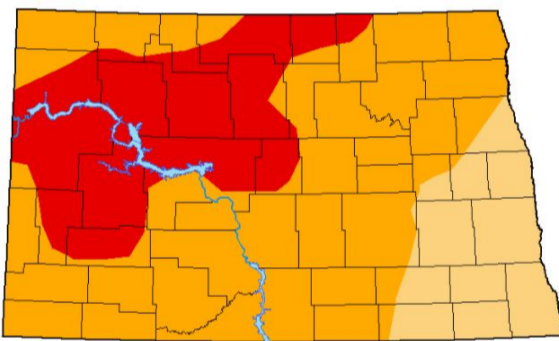
Click [here](#) to view Macchiarola's opening statement to the forum.

The North Dakota Petroleum Council also announced this week it was joining with other state oil and natural gas associations in protesting

the Biden administration's apparent decision to exclude state and local voices from the forum. Here is the full NDPC statement:

"As associations representing the natural gas and oil industry embedded in communities across our states, we are disappointed today's forum did not include a single state or local voice representing the hardworking men and women who produce safe, reliable and sustainable energy to fuel our lives. We speak for the people whose work, lives and livelihoods will be most impacted by Biden's orders regarding production on federal land. A return to centralized, command-and-control decision making in the hands of bureaucrats thousands of miles away from the people, lands, and waters where the impacts are most deeply felt is not a constructive path forward. We are hopeful the exclusion of local voices is not indicative of a pattern of disregard of our states, our people and our livelihoods."

In addition to North Dakota, states protesting the exclusion included Alaska, Colorado, Louisiana, Montana, Utah and Wyoming.



**Drought Worsens, No Rain in Sight
Outlook Offers 50-50 Chance of Improvement**

With another dry week behind us and another dry week ahead, extreme drought conditions are spreading in western North Dakota.

According to the latest [Drought Monitor](#), more than 27 percent of the state falls into the extreme

category, and 85 percent of the state is considered to be in severe drought conditions. Extreme drought now covers nearly all of the big four oil-producing counties - Dunn, McKenzie, Mountrail and Williams - drying up pastures and creating dangerous fire conditions. Windy days are almost certain to prompt the ND Department of Emergency Services to issue a Red Flag Warning about the risk of rangeland wildfires.

As reported in [last week's newsletter](#), the drought comes as no surprise, considering the past six months have been the driest ever in North Dakota since record-keeping began in 1895. However, national climate forecasters still give North Dakota about a 50-50 chance of receiving normal seasonal precipitation in the [90-day outlook](#). The US Drought Monitor indicates that if below normal precipitation persists when spring temperatures warm, rapid intensification of drought conditions will occur.

Effects of drought in the extreme category include:

- Crops stop growing; pastures go dormant,
- Emergency haying of conservation areas is authorized
- Blue-green algae blooms cause cattle death
- Large wildfires can burn out of control

Click [here](#) to a Minot Daily News article about the drought. Click [here](#) to see NOAA's page of temperature and precipitation statistical comparisons.

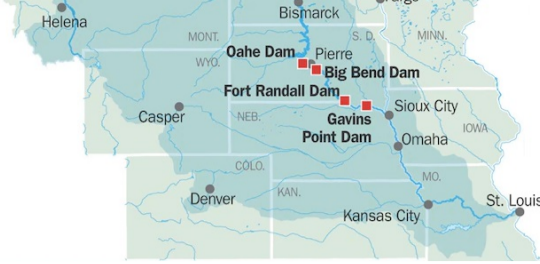


**Missouri Runoff Forecast Below Average
Meetings April 6 to Discuss Operation Plans**

Reservoir inflows in the upper Missouri River basin were well-below average in February, and the runoff forecast for the rest of the year remains below average.



"Missouri's February precipitation is the



“Very cold February temperatures in the upper Basin locked up tributaries in ice and reduced inflows to the reservoirs,” said John Remus, chief of the Corps of Engineers' Missouri River Basin Water Management Division. “Mountain snowpack continues to accumulate in the Rocky Mountains; however, plains snowpack is well-below seasonal averages and soil moisture continues to be much drier than normal.”

February 2021 runoff in the upper Basin was 0.8 million acre-feet, 70% of average. The 2021 calendar year runoff forecast for the upper Basin is 21.8 MAF, 84% of average. During the February cold snap, the mainstem dams increased electric generation during the coldest days to compensate for the increased energy demands throughout the region. The six mainstem power plants generated 637 million kWh of electricity in February. Typical energy generation for February is 624 million kWh.

[Mountain snowpack](#) has been accumulating at below-average rates. The March 1 mountain snowpack in the Fort Peck and the Fort Peck to Garrison reaches was 94% of average. By March 1, about 80% of the total mountain snowpack has typically accumulated.

The Corps will hold virtual spring public meetings on April 6 at 1 p.m. and 6 p.m. to update the region on current hydrologic conditions and the planned operation of the mainstem reservoir system during the coming months. Click [here](#) for more details.



**Roundtable to be Held in Halliday
Save the Date: May 6 Western Roads Event**

An event that will bring together oil industry trucking interests and county and tribal road managers to discuss ways to improve the movement of oilfield traffic will be held May 6 in Halliday.

WDEA is teaming up with the Upper Great Plains Transportation Institute and its Local Technical Assistance Program (LTAP) to host a roundtable

discussion at the new Dunn County highway shop in Halliday. The event will run from 9:00 a.m. to 3:00 p.m. MDT and will feature a variety of topics aimed at improving communication between industry and the counties, and improving the efficiency of operations for both.

Among speakers confirmed thus far are Lt. Governor Brent Sanford and NDDOT Director Bill Panos. Other portions of the agenda are still being finalized, according to LTAP Director Dale Heglund, but he said road and bridge construction and maintenance needs will at the top of the list.

"We'll describe needs specific to western North Dakota, whether it be roads, bridges, culverts or repairing frost boils," Heglund said, "and we expect frost law seasonal road restrictions to be a topic as well.

WDEA and LTAP are working on a research effort that uses temperature and moisture sensors embedded in gravel roads to get a better handle on the rate at which roads firm up after the spring thaw, possibly reducing the period of time in which restrictions are in place.

The roundtable will also feature panel discussions about the oil industry's future and the ways in which local government can assist.



Underage Drinking Enforcement Campaign Starting Next Week

A statewide campaign against underage drinking is starting next week as part of the state Department of Transportation's Vision Zero effort.

Drive Sober or Get Pulled Over runs from April 1 to May 23. Law enforcement across the state will be conducting compliance checks in an effort to prevent life altering consequences caused by underage consumption. Persons under 21 found to be consuming or in possession of alcohol could face stiff fines and end up in court.

Click [here](#) to view a short video on the campaign.

"There are zero excuses for underage drinking and for driving under the influence," said Bismarck Police Chief Dan Reynolds. "The Drive Sober or Get Pulled Over campaign is a joint effort by law enforcement and the community to reduce the number of alcohol-related incidents and fatalities on our roads."



Police Chief Dave Draovitch. The *Drive Sober or Get Pulled Over* enforcement campaign is a great reminder to everyone, including young drivers, to make the choice to always drive sober."

Alcohol and drug-related crashes are 100% preventable. Many lives would be saved each year if drivers consistently make the choice to drive sober, designate a sober driver or use a ride-hailing service. State crash statistics are trending higher in 2021, with 21 fatalities to date, making the campaign a vital part of the [Vision Zero](#) strategy to eliminate motor vehicle crash fatalities and serious injuries on North Dakota roads.

Visit the [North Dakota Crash Memorial Wall](#) to view memorials built on the hope of preventing another death on North Dakota roads.



BAKKEN NOW WILLISTON BASIN PETROLEUM CONFERENCE



May 11-13, 2021 | Bismarck Event Center | Bismarck, ND

WBPC Announces 2021 Agenda Bakken CEOs and Executives Lined Up

The agenda for the 2021 Williston Basin Petroleum Conference has been released featuring over 70 speakers and presenters, each sharing insights on the latest issues impacting oil and natural gas development and what the future holds for the Williston Basin.

The conference, scheduled for May 11-13, is the largest conference in North Dakota with major networking opportunities for energy industry professionals.

"The WBPC is one of the top oil conferences in the country. We have an incredible lineup of speakers," said Ron Ness, President of the North Dakota Petroleum Council, the lead organizer of this year's conference. "We are excited to feature the latest technologies that have helped turn the Bakken into a world-class resource and discuss the way forward to help take the Bakken and Williston Basin to the next level."

The conference will feature CEOs and executives from key companies and organizations across the globe including:

- Bob Phillips, CEO of Crestwood Midstream – "Building Gas Capture Infrastructure"
- Chris Kendall, CEO, Denbury Resources – "EOR at Cedar Hills in Bowman County"
- Dan Clark, VP of ConocoPhillips Great Plains Business Unit
- Kelcy Warren, Executive Chairman of Energy Transfer LP
- Mike Sommers, President and CEO of API – "The State of American Energy"

Click [here](#) to view the agenda.

WBPC is partnering with Sanford Health Bismarck to host a COVID-Conscious conference. Meeting organizers plan to monitor the situation and take recommended precautions to ensure the health and safety of all conference attendees.



LEC Annual Meeting Set for April 22 Registration Now Open for In-Person Event

The Lignite Energy Council has announced that registration is now open for an in-person OR virtual annual meeting in Bismarck.

A Lignite Reception is set for Wednesday, April 21, to be followed with LEC's annual meeting on April 22.

"We haven't seen many of you in so long and we are very much looking forward to seeing you in person OR virtually at either or both of our two events that will comprise the two-day membership gathering and informational sessions," the group said in an email announcing that registration is open.

The Lignite Reception is new this year and will feature light hors d'oeuvres, two complimentary beverages, dinner and entertainment as well as networking.

To register, click [here](#). For event sponsorship information, click [here](#).



Quick Connect

- Agency reverses Trump-era oil rights ruling snubbing tribes – [Associated Press](#)



- KX Conversation: Sen. Cramer on the energy industry in ND -- [KXMB-TV](#)
- Mineral owners take oil companies to court over royalty deductions -- [Williston Herald](#)
- Need for disputed pipeline argued in Minnesota appeals court -- [Associated Press](#)
- Oil and gas industry has huge impact on state's economy -- [McKenzie County Farmer](#)
- Domestic Energy Producers Alliance: Interview with Ron Ness -- [YouTube](#)
- EXPLAINER: Why is Biden halting federal oil and gas sales? -- [Associated Press](#)
- ND Legacy Fund poised to take big step for in-state investments -- [Bismarck Tribune](#)
- Potential loggerheads between ND House, Senate over bonding -- [Prairie Public Radio](#)
- Armstrong: We can't win fight without winning elections -- [Dickinson Press](#)
- House Committee holds hearing on annual legislative sessions -- [KXMB-TV](#)
- North Dakota lawmakers set to give themselves a pay raise -- [Associated Press](#)
- Bill for filling dead election victors' seats goes to governor -- [Bismarck Tribune](#)
- Senate reverses itself, defeats bill on polling places -- [Prairie Public Radio](#)
- Bill shields audit information before possible prosecution -- [Associated Press](#)
- ND House defeats 'primary' seat belt bill on tight vote -- [Prairie Public Radio](#)
- North Dakota warned Ten Commandments bill will spur lawsuits -- [Associated Press](#)
- Leaders aim to tune how legislator misbehavior is handled -- [Minot Daily News](#)
- Top ND Indian Affairs official to resign, join Sanford Health -- [Bismarck Tribune](#)
- Scott Davis reflects on 12 years as Indian Affairs Commissioner -- [KXMB-TV](#)
- Commission approves agreement to bring Delta Airlines back to Williston -- [Williston Herald](#)
- Williston Fire Dept donates \$32K worth of equipment to Glenburn -- [KXMB-TV](#)
- Five things to know about the API Chili Cook off on Saturday -- [Williston Herald](#)
- Experts explain why gas prices are rising in North Dakota -- [KFYR-TV](#)
- Oil industry pushes back as Biden launches review of federal drilling -- [Reuters](#)
- Don't ban fossil fuels: Absolutism in climate change is a vice -- [Forbes](#)
- Utilities continue to increase spending on the electric transmission system -- [EIA](#)
- 'Busy on other fronts' White House without Trump stays quiet on OPEC -- [Reuters](#)
- SEC unbound: Yet more regulatory creep expected to come with Biden -- [Yahoo News](#)
- Funding infrastructure investment: Will there be a trucking tax? -- [IER](#)
- The long road to oil demand recovery is full of big obstacles -- [Rigzone](#)
- Oil producer Ovintiv to sell Eagle Ford assets for \$880 million -- [Reuters](#)
- In 2020, China's refineries processed more crude oil than U.S. refineries -- [EIA](#)
- API, largest U.S. oil and gas trade group, backs carbon price -- [Reuters](#)
- China thrives on fossil fuels, while the rest of the world hopes -- [IER](#)



Factoid of the Week

The Dakota Access Pipeline has not impacted groundwater in any of the four states where it is located since going into service in June 2017. It crosses under the Missouri River at a minimum depth of 95 feet below the riverbed. The disputed area between Morton and Emmons County that could potentially shut down the entire length of the 1,172 mile pipeline is just over 1,000 feet of the path, and is controlled by the U.S. Army Corps of Engineers.



Source: [Dakota Access Pipeline: The Facts](#)



Upcoming Events

March 17 - 31, 2021

[ND Reclamation Webinar Series](#)

Virtual Event

March 27, 2021

[40th Annual Williston API Chili Cook-Off](#)

Williston

March 27, 2021

[Gumbo Cookoff - Dickinson API](#)

Dickinson

March 30, 2021

[North Dakota Historical Commission](#)

April 6, 2021

[Corps of Engineers meeting on reservoir operations](#)

Virtual meeting

April 7, 2021

[ND State Fair Board](#)

State Fair Center - Boardroom

April 20 - 22, 2021

[Gravel Quality 3 P's: Prospecting, Production and Performance](#)

Valley City, Granville, Dickinson

April 21 - 22, 2021

[Lignite Energy Council Annual Meeting](#)

Hybrid

May 6, 2021

[Western Roads Roundtable](#)

Dunn County Highway Shop - Halliday

May 6 - 7, 2021

[Williston Economic Development Summit](#)

Williston

May 11 - 13, 2021

[Williston Basin Petroleum Conference](#)

Bismarck

Oil prices and rig count

March 26, 2020



WTI Crude: \$60.97

Brent Crude: \$64.57

Natural Gas: \$2.56

North Dakota Active Oil Rigs: 14 (Down 2) 3/26/2020 -- 48 rigs

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ECONOMIC DEVELOPMENT TAX INCENTIVES REVIEW - BACKGROUND MEMORANDUM

INTRODUCTION

North Dakota Century Code Section 54-35-26 ([appendix](#)), enacted by Senate Bill No. 2057 (2015), provides for the review of a specified list of economic development tax incentives and requires each incentive be reviewed at least once every 6 years. The Legislative Management selected the interim Taxation Committee to review tax incentives during the 2019-20 interim.

BACKGROUND

The practice of legislatively mandating the periodic review of economic development tax incentives began to gain popularity following the 2007-09 recession. As states continued to look at austerity options and ways to grow economies, reviewing tax incentives was viewed as sound public policy to ensure state dollars were being spent in a prudent and effective manner.

Washington was one of the first states to enact legislation mandating the review of tax incentives. Legislation enacted in Washington in 2006 requires periodic performance audits of tax preferences. Washington's review process requires a showing that the tax preference benefits the state's economy and mandates the review of each tax preference at least once every 10 years. The state's joint Legislative Audit and Fiscal Review Committee evaluates tax preferences to determine whether each tax preference is meeting its public policy objectives. The committee provides its report and recommendations to a seven-member citizen commission. After incorporating comments from the citizen commission, the committee forwards the final report to the Legislative Assembly.

Oregon takes a slightly different approach to reviewing incentives. Legislation enacted in Oregon 2009 placed sunset dates on 50 of the state's 53 active tax credits thereby prompting a review of each credit before renewal. Credits were divided into three groups, expiring at the end of 2011, 2013, and 2015, to stagger the sunset dates for purposes of review. The state passed additional legislation in 2013, which requires the preparation of a detailed report on each of the expiring credits. The majority of Oregon's tax credits expire after 6 years.

Iowa established its review process in 2010 through the creation of a Legislative Tax Expenditure Committee. The committee is tasked with reviewing each of the state's tax expenditures at least once every 5 years. The committee's evaluation must contain a statement on the policy goals of the tax expenditure and a return on investment calculation. The return on investment calculation must include a statement identifying whether the benefits of the tax expenditure are worth the costs of providing the tax expenditure.

In 2012 The Pew Charitable Trusts (Pew) began tracking the progress states were making in evaluating tax incentives and published a report entitled [Evidence Counts: Evaluating State Tax Incentives for Jobs and Growth](#). The report identified states leading the way in evaluating the effectiveness of tax incentives, states meeting some of the criteria for effective evaluations, and states not meeting any criteria in terms of the scope or quantity of evaluations. Pew continues to publish materials relating to incentive evaluations and provides periodic updates of each state's national rating in evaluating incentives.

In the most recent May 2019 update, Pew identified 16 states leading the way in evaluating incentives, 15 states making progress in evaluating incentives, and 19 states trailing behind in evaluating incentives. Pew classifies leading states as those with well-designed plans to regularly evaluate incentives, experience producing quality evaluations that measure economic impact, and a process for informing policy choices. States classified as making progress are states that have enacted policies that require regular evaluations of major tax incentives. States classified as trailing behind are states that lack a well-designed plan to regularly evaluate incentives.

North Dakota joined the ranks of states identified as leaders in evaluating incentives in Pew's May 2019 state evaluation rating update. Pew credited North Dakota's improved rating to the state's review of the dynamic economic impact of incentives. The dynamic economic impact of incentives was evaluated through the receipt of economic impact reports provided by the Bank of North Dakota. The Bank created the reports using economic modeling software it acquired in 2017.

CREATION OF NORTH DAKOTA'S REVIEW PROCESS

North Dakota instituted a formal economic development tax incentive review process by enacting Senate Bill No. 2057 (2015), which has been codified as Section 54-35-26. The impetus behind the introduction of Senate Bill No. 2057 was by directive of the chairman of the Legislative Management to the 2013-14 interim Taxation Committee to study state economic development tax incentives. The study directed consideration of whether a

regular review process should be established to ensure economic development tax incentives are serving the purposes for which the incentives were created.

The 2013-14 interim Taxation Committee received testimony from multiple parties to determine the best practices for evaluating tax incentives. The committee received testimony from a representative of Pew pertaining to methods the organization had observed and analyzed in other states that evaluate tax incentives. The committee also arranged a panel discussion comprised of representatives from Pew, the City of Bismarck, the Economic Development Association of North Dakota, and the Department of Commerce to gain insight on the best methods to apply when evaluating incentives.

The committee reviewed data provided by representatives of the Tax Department and the Department of Commerce, which detailed the number of claimants and the amounts claimed for various tax incentives. The committee used this information to select the incentives best suited for periodic review. The committee developed a list of considerations to take into account when conducting evaluations. The committee also determined it was prudent to review the purpose for which each incentive was created to ascertain whether the incentive was generating the intended results.

STATUTORY PROVISIONS

Section 54-35-26 directs the review of specified economic development tax incentives by an interim committee selected by the Legislative Management. The review entails an assessment of whether each listed incentive is serving the purposes for which it was enacted in a cost-effective and equitable manner. The statute, as originally enacted, included a list of 21 incentives. The statute requires each incentive be reviewed at least once every 6 years and provides the eight items that may be considered when evaluating incentives:

1. The extent of achievement of the goals of the incentive and whether unintended consequences have developed in its application;
2. Whether the design and application of the incentive can be improved;
3. The extent of complementary or duplicative effects of other incentives or governmental programs;
4. Whether the incentive has a positive influence on business behavior or rewards business behavior that is likely to have occurred without the incentive;
5. The effect of the incentive on the state economy, including the extent of primary sector operation of the recipient and any competitive disadvantage imposed or benefit conferred on other state businesses, any benefit or burden created for local government, and the extent of the incentive's benefit that flows to out-of-state concerns;
6. The employment opportunities generated by the incentive and the extent those represent career opportunities;
7. Whether the incentive is the most effective use of state resources to achieve desired goals; and
8. If the committee's analysis of the incentive is constrained by lack of data, whether statutory or administrative changes should be made to improve collection and availability of data.

The statute requires the interim committee to identify the list of incentives that will be reviewed each interim before October 1 of each odd-numbered year and provide a plan for reviewing any remaining incentives. The committee is required to identify the perceived goals of the Legislative Assembly in creating or altering each of the economic development tax incentives selected for review and the data and testimony required to evaluate each incentive. The committee may request data and analysis from state agencies or instrumentalities, including the Department of Commerce, the Tax Commissioner, and the Economic Development Foundation. If the requested data is not available, or is available but cannot be disclosed, the entity receiving the request shall advise the committee on options for obtaining the information or an adequate substitute.

The committee is required to report its findings and recommendations, together with any legislation required to implement those recommendations, to the Legislative Management at the conclusion of its review. In addition to issuing recommendations related to the operation of incentives, the committee's recommendations also may include changes to the list of incentives subject to review and amendments to the substantive provisions of the statute.

2015-16 INTERIM COMMITTEE REVIEW AND LEGISLATION

The Political Subdivision Taxation Committee was the interim committee tasked with reviewing tax incentives during the 2015-16 interim. The committee received information from representatives of the Department of Commerce and the Tax Department to assist in determining which incentives to review during the 2015-16 interim.

The committee elected to review all income tax incentives, incentives scheduled to expire in 2017, incentives seeing little to no use, and the manufacturing automation equipment tax credit. The manufacturing automation equipment tax credit was selected pursuant to the statement of legislative intent in Senate Bill No. 2340 (2015), which encouraged the review of this incentive during the 2015-16 interim. The committee selected 14 incentives for review from the statutorily mandated list and four additional incentives that were not statutorily mandated for review.

At the conclusion of its study, the committee declined to recommend any changes to the soybean, canola, biodiesel, or agricultural commodity processing facility credits. The committee refrained from recommending legislation to extend or eliminate the sunset date on the sales tax exemption for wind-powered electrical generating facilities as the interim Energy Development and Transmission Committee recommended House Bill No. 1028 (2017) to eliminate the sunset date. House Bill No. 1028 failed to pass. The committee did not have adequate time to review the geothermal, solar, wind, and biomass energy device credit; research expense credit; internship program credit; workforce recruitment credit; new jobs credit from income tax withholding; new or expanding business exemption; or renaissance zone credits and exemptions. The committee recommended a future interim committee review these incentives.

In regard to the remaining incentives selected by the committee for review, eight bills were recommended for introduction during the 2017 legislative session.

1. House Bill No. 1044, to provide a uniform definition of "primary sector business."
2. House Bill No. 1045, to increase allowable credit amounts and carryforward periods related to the seed capital investment tax credit and sunset the availability of the angel fund investment tax credit for investments made after December 31, 2017.
3. House Bill No. 1046, to eliminate the sunset date of June 30, 2017, on the telecommunications infrastructure sales tax exemption.
4. House Bill No. 1047, to eliminate the sunset date of December 31, 2017, on the manufacturing automation equipment income tax credit.
5. House Bill No. 1048, to repeal the certified nonprofit development corporation income tax credit.
6. House Bill No. 1049, to repeal the wage and salary income tax credit.
7. House Bill No. 1050, to repeal the microbusiness income tax credit.
8. Senate Bill No. 2044, to allow the interim committee selected to review economic development tax incentives during the 2017-18 interim to obtain software capable of generating dynamic fiscal impact statements for incentives selected for review.

The 2017 Legislative Assembly enacted all but House Bill Nos. 1046 and 1047, which failed to pass. House Bill No. 1045 and Senate Bill No. 2044 were amended substantially prior to passage. House Bill No. 1045 was modified from a bill that eliminated the angel fund credit and expanded the seed capital credit to a bill that sunsets the angel fund tax credit and created a new angel investor tax credit. Senate Bill No. 2044 was modified from a bill that allowed the interim committee studying incentives to obtain fiscal impact analysis software for use during the 2017-18 interim to a bill that allowed the committee to receive dynamic fiscal impact analysis from the Bank of North Dakota during the 2017-18 interim.

In addition to the bills recommended by the interim committee, other relevant legislation passed by the 2017 Legislative Assembly pertaining to Section 54-35-26 included Senate Bill No. 2166, which added development or renewal area incentives to the statutory list of incentives designated for review.

2017-18 INTERIM COMMITTEE REVIEW AND LEGISLATION

The Taxation Committee was the interim committee tasked with reviewing tax incentives during the 2017-18 interim. The committee selected seven incentives to review from the list in Section 54-35-26. Six of the seven incentives selected for review included incentives selected during the 2015-16 interim, which the Political Subdivision Taxation Committee had insufficient time to analyze. The Taxation Committee selected the new jobs credit from income tax withholding, the internship program credit, the workforce recruitment credit, the research

expense credit, new or expanding business exemptions, renaissance zone tax credits and exemptions, and development or renewal area incentives including tax increment financing incentives.

At the conclusion of its study, the committee declined to recommend any changes to the incentives selected for review. The committee received a significant amount of testimony and information regarding workforce incentives. The committee did not recommend eliminating the internship program credit or workforce recruitment credit, despite the limited use of the credits, as the committee determined the credits might be used more widely in the future considering the state's increasing workforce needs. The committee recommended legislation that reached beyond the scope of existing workforce incentives in an attempt to address increasing workforce needs. The committee recommended Senate Bill No. 2039, to create a skilled workforce scholarship program, and House Bill No. 1040, to create a 21st century manufacturing workforce income tax credit, for introduction during the 2019 legislative session.

The 2019 Legislative Assembly enacted House Bill No. 1040 in a form substantially similar to the draft legislation recommended by the committee. The only changes to the 21st century manufacturing workforce credit as enacted was the addition of an expiration date and a reduction in the annual available credit amount from \$2 million to \$1 million. The skilled workforce scholarship program provisions in Senate Bill No. 2039 failed to pass; however, a skilled workforce scholarship program was successfully enacted by House Bill No. 1171.

2019-20 INTERIM COMMITTEE REVIEW

The Taxation Committee is the interim committee tasked with reviewing tax incentives during the 2019-20 interim. The following chart provides the incentives reviewed in previous interims and the remaining incentives that must be reviewed during the 2019-20 interim, before the end of the first 6-year review cycle.

First 6-Year Review Cycle		
2015-16 Interim	2017-18 Interim	2019-20 Interim
Agricultural commodity processing facility investment tax credit	Renaissance zone credits and exemptions	Manufacturing and recycling equipment sales tax exemption
Angel fund investment tax credit	Research expense credit	Fertilizer or chemical processing facility sales tax exemption
Biodiesel fuel credits	Internship program credit	Carbon dioxide capture and injection sales tax exemption
Manufacturing automation tax credit	Workforce recruitment credit	Qualified data center sales tax exemption
Microbusiness income tax credit	New or expanding business exemptions	Fuel tax refunds
Seed capital investment tax credit	New jobs credit from income tax withholding	Coal severance and conversion tax exemptions
Soybean or canola crushing facility credit	Development or renewal area incentives	Oil and gas gross production and oil extraction tax exemptions
Wage and salary credit		
Certified nonprofit development corporation investment tax credit		
Electrical generating facilities sales tax exemption		
Geothermal, solar, wind, and biomass energy device credit		
Telecommunications infrastructure sales tax exemption		

STUDY APPROACH

Unlike in previous years, the committee is not required to select which incentives to carry forward for review during the next interim because this is the last review period in the first 6-year review cycle. In reviewing the final seven incentives mandated for study under Section 54-35-26, the committee may find it helpful to receive:

1. Background information on each of the incentives selected for review;
2. Fiscal information detailing the number of claimants and amount claimed for each incentive; and
3. Testimony from interested parties regarding the use of the incentives selected for review.

ATTACH:1

**North Dakota
Water Resource
Districts Association**

JACK P. DWYER, EXECUTIVE SECRETARY
701-730-5469 (c) • jack@ndwaterlaw.com
P.O. Box 2254 • Bismarck, North Dakota 58502
701-223-4615 (o) • staff@ndwater.net

Testimony, HB 1380

March 31, 2021

Senate Appropriations Committee

Dan Jacobson, Chairman, North Dakota Water Resource Districts Association

Chairman Holmberg and Members of the Senate Appropriations Committee:

My name is Dan Jacobson and I serve as the Chairman of the ND Water Resource Districts Association.

North Dakota water interests depend on the state's healthy economy and revenue outlook and can only be supported by a strong budget for the North Dakota State Water Commission's (NDSWC) operations and critical water project funding and grants. Water resource districts have a long history of providing valuable services in North Dakota to the local constituents in their respective counties and regions. Enabling legislation for the establishment of water resource districts was first passed in 1935. The responsibility of water resource districts includes water management from a local and regional perspective for beneficial uses of water, as well as for protection against flooding, erosion, and other detrimental effects of too much water.

The beneficial uses of water and protection against damages caused by flooding is critical to the agricultural and other local economies, as well as the social well-being of our citizens. Rural flood control provides crucial drainage relief not only for North Dakota farms and ranches, it also reduces flood damages to township, county, and state infrastructure.

As was mentioned in testimony for HB 1431, the current funding model for water projects through the NDSWC will leave the state with significant funding shortfalls in the upcoming biennium and into the future. The ND Water Resource Districts Association support the bonding authority authorized in HB 1431 as a mechanism to continue long term investment in water projects across the state. In like manner, we support HB 1380, which includes language allowing the use of legacy funds to make payments on these bonds.

I would be happy to answer any questions the committee may have regarding this testimony.

Thank you.

**Senate Appropriations Committee****House Bill 1380 Committee Hearing March 31, 2021****Testimony of David Lang, North Dakota Water Users Association**

Chairman Holmberg and members of the Senate Appropriations Committee. I am David Lang and I serve as the President of the North Dakota Water Users Association. The North Dakota Water Users Association supports passage of House Bill 1380.

The Water Users Association was organized in 1959 to protect, develop, and manage North Dakota's water resources. It is currently comprised of over 300 local, statewide and regional organizations in North Dakota who have an active interest in water. We work closely with the North Dakota Water Coalition to build consensus within the water community regarding funding needs and priorities. Collaboration is essential in meeting the water resource management needs of North Dakota.

The North Dakota Water Users Association supports House Bill 1380 as it identifies Legacy Fund earnings as the 'pay-for' for the bonds authorized in HB 1431. As discussed in previous testimony, we believe using Legacy Fund earnings as payment for bonds for important water projects is an innovative way of meeting the state's commitment to support water infrastructure in North Dakota.

We appreciate the state's long-standing commitment to fund water projects and urge your continued support of North Dakota's water infrastructure financing through passage of House Bill 1380.

**North Dakota
WATER
COALITION**

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

Barnes Rural Water District
Cass County Government
Cass County Joint Board
City of Bismarck
City of Devils Lake
City of Dickinson
City of Fargo
City of Grafton
City of Grand Forks
City of Lisbon
City of Mandan
City of Minot
City of Valley City
City of West Fargo
City of Williston
Devils Lake Basin Joint Board
East Central Regional Water District
Garrison Diversion Conservancy District
Lake Agassiz Water Authority
McLean-Sheridan Rural Water
Mercer County Water Resource District
Missouri River Joint Board
North Central Regional Water District
North Dakota Association of Counties
North Dakota Irrigation Association
North Dakota Public Finance Authority
North Dakota Rural Water Systems 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
Stutsman Rural Water District
Western Area Water Supply

Senate Appropriations Committee

House Bill 1380 Committee Hearing March 31, 2021

Testimony of Ken Royse, ND Water Coalition Chairman

Chairman Holmberg and Members of the Committee:

I am Ken Royse, the chair of the North Dakota Water Coalition. The North Dakota Water Coalition supports House Bill 1380, as a way to pay for the bonds authorized in HB 1431.

The North Dakota Water Coalition is an organization of water projects and political subdivisions—including water and irrigation districts, regional and rural water systems, flood control projects, and city and state water groups. Included in our membership are the cities of Bismarck, Mandan, Dickinson, Williston, Minot, Grand Forks, Fargo, West Fargo, Devils Lake, Grafton, Lisbon, and Valley City.

Since 1994, our members have worked towards a common interest and goal: to collaborate on identifying and prioritizing construction of water projects with a coordinated voice to the State Water Commission and State Legislature. Our mission is to complete North Dakota's water infrastructure. We appreciate the responsiveness and substantial investment that the state has made in water cost-share funding.

Today, the number and collective scale of the water projects exceeds the revenues anticipated in the Resources Trust Fund, which historically funds water projects. Major water management projects including the Fargo Moorhead Diversion Project, the Mouse River Flood Control Project, the Lower Heart Flood Control Protection, and the Sheyenne River Flood Control Project; combined with the needs of municipal and rural water systems and local water management projects, all compete for these limited resources. All these projects provide health, safety, economic, and social benefits to our State.

As you heard previously, the Water Coalition supports HB 1431's bonding proposal to complete the state's long-term intent to support the Fargo Moorhead Diversion Project and the Mouse River Flood Control Project. In like manner, we support HB 1380 as the pay-for for the bonds authorized in HB 1431.

Thank you for this opportunity to offer this testimony, I will respond to any questions.

**Senate Appropriations
HB1380**

March 31, 2021

Chair Holmberg and members of the committee, my name is Wayde Sick, State Director of the Department of Career and Technical Education. I am submitting testimony in support for HB1380, specifically Section 3 of the bill.

In the original version, Section 3 of HB1380 created a Workforce Development and Enrichment Fund, funded by 5% of the Legacy Fund earnings. We continue to hear that workforce continues to be one of our employers' greatest concerns. By utilizing the Legacy Fund earnings to expand workforce development, is a long-term investment in our education and workforce system and our economy. I ask, when the time comes to decide how to use these funds, career and technical education is considered.

Currently there are approximately 590 CTE programs across the state, taught through our high schools and ten Area Career and Technology Centers. These programs include Agriculture Education, Business Education, Career Development, Family and Consumer Science, Health Sciences, Information Technology, Marketing, Technology and Engineering and Trade and Industry. These programs are delivered in a variety of methods, including face-to-face, online and Interactive Television or ITV. Regardless of the delivery method, CTE instructors and administrators ensure coursework aligns with industry, through industry advisory committees and national industry standards. Also, students have the opportunity for hands-on work-based learning experiences; whatever delivery method is used. During the 2019-20 school year, over 23,000 students enrolled in at least one CTE course, which is about 72% of

the state's high school student population. Students enrolled in a total of 36,818 courses. Of those students, 8,129 were classified as a CTE Concentrator, or student that had completed at least two credits in a CTE Program. The impact of Career and Technical Education on graduation rates is telling. In 2018-19, graduation rates across the state was 88%. The CTE Concentrators graduation rate was 95.87%. Native American concentrators graduated at 91.26% compared to all Native American students' graduation rate of 72%.

I also need to mention the great job our five community colleges and five tribal colleges are doing to provide career and technical education to our post-secondary students. As the jobs of today and tomorrow become more and more advanced, more jobs will require some sort of post-secondary credential. This may be a short-term certificate, associate degree or higher. K12 and Higher Education need to continue to find ways to partner, so students graduating from high school are ready to tackle the next step. Secondary and Post-Secondary programs need to be in lock-step with each other so that transition is as smooth as possible.

The Department of Career and Technical supports CTE programs in our schools and centers by providing technical assistance, professional development, and funding. CTE programs at our high schools are reimbursed 27% of certain operating expenditures and CTE centers are reimbursed at 40%. The governing body of an area career and technology center consists of representatives from its member schools. This ensures a center is a partnership and not simply a vendor serving customers. Centers can often provide programs many school districts cannot because smaller schools may not be able to operate these programs to scale. Programs such as building trades,

health careers and welding typically are types of programs often provided by centers because multiple schools are needed to make the program efficient.

What HB1380 could do, is provide sustainable long-term funding for the continued expansion and creation of CTE programs. On an annual basis, the Department of Career and Technical Education receives applications from schools and centers for new and expanding programs. These programs are created or expanded because of student interest and industry requests. There is continued interest coming from our business community for more CTE programming, that will help students discover their career paths, pursue the appropriate post-secondary direction, whether that is work, military, college or university, and cut down on unnecessary student loan debt. The Workforce Development and Enrichment Fund can support that work.

North Dakota's Career and Technical Education community does a phenomenal job providing access to quality CTE programs, whether provided by schools or Centers, but gaps still exist. Those gaps are both geographic and program offerings. Additional funding would provide local administrators the security their expanding CTE programs would have funding long term, to create new programs, provide more choice and options for our students and help fill the workforce needs of now and future.

This concludes my testimony and I am here to answer any questions you may have.

Industrial Commission
of North Dakota

Doug Burgum
GOVERNOR

Wayne Stenehjem
ATTORNEY GENERAL

Doug Goehring
AGRICULTURE COMMISSIONER



11044

North Dakota Public Finance Authority

Date: March 31, 2021

From: DeAnn Ament, Executive Director of the North Dakota Public Finance Authority

RE: House Bill 1380 – Related to Economic Diversification Fund

Position: Neutral

DeAnn Ament will not have formal testimony. She will be available to answer questions related to bonding.



11058
Eric Volk, Executive Director

ND Rural Water Systems Association

In Support of House Bill 1380

Senate Appropriations Committee

March 31, 2021

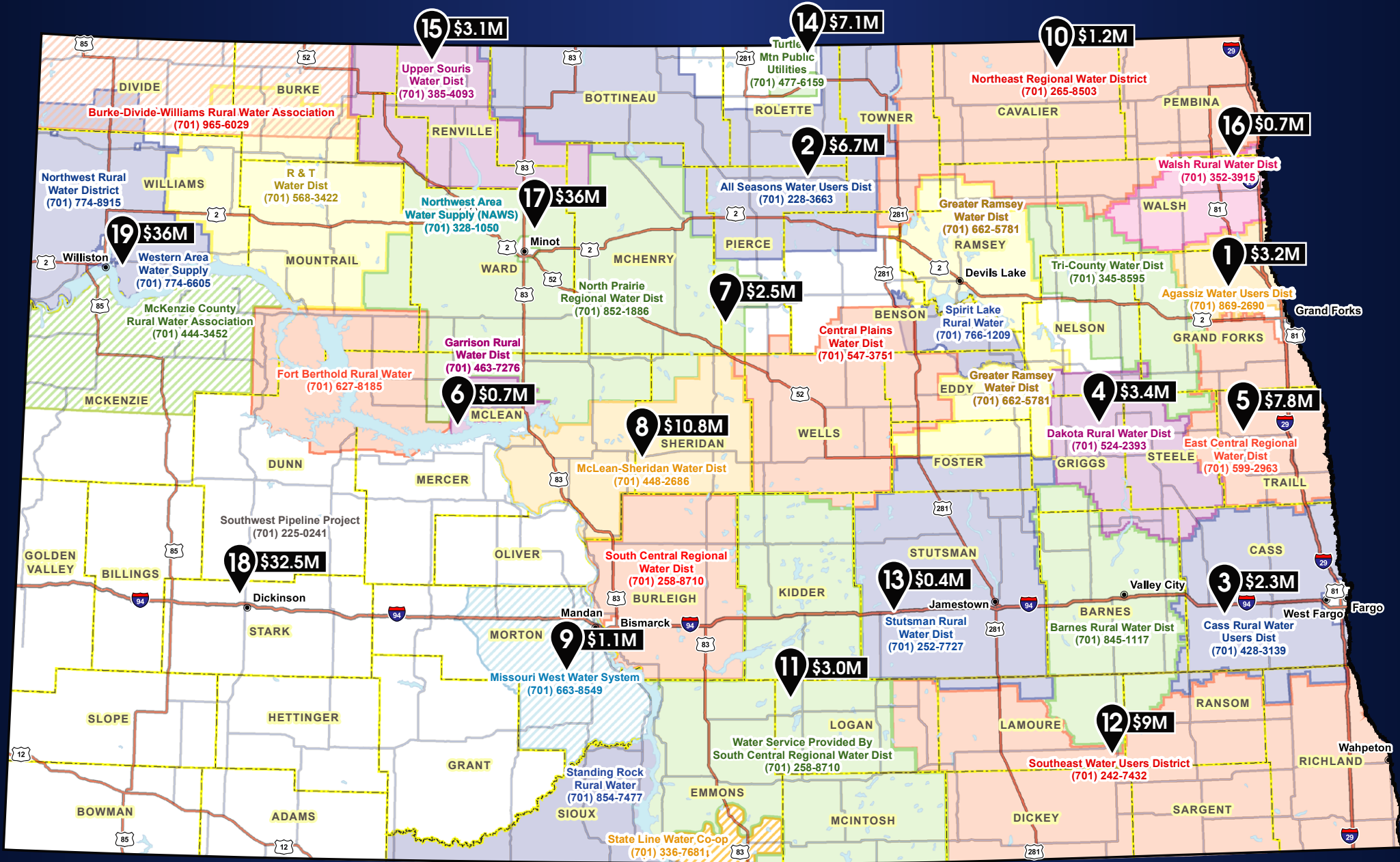
Chairman Holmberg and members of the Senate Appropriations Committee, my name is Eric Volk. I am the executive director of the North Dakota Rural Water Systems Association (NDRWSA). Our vision is to ensure all of North Dakota has access to affordable, ample, and quality water. NDRWSA is committed to completing and maintaining North Dakota's water infrastructure for economic growth and quality of life. Today, I am submitting written testimony in support of Engrossed (with Senate Amendments) House Bill 1380.

HB 1380 sets up a disbursement formula for earnings from the Legacy Fund. The bill allows for an appropriation of 8% of the 5-year rolling average value of Legacy Fund assets. Important to the water industry is the \$100 million minimum appropriation that will be used to pay off the bond payment set up in HB 1431.

The Resources Trust Fund (RTF) provides cost-share for water projects across the state. Some of these projects are small (thousands of dollars), some are moderate (millions), and some are HUGE (billions). Each biennium there is only a finite amount of assistance the RTF can provide. The funding amount is never enough to meet the critical water needs of the state. Current bonding proposals would help fund the state's major flood control projects. This biennium alone, the use of bond revenue would allow for approximately \$142M of RTF dollars to be used for other important water projects. Bonding would also meet the state's promise for the Fargo Diversion Project. Completing this promise would have future benefits for other water projects using RTF dollars, as that promise was being paid out at \$66.5M/biennium.

For reference, the attached funding map highlights the rural & regional water supply projects that would benefit from the RTF. (Please see the attached 21-23 project funding map).

With that said, the NDRWSA supports HB 1380 which will help meet the critical water needs of North Dakota. Thank you for giving me the opportunity to provide testimony on behalf of the NDRWSA. Eric Volk, ericvolk@ndrw.org.





BISMARCK MANDAN **CHAMBER | EDC**

Senate Appropriations Committee – HB 1380

Senator Ray Holmberg, Chair

March 31, 2021

Chairman Holmberg, Members of the Committee:

My name is Brian Ritter and I am President of the Bismarck Mandan Chamber EDC. Please accept the following testimony in support of HB 1380 on behalf of our organization's approximately 1,200 members.

Infrastructure is a key focus of the Chamber EDC's 2021 Legislative Agenda given how valuable investments in infrastructure funding are. More specifically, investing in infrastructure projects put 'blue collar' trades such as road contractors, excavators and more to work in addition to 'white collar' consultants such as engineers, architects, etc. And make no mistake; these types of investments are needed in communities like Bismarck-Mandan which continue to grow.

Specifically, HB 1380 provides the mechanism by which future earnings from the Legacy Fund can be invested in areas such as: school construction, career and technical education and the Housing Incentive Fund. Again, all of these are areas of importance for Bismarck-Mandan's growing business community and would provide a direct return to all residents of the State who have paid into the Legacy Fund itself.

I thank you for the opportunity to submit this testimony in support of HB 1380 and would respectfully ask for a 'Do Pass' recommendation.

11086

Senator,

NO legacy money should go to any university until they provide open records to us on who is profiting from tax payer funded research!

I am against this bill, it only grows government again and does nothing to help the people of ND.

Stop wasting our money with this crap and give dividends to the people each year!

Thank you,

--

Mitchell S. Sanderson



Senate Appropriations Committee

Testimony in Support HB 1380

Chairman Holmberg and Members of the Committee, my name is Mike Krumwiede appearing on behalf of the American Council of Engineering Companies in support of HB 1380. The American Council of Engineering Companies of North Dakota (ACEC/ND) is a nonprofit, voluntary, self-governing organization which represents 29 member firms and nearly 1500 employees. The American Council of Engineering Companies of North Dakota (ACEC/ND) is the business voice of North Dakota's consulting engineering industry. ACEC Member Firms are at the heart of the built environment, bringing us bridges, roads, water, sanitation, transit, rail, buildings, environmental protection and cleanup.

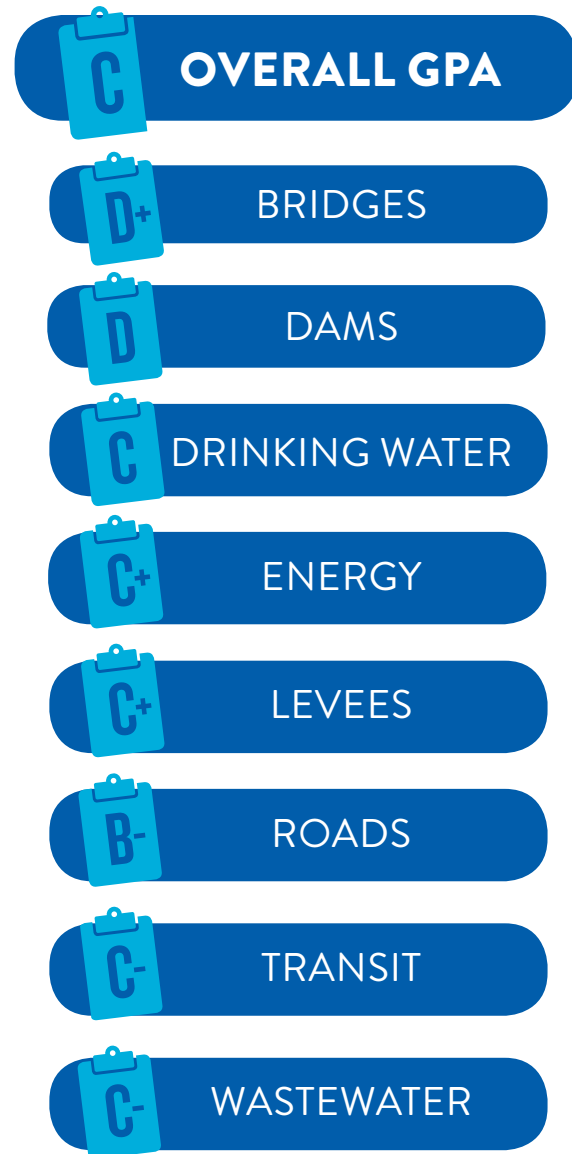
ACEC North Dakota has long recognized the importance of investing in our states critical infrastructure needs, including transportation, water, energy, buildings, airports, parks and communication systems. Beyond those, a well-maintained infrastructure is the backbone of all sectors in a healthy and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

While ACEC North Dakota supports occasional one-time infusions of additional funds in those areas as budgets allow, current funding shortfalls and long-term funding gaps need to be addressed with long-term funding solutions. We believe additional resources help grow a solid business environment by providing jobs in every field from health care to education. As a result, ACEC North Dakota advocates for predictable, sustainable, infrastructure support and consistent policies across all North Dakota state agencies.

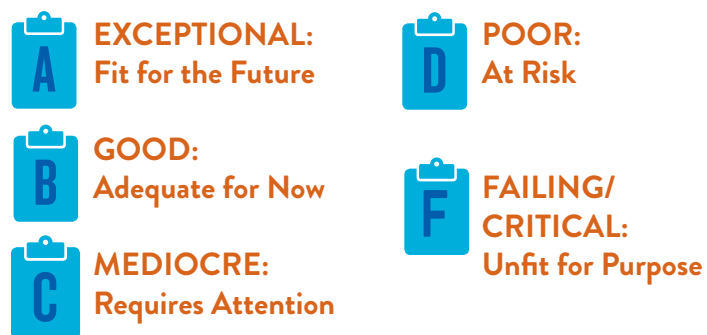
Recently American Society of Civil Engineers (ASCE) published a report card outlining the status of infrastructure in the state of North Dakota. This Report Card is the first of its kind for the state of North Dakota, providing a snapshot for eight categories of infrastructure: Bridges, Dams, Drinking Water, Energy, Levees, Roads, Transit, and Wastewater. Our state's infrastructure received an overall GPA of C, which is slightly better than the national GPA of D+. A GPA letter grade of C means the infrastructure in our state is in mediocre condition. Our networks show general signs of deterioration and require attention, and some elements exhibit significant deficiencies in conditions and functionality, with increasing vulnerability to risk. I have included a copy of this report card at the end of my testimony.

ACEC North Dakota supports HB 1380 because it is an effective tool in the toolbox to get projects going and move infrastructure projects along. We believe that through fiscally and responsible infrastructure funding mechanisms we can build things more promptly to accelerate the economic recovery. HB 1380 provides for dedicated legacy funds to help with highway tax distribution fund, infrastructure loan fund, and the new legacy infrastructure project fund, all helping create a well-rounded vision to fund future projects. For these reasons we would urge a DO PASS recommendation on HB 1380. Thank you for your time and consideration.

NORTH DAKOTA'S GRADE SUMMARY



Individual Report Card categories were analyzed based on the following criteria:



Cover Photo: Garrison Dam
Photo by Harry Weddington, USACE, used with permission

RECOMMENDATIONS TO RAISE THE GRADE

IMPLEMENT SUSTAINABLE FUNDING SOURCES

- ◆ Increase the motor fuel tax to provide a sustainable transportation funding source and allow us to meet the local portion of the federal gas tax match. Currently, the North Dakota fuel tax is 23 cents per gallon. This is the second lowest in the Midwest and it hasn't been raised since 2005. The North Dakota state taxes and fees per gallon of gasoline are lower than neighboring states: Minnesota (28.6 cents), South Dakota (30 cents), and Montana (32.25 cents) per gallon. The national average fuel tax is 31 cents per gallon.
- ◆ Provide funds for programs that offer low interest loans for all types of infrastructure projects. Legacy Funds can be transferred to programs within the Bank of North Dakota, such as the Infrastructure Loan Fund, to provide low interest loans for transportation and new development infrastructure improvements.
- ◆ Encourage and assist cities to develop user rate structures that can fully support the local share of capital improvements for infrastructure, not just operation and maintenance (O&M). Rates should be adjusted to reflect the true cost of service for the infrastructure.

ENCOURAGE INNOVATIVE DESIGN SOLUTIONS AND TECHNOLOGIES

Historically, our state has been cautious to implement new design solutions and technologies. Innovation can improve the efficiency of the infrastructure systems. Additional funds for planning, design and construction of innovative projects can support better deployment of new technologies, such as connected vehicles and infrastructure.

ENCOURAGE INFRASTRUCTURE OWNERS TO DEVELOP ASSET MANAGEMENT PLANS

Asset management plans help infrastructure owners anticipate future infrastructure needs. North Dakota should consider providing financial assistance as asset management plans enable better ownership and save money down the line.

ABOUT THE REPORT CARD

The 2019 Report Card for North Dakota's Infrastructure was prepared by a local committee of civil engineers from North Dakota. These civil engineers volunteered to collect and analyze data, prepare the facts and trends to assist in grading each category, hold meetings with the respective agencies overseeing the infrastructure, and ultimately prepare the final reports and grades for each category of infrastructure.

CONTACT
PHONE: 800-548-ASCE (2723)
EMAIL: reportcard@asce.org
WEB: infrastructurereportcard.org/north-dakota

INFRASTRUCTURE MATTERS

North Dakota's infrastructure is the backbone of our state's economy. Infrastructure provides our most important asset – our people – with the ability to effectively push our state and nation forward into the future. The condition of our state's infrastructure impacts our ability to be competitive in the national and international markets and provides the quality of life that all North Dakotans expect to have and be proud of. North Dakota, known for the unwavering work ethic of its people, can position its next generation of people by implementing changes in funding, asset management and innovative solutions for maintaining, improving and expanding the state's infrastructure.

This Report Card is the first of its kind for the state of North Dakota, providing a snapshot for eight categories of infrastructure: Bridges, Dams, Drinking Water, Energy, Levees, Roads, Transit, and Wastewater. Our state's infrastructure received an overall GPA of C, which is slightly better than the national GPA of D+. A GPA letter grade of C means the infrastructure in our state is in mediocre condition. Our networks show general signs of deterioration and require attention, and some elements exhibit significant deficiencies in conditions and functionality, with increasing vulnerability to risk.

As civil engineers, our responsibility is to protect the public health, safety, and welfare of those who use our state's infrastructure. We hope the public and policymakers find this Report Card insightful so the important and difficult conversations can happen and action can take place.

HOW TO GET INVOLVED

1

Get the full story behind this Report Card at InfrastructureReportCard.org/North-Dakota.

2

Find out the condition of the infrastructure near you on the Save America's Infrastructure app available on iTunes and GooglePlay.

3

Ask your elected leaders what they're doing to make sure your infrastructure is reliable for the future. Use your zip code to find your list of elected officials at infrastructurereportcard.org/take-action.



North Dakota Section of the American Society of Civil Engineers

INFRASTRUCTUREREPORTCARD.ORG/NORTH-DAKOTA





NORTH DAKOTA'S INFRASTRUCTURE REPORT CARD

Executive Summary

BRIDGES

North Dakota is home to 4,377 bridges. Statewide, 14% of bridges are structurally deficient, compared with 8.9% nationally. While not unsafe, structurally deficient bridges require significant maintenance, rehabilitation, or replacement because critical load-carrying elements were found to be in poor condition. Meanwhile, 43% of North Dakota bridges are over 50 years in age, meaning they are past their initial design life. Most structurally deficient bridges are owned by local jurisdictions and there is a more than \$400 million backlog of necessary projects on the local bridge network. Another challenge in North Dakota is the weather; cold and snowy conditions with heavy freeze/thaw cycles increase bridge deterioration. Overall, North Dakota bridges are in worse shape than the national average.

DAMS

North Dakota has approximately 3,153 intact dams, with a wide range of purposes from flood control to recreation. According to the National Inventory of Dams (NID), there are 49 high hazard potential (HHP) dams in the state (including federal and state-regulated dams). A HHP dam is a dam in which failure is expected to result in loss of life. Seventy-three percent of the HHP dams in the NID have a condition assessment rating and half of those are considered deficient and do not meet accepted safety standards in some way.

The condition of these dams is concerning; however, inspections are occurring regularly. Eighty-eight percent of HHP dams have emergency action plans (EAPs), which is higher than the national average of 77%. This is a positive but does not offset the overall concern with the condition of the HHP dams. The State Water Commission has

cost-share policies in place to assist owners in developing EAPs; however, commodity prices and legislatively directed funding priorities greatly influence available funding.

DRINKING WATER

Public water systems provide potable drinking water to 98.8% of North Dakota's residents. Most of the state's public water systems are small, serving 3,300 residents or less. Major new drinking water infrastructure projects, such as the Williston Regional Water Treatment Plant expansion and the Western Area Water Supply Project, were completed in response to the oil boom's population growth. However, other portions of the distribution system are at the end of their service lives and require either rehabilitation or replacement. The North Dakota Drinking Water State Revolving Fund (DWSRF) Intended Use Plan indicated that in 2018, there were approximately \$594 million worth of DWSRF-eligible infrastructure projects state-wide. Fortunately, investments are being made. Approximately \$125 million will be available from the 2017-2019 biennium for water projects from the State Water Commission, while the DWSRF is funding approximately \$46 million in projects. Despite challenges associated with an aging system, the state has an excellent public health record.

ENERGY

North Dakota's 65,000 miles of transmission and distribution lines transmit about twice the amount of electricity the state uses on average. Most of the electricity is generated by coal, but recently wind has made a considerable addition to the market, up to 1/4 of the total generation. This has impacted the way the coal industry needs to look at daily demands and long-term

planning. Meanwhile, hundreds of miles of transmission line were planned during the early 2000s oil boom, but portions of projects were canceled when oil prices declined. Rates are capped at investor owned utilities and increasing fees to pay for transmission line land acquisition, permitting and routing has proven difficult. North Dakota's electric rates are relatively low, averaging \$0.12 per kwh.

LEVEES

The North Dakota State Water Commission has issued permits for 627 flood control levees, totaling 325 miles. Heavy flooding across North Dakota in 2009, 2010 and 2011 exposed deficiencies in the levee systems, and major investments are now underway to improve the condition and capacity of levees to reduce flood damage in the future. Over \$1 billion has been spent, from all funding sources, on flood-related projects along the Red River alone since 1997. Residents in Fargo, Grafton, Valley City and Minot approved sales tax increases to pay for the local share of various flood mitigation project costs.

The state and local governments have done a commendable job of prioritizing investment in levees in recent years and great strides have been made. The United States Army Corps of Engineers periodically inspects 94.19 miles of North Dakota levees, 21.54 miles of which are presently rated as unacceptable, but these bad marks are sometimes the result of incomplete paperwork rather than reflective of the actual condition of the structures. North Dakota does not require periodic levee inspections nor reports on levee conditions after their construction.

ROADS

North Dakota ranks among the highest-spending states per capita on highways. Currently, 67% of urban roads and 77% of county and township roads are in good or very good condition. However, looking ahead, significant work will need to be done to address roadside safety, find alternative sources of funding, and ensure equitable assignment of resources among high-growth areas.

Should funding remain stagnate, estimates show that state-maintained roads in poor condition will nearly double between 2018 and 2021, from 443 miles to 872 miles. And while capacity remains adequate across the state, despite a 64%

increase in vehicle miles traveled over the last 20 years, the state has major challenges during winter months responding quickly to snow removal and de-icing.

TRANSIT

Public transportation plays a major role in improving livability for transit-dependent populations in the state of North Dakota. Three of the 29 transit agencies in the state are classified as urban transit providers, four are tribal transit providers, and the remaining 22 are rural operators. Three modes of public transportation are available in North Dakota: Fixed-Route Bus, Demand Response Transit, and Demand Response Taxi. Public transit ridership in North Dakota dropped 6.5% from 2015 to 2016 and 4.9% from 2014 to 2015, mirroring a national trend of decreased ridership. The farebox recovery rate (percent of trip's operating costs recovered through passenger fares) for all transit operations across the state is observed as 8.4%, which is close to the national average (9%) for rural transit agencies. Meanwhile, with operating expenses totaling over \$34 million, increased funding is needed to improve accessibility and public transportation services and facilities.

WASTEWATER

North Dakota's 755,000 residents are served by over 350 municipal wastewater systems. Rapid population growth associated with the oil industry resulted in many recently completed or ongoing upgrades and expansions of municipal wastewater treatment facilities (WWTFs).

Over the last 10 years, more than \$265 million was spent to improve and upgrade the mechanical WWTFs in the larger communities. Approximately \$180 million is expected to be invested in the WWTFs of Fargo, Grand Forks, Bismarck, and Minot over the next 10 years. However, per capita spending on wastewater operations and maintenance has remained flat and older communities struggle with stormwater infiltration and inflow issues as the collection systems age. Additionally, communities served by wastewater pond treatment systems are challenged by storage volume needs, dike erosion protection, seasonal odors, and delayed discharges due to pollutant variability.

March 31, 2021

Kylee Merkel, Business Banker for Government Programs

Bank of North Dakota

HB1380

Position: Neutral

Kylee Merkel will not have formal testimony. She will be available for questions related to the infrastructure revolving loan fund.

1 Chairman Holmberg & members of the committee, my name is Scott Skokos and I am testifying on
2 behalf of Dakota Resource Council and our members. Thank you for allowing me to testify today in
3 opposition of HB 1380.

4 Dakota Resource Council (DRC) is a non-partisan grassroots group of landowners, ranchers, farmers, and
5 other citizens. We were founded to watchdog over energy policies that impact family farms and ranches.
6 We stand here today in opposition to HB 1380 because the bill is in our view a misuse of legacy fund
7 dollars and creates an ongoing appropriation every two years to a fund represented by special interest
8 groups without transparency. The allocation in HB 1380 to the “clean sustainable energy fund” is
9 overseen by the yet to be created “Clean Sustainable Energy Authority” which has no voting
10 representation from the wind or solar industries. The Legacy Fund was created to support North Dakota
11 once the coal, oil, and gas industry run their course, not to prop up industries in decline. In 2013, a
12 stakeholder group consisting of elected officials and citizens of all political spectrums met to discuss the
13 best ways to use the Legacy Fund. The group ultimately concluded that the Legacy Fund should be used
14 conservatively in the following manner: *allocate 25 percent of annual Legacy Fund earnings from 2017*
15 *through 2039 to bold and visionary purposes that build a bridge to a future.*¹ In our view, using Legacy
16 Fund dollars to prop up the declining coal industry is neither bold nor visionary or a bridge to the future.
17 It would be like investing in efforts to keep Blockbuster Videos open in the mid-2000s as video streaming
18 services were emerging as reliable and consumer trusted method used to watch movies. This is in addition
19 to being a bailout to some of the most profitable industries in the history of the United States. We believe
20 it is unwise and fiscally irresponsible.

21 The other issue we have with this bill is that it will create an ongoing appropriation every two years
22 without oversight or transparency. The public deserves to know what public monies are being spent on.
23 These appropriations in HB 1380 to the “clean sustainable energy fund” is overseen by the “Clean
24 Sustainable Energy Authority”. This Authority would not be subject to the same scrutiny as other funds
25 because of fears over trade secrets and industry competition. In our view, it is not good for the
26 government to provide millions of dollars every two years to various funds without the public having the
27 ability to properly scrutinize the use of the money. Finally, in our view a more appropriate use of the
28 Legacy Fund dollars would be to direct it towards an equitable transition for communities that are reliant
29 on coal and people working in the coal industry through retraining, economic diversification, community
30 development, and transition planning as experts around the country recommend. This is being done in
31 other places like Colorado. Specifically, Colorado Governor Jared Polis created an Office of Just
32 Transition to support coal workers, employers, and communities as they plan for the future closings of
33 coal plants upon which their communities depended upon.² We think using Legacy Fund dollars to fund
34 efforts similar to what Colorado is doing surrounding coal transition would be a more appropriate use of
35 the money.

36 In conclusion HB 1380 represents a bill that allows the misuse of legacy fund dollars without
37 transparency, which could be better spent towards other efforts to diversify North Dakota’s energy
38 economy and retrain workers in coal dependent communities. As a result, we urge the committee to
39 oppose HB 1380 and recommend a DO NOT PASS on HB 1380.

¹ 1 https://www.betterenergy.org/wp-content/uploads/2018/03/North_Dakota_Legacy_Fund_Recommendations.pdf pg. 5

² <https://cdle.colorado.gov/the-office-of-just-transition>



North Dakota Township Officers Association
Promoting basic Grassroots Government!

Larry A Syverson, Executive Secretary
465-150th Ave NE
Mayville ND 58257-9011
(701)430-1735
larry.ndtoa@gmail.com

March 31, 2021

Senate Appropriations Committee

In Support of HB 1380 with Senate Amendment

Good afternoon Chairman Holmberg and members of the Senate Appropriations Committee. I am Larry Syverson, the Executive Secretary of the North Dakota Township Officers Association. NDTOA represents the nearly 6,000 Township Officers that serve 1,317 organized ND Townships.

NDTOA very strongly supports the transfer of funds to the highway tax distribution fund for allocation under 54-27-19, which is found in Section 5 of HB 1380 as amended by the Senate.

This last December the membership of NDTOA voted to support a modest increase in the fuel tax. That is not because they favor tax increases but rather that they recognize the need for a growing investment in transportation infrastructure for the future of rural North Dakota. HB 1380, with the Senate amendment, would provide a similar stream of funds which will actually grow into the future.

Chairman Holmberg and committee members, Township Officers see the need for more investment in transportation infrastructure enough to support a tax increase. We ask for your favorable consideration for HB 1380 as amended as this will provide the funding without that tax increase.

Thank you, Chairman Holmberg and committee members; that concludes my prepared statement; I will try to answer any questions you may have.



11169

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Testimony of Kyle Martin

Executive Director

TechND

In Support of HB 1380

March 31, 2021

Chairman Holmberg and Members of the Senate Appropriations Committee:

My name is Kyle Martin, executive director of the Technology Council of North Dakota (TechND). I am appearing today to voice support of HB 1380.

TechND, formerly known as the Information Technology Council of North Dakota (ITCND), was created in 2000 by North Dakota business, government and education leaders who recognized the need to strengthen the state's information technology infrastructure and reposition the state as a national leader in IT. The organization has since expanded its focus to include members from the technology industry as a whole. TechND has over 60 member organizations, with representatives from both the public and private sector.

TechND supports programs that create or encourage a favorable business climate in North Dakota for the technology sector. Access to capital is critical for technology businesses wishing to capitalize on new and emerging ideas. The Innovation Technology Loan Fund (LIFT) was created to provide a mechanism to support new and existing growth companies in North Dakota with financing for the commercialization of intellectual property. The program has been impactful, providing funding for existing companies and attracting new business to North Dakota. HB 1380 would provide continued funding for the program by appropriating a portion

of Legacy Fund Earnings to an innovation loan fund that would support technology advancement by funding LIFT.

Shortly after LIFT's deployment, its entire \$15 million appropriation was exhausted in eight months, demonstrating this program's popularity and success. Through the renewal of LIFT, the program can continue its course of success and carry the potential to generate new high-paying jobs to bolster our economy. TechND's is confident the program will spark further innovation in North Dakota, attract new businesses to our region and strengthen the technology workforce.

HB 1380 would create a new mechanism to support the continued funding of LIFT and asks the Senate Appropriations Committee recommend a do-pass on HB 1380.



**Testimony of Jennifer Greuel
Economic Development Association of North Dakota
In Support of HB 1380
Senate Appropriations Committee
March 31, 2021**

Chair Holmberg and members of the Senate Appropriations Committee:

My name is Jennifer Greuel and I am the executive director of the Economic Development Association of North Dakota (EDND). EDND represents more than 80 state economic development organizations and businesses 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, develop more vibrant communities and improve quality of life. EDND would like to express its support for the amended version of HB 1380.

EDND believes Legacy Fund dollars were intended for legacy purposes and should therefore be invested in long-term strategies to benefit future generations. In these amendments the funds would be invested in infrastructure, economic diversification projects, research, and workforce, all of which would benefit future generations and the state as a whole.

Infrastructure

According to a recent survey of EDND members, 100 percent of those surveyed agreed the fund and its earnings should be used to support infrastructure. The growth of our state over the last decade, combined with aging infrastructure, has led to a critical need to complete road, water, sewer, stormwater management, airport, and other essential projects. New and updated infrastructure provides support to North Dakota businesses already providing jobs and revenue to the state, as well giving the state the capacity to grow and diversify strategically.

LIFT

EDND generally supports any funding for economic diversification projects. One tool to help bring new industries to the state is further investment in programs such as the Innovation Technology Loan Program (LIFT) as part of a comprehensive statewide strategy. The UAS and technology fields are quickly becoming an important piece of North Dakota's economy, and investments in these fields would reduce the state's dependence on oil and ag income and avoid boom and bust cycles.

Research

EDND has long supported research investments that will enhance North Dakota's historical economic sectors and advance new technologies to support growth of other sectors to diversify our economy.

Workforce Development

Although North Dakota's unemployment rate has gone up slightly due to the pandemic (4.1 percent in Dec. 2020), the state's unemployment rate is still lower than 38 other states and workforce availability remains a significant challenge facing North Dakota businesses, limiting the growth potential of the economy. North Dakota especially needs job seekers to be connected with resources and education in order to be placed in a high-demand career path. EDND supports investments to implement workforce attraction, development and training strategies that address the needs of the state's companies.

EDND believes the current version of HB 1380 is forward-thinking and utilizes legacy fund earnings as ND citizens originally intended. We urge a do pass recommendation.

Testimony of Merri Mooridian, Administrative Officer
Garrison Diversion Conservancy District
House Bill 1380
Senate Appropriations Committee
Bismarck, North Dakota – March 31, 2021

Good afternoon Chairman Holmberg and members of the Senate Appropriations Committee. My name is Merri Mooridian, and I am the Administrative Officer for the Garrison Diversion Conservancy District (Garrison Diversion). Garrison Diversion and the Lake Agassiz Water Authority (Lake Agassiz) are cosponsors of the Red River Valley Water Supply Project. Thank you for this opportunity to testify in support of House Bill 1380 related to the creation of a Legacy Infrastructure Fund.

Section six of House Bill 1380 would add a new section to chapter 21-10 of the North Dakota Century Code to create a Legacy Infrastructure Fund using Legacy Fund earnings. Among several types of infrastructure projects identified in the legislation, one-time infrastructure projects and water projects such as the Red River Valley Water Supply Project would be eligible for Legacy Infrastructure Fund, as lawmakers appropriate the funding.

The Red River Valley Water Supply Project is a one-time infrastructure project that will safeguard water for North Dakota communities and rural water systems in times of moderate and severe droughts. The Project will deliver water from the Missouri River to central and eastern North Dakota via a buried pipeline. When constructed, the Red River Valley Water Supply Project will serve about 50% of North Dakota's population. 35 cities and rural water systems signed up for the development portion of the Project.

As of March 25th, the U.S. Drought Monitor lists all of North Dakota in the moderate, severe, or extreme drought categories. We do not know whether our current drought conditions will improve or worsen this year. But we do know that climatologists predict we will experience another 1930s-style drought by the year 2050.

The long-term effects of a severe drought would be financially devastating. A 10-year drought similar to the dust bowl of the '30s would have a **\$32 billion impact** on the entire State's economy. A moderate drought like what occurred in the 1980s would have more than a **billion-dollar impact**. Both scenarios would damage the State's communities, industries, and future economy.

I am asking this Committee to please support the utilization of Legacy Fund earnings as outlined in House Bill 1380 to create a new Legacy Infrastructure Fund for one-time infrastructure projects, water projects, and other necessary infrastructure investments.

The creation of a Legacy Infrastructure Fund could benefit the Red River Valley Water Supply Project, pending appropriations from the North Dakota legislature, that would safeguard our water supply, serve multiple generations of North Dakotans, and protect the State's future economy from the steep costs of drought recovery.

Thank you, Chairman Holmberg and members of the Senate Appropriations Committee.

Testimony of Dr. Timothy Mahoney
Lake Agassiz Water Authority Chair & Mayor of Fargo
House Bill 1380
Senate Appropriations Committee
Bismarck, North Dakota – March 31, 2021

Hello Chairman Holmberg and members of the Senate Appropriations Committee. Thank you for this opportunity to testify in support of House Bill 1380. My name is Dr. Tim Mahoney, and I chair the Lake Agassiz Water Authority (Lake Agassiz) as well as serve as the Mayor of Fargo. Garrison Diversion Conservancy District (Garrison Diversion) and Lake Agassiz are cosponsors of the Red River Valley Water Supply Project.

I am here today on behalf of Lake Agassiz and the potential end users of the Red River Valley Water Supply Project to respectfully request that this Committee support the creation of a Legacy Infrastructure Fund for one-time infrastructure and/or water infrastructure projects.

The Red River Valley Water Supply Project will meet the criteria laid out for eligibility in Section 6 of House Bill 1380 as it is both a water project and a one-time infrastructure project.

The Red River Valley Water Supply Project is designed to safeguard the water supply for nearly 50% of North Dakota during moderate and severe droughts. The Project will deliver water from the Missouri River to communities and rural water systems in central and eastern North Dakota via a buried pipeline.

The ability of communities and water systems to afford their continued participation in the Red River Valley Water Supply Project will determine whether they will receive a supplemental source of water to help them and local industries through moderate and severe

droughts. The Project is also necessary to attract and retain industry to the central and eastern parts of the state.

The development of a Legacy Infrastructure Fund would set aside Legacy Fund earnings specifically for some of the most needed infrastructure projects in North Dakota. Please support the investment of Legacy Fund earnings into North Dakota infrastructure projects. The creation of a Legacy Infrastructure Fund is your opportunity to support infrastructure investments that will allow the Legacy Fund earnings to directly benefit infrastructure projects and the communities that construct them.

Thank you, Chairman Holmberg and members of the Senate Appropriations Committee.



March 31, 2021

Senate Appropriations

RE: Testimony in Support of HB1380

Senators:

I am writing in support of HB1380 and specifically, the economic diversification to be realized by support of research and development through our state's college and universities, led by our two research universities, and the creation of a more robust economic base in our state. It goes without saying that our state has historically enjoyed the powerful economic drivers of agriculture and energy. However, the volatility of those two commodities, and the lack of other major economic drivers, leave North Dakota in a perilous position. If and when both of those drivers struggle at the same time, the implications are all too familiar to us.

Since coming to North Dakota in 2010, I have been surprised to find that North Dakota provides no discretionary support for research and development through its colleges and universities (other than directed resources to the EERC at UND, and agriculture at NDSU). In my experience, there are few if any states that provide no such support.

For the 2019 legislative session, the Valley Prosperity Partnership (VPP), a collective of statewide business leaders, called on NDSU and UND to develop a university-driven research support proposal. The universities complied, modeling their proposal after what is considered the national "gold standard" for such research and development initiatives – the Texas *Permanent University Fund* (PUF). It is provocative to note that the PUF was created in the 1800s as an endowment drawing on an oil extraction tax. The PUF, and the yield from its royalties, was created to assure that the state's two major research universities, Texas A&M and the University of Texas, could maintain robust applied research and development activities, funded by the state, regardless of the state's economy. That model has worked, and worked extraordinarily well, since its creation. On a long-term basis the PUF is generally credited as the foundation of the unusually diverse economy of that state.

The proposal developed by NDSU and UND, while modeled on the PUF, did make important adjustments to better fit North Dakota. As it was publicly introduced, the proposal received wide ranging state support. On its formal introduction to the legislature during the 2019 session, the Senate passed it overwhelmingly, although it did not succeed in the House.

The authors listened to concerns from House members, and made important responsive improvements for its reintroduction in the current session. Those improvements included more purposeful involvement of the other nine colleges and universities, and description of a clear linkage with the state's very successful "LIFT" legislation.

OFFICE OF THE PRESIDENT

102 Old Main | NDSU Dept 1000 | PO Box 6050 | Fargo ND 58108-6050
701.231.7211 | Fax 701.231.8722 | www.ndsu.edu

We believe that North Dakota deserves and needs the economic diversification that can and will come from this support of discretionary higher education-based research and development. I enthusiastically encourage the Senate to support and take advantage of this proven approach to catalyzing and broadening our state's economy.

Thank you for your time and consideration of the above. I look forward to attending your hearing and will be available there to respond to any questions you may have.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dean Bresciani".

Dean L. Bresciani, President
North Dakota State University

2021 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1380
4/5/2021
Senate Appropriations sub-committee

Relating to a legacy sinking and interest fund, a legacy earnings fund, and an income tax relief fund.
--

Senator Sorvaag opened the hearing at 11:22 AM.

Senators present: **Sorvaag, Holmberg, and Heckaman.**

Discussion Topics:

- NDSU buildings
- Federal guidelines
- Capitol construction upgrades
- Emergency clause

Senator Sorvaag led discussion.

Senator Sorvaag closed the committee work at 11:41 AM.

Rose Laning, Committee Clerk

2021 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1380
4/8/2021
HB 1380 ("Streaming bill") Sub-committee

Relating to a legacy sinking and interest fund, a legacy earnings fund, and an income tax relief fund.
--

Senator Sorvaag opened the hearing at 3:35 PM.

Senators present: **Sorvaag, Holmberg and Heckaman.**

Discussion Topics:

- Explanation of amendments

Senator Sorvaag presented amendment LC 21.0218.06007 and also submitted testimony #11470.

Senator Heckaman presented and moved amendment LC 21.21.0218.06006 - #11474.
Senator Holmberg second.

Senator Sorvaag – N
Senator Holmberg – N
Senator Heckaman – Y

Roll Call vote - 1-2-0 Motion fails.

Senator Sorvaag closed the hearing at 3:58 PM.

Rose Laning, Committee Clerk

April 8, 2021

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

In lieu of the amendments adopted by the Senate as printed on page 1033 through 1037 of the Senate Journal, Engrossed House Bill No. 1380 is amended as follows:

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

Page 1, line 2, remove ", and a new section to chapter 57-38"

Page 1, line 2, remove the second "a"

Page 1, line 3, remove "legacy sinking and interest fund,"

Page 1, line 3, remove ", and an income tax relief fund"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, remove lines 7 through 16

Page 2, remove lines 12 through 30

Page 3, remove lines 1 through 11

Page 3, line 12, after "INTENT" insert "- LEGACY FUND EARNINGS COMMITTEE"

Page 3, line 13, remove "sixty-eighth legislative assembly consider additional allocations from the"

Page 3, replace lines 14 through 19 with "interim legacy fund earnings committee, which is created by House Bill No. 1038 as approved by the sixty-seventh legislative assembly, continue to study potential uses of legacy fund earnings during the 2021-22 interim. It is further the intent of the sixty-seventh legislative assembly that the interim legacy fund earnings committee develop recommendations for uses of legacy fund earnings for submission to the sixty-eighth legislative assembly.

SECTION 4. EFFECTIVE DATE. This Act becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the allocation of legacy fund earnings to various state funds and provides a statement of legislative intent for the interim Legacy Fund Earnings Committee to continue studying potential uses of legacy fund earnings.

4/7/2021 14:32

POMV	\$	7,140,000,000	4%	\$ 571,200,000
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STREAM

Sinking Fund			20%	\$ 114,240,000
	<i>Bond Payments</i>			\$ 100,000,000

REDDI			25%	\$ 142,800,000
	<i>Clean Sustainable</i>		30%	\$ 42,840,000
	<i>University Research</i>		30%	\$ 42,840,000
	<i>LIFT (Innovation Loan Fund)</i>		30%	\$ 42,840,000
	<i>Research Councils</i>		7%	\$ 9,996,000
	<i>Tourism</i>		3%	\$ 4,284,000
			100%	

Legacy Stream			10%	\$ 57,120,000
	<i>Legacy Projects</i>		-	-
	<i>Legacy Infrastructure</i>		-	-

Infrastructure			25%	\$ 142,800,000
	<i>Highway Distribution</i>		45%	\$ 64,260,000
	<i>State Parks</i>		5%	\$ 7,140,000
	<i>Infrastructure Discretion</i>		50%	\$ 71,400,000
			100%	

Workforce Enrichment			8%	\$ 45,696,000
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Flex Stream			12%	\$ 68,544,000
	<i>Overage from Sinking Fund</i>			\$ 14,240,000
				\$ 82,784,000

100% \$ 571,200,000

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1380

Introduced by

Representatives Lefor, Bosch, Dockter, Headland, Howe, Nathe, Porter, M. Ruby, Steiner
Senators Patten, Sorvaag, Wardner

1 A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter
2 6-09.4, a new section to chapter 15-20.1, ~~a four~~ new ~~section~~sections to chapter 21-10, and a
3 new section to chapter ~~57-38~~54-60 of the North Dakota Century Code, relating to an economic
4 diversification research fund, a legacy sinking and interest fund, a workforce development and
5 enrichment fund, a legacy earnings fund, a legacy infrastructure fund, a legacy project fund, a
6 legacy project advisory board, and an ~~income tax relief~~innovative research and economic
7 development fund; to amend and reenact subsection 1 of section 21-10-06 and section
8 21-10-12 of the North Dakota Century Code, relating to funds invested by the state investment
9 board and legacy fund definitions; to provide for a transfer; ~~and~~ to provide a statement of
10 legislative intent; and to provide an effective date.

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

12 **SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created
13 and enacted as follows:
14 **Economic diversification research fund - Economic diversification research**
15 **committee - Legislative management report.**
16 1. There is created in the state treasury the economic diversification research fund. The
17 fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys
18 in the fund may be spent by the Bank of North Dakota pursuant to legislative
19 appropriations to provide grants to institutions under the control of the state board of
20 higher education for economic diversification research.
21 2. The economic diversification research committee consists of:
22 a. The president of the Bank of North Dakota, as chairman;
23 b. Four members with experience in research or venture capital appointed by the
24 president of the Bank of North Dakota;

- 1 c. The state commissioner of higher education, or a designee; and
2 d. The president of North Dakota state university and the president of the university
3 of North Dakota.
- 4 3. In consultation with representatives of North Dakota state university and the university
5 of North Dakota, the committee shall award grants to institutions under the control of
6 the state board of higher education. Up to ninety percent of the funding must be
7 awarded to North Dakota state university and the university of North Dakota with equal
8 amounts awarded to each institution. The remaining funding must be awarded to the
9 other institutions under the control of the state board of higher education, as
10 determined by the committee. The committee may not award more than fifty percent of
11 the available funding during the first year of the biennium. The Bank of North Dakota
12 shall distribute the grant funding as awarded by the committee.
- 13 4. The committee shall develop guidelines for the economic diversification research
14 grants. The purpose of the grants is to stimulate economic activity across the state
15 through innovation of new technology, concepts, and products; to promote job creation
16 and career and wage growth; to enhance health care outcomes; to address loss of
17 revenue and jobs in communities with economies that depend primarily on the fossil
18 fuel industry; and to provide experiential learning opportunities for students. Research
19 projects may be initiated by an institution under the control of the state board of higher
20 education or by the private sector. The guidelines must include consideration for
21 research projects with matching funds and provisions for grant oversight by an internal
22 advisory committee and an external advisory committee.
- 23 5. The committee shall develop reporting requirements for the institutions under the
24 control of the state board of higher education. The reporting requirements must
25 include criteria for assessing performance outcomes related to the grants. The
26 committee shall compile the reports and shall submit a comprehensive report annually
27 to the legislative management. The comprehensive report must include information on
28 how the research efforts by each institution align with the state's priorities, how the
29 institutions collaborate when appropriate, and how the outcomes of the research meet
30 established performance expectations.

1 **SECTION 2.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Legacy sinking and interest fund - Debt service requirements - Public finance**
4 **authority.**

5 There is created in the state treasury the legacy sinking and interest fund. The fund consists
6 of all moneys deposited in the fund under section 36 of this Act. Moneys in the fund may be
7 spent by the public finance authority pursuant to legislative appropriations to meet the debt
8 service requirements for evidences of indebtedness issued by the authority for transfer to the
9 Bank of North Dakota for allocations to infrastructure projects and programs and the clean
10 sustainable energy fund. Any moneys in the fund in excess of the amounts
11 necessary appropriated from the fund to meet the debt service requirements for a biennium-
12 may be appropriated by the legislative assembly for other purposes.

13 **SECTION 3.** A new section to chapter 15-20.1 of the North Dakota Century Code is created
14 and enacted as follows:

15 **Workforce development and enrichment fund.**

16 1. There is created in the state treasury the workforce development and enrichment fund.

17 The fund consists of all moneys deposited in the fund under section 6 of this Act.

18 Moneys in the fund may be spent pursuant to legislative appropriations to provide
19 grants to support:

20 a. Strategic workforce development;

21 b. Technical education;

22 c. Workforce diversification initiatives; and

23 d. Workforce guidance and support.

24 2. Grant funding may be awarded only for one-time projects and initiatives.

25 3. Grants awarded for capital projects must have a matching requirement.

26 4. Twenty-five percent of the moneys in the fund must be designated to support
27 workforce initiatives in communities with economies that depend primarily on the oil
28 and gas industry.

29 **SECTION 4. AMENDMENT.** Subsection 1 of section 21-10-06 of the North Dakota Century
30 Code is amended and reenacted as follows:

- 1 1. Subject to the provisions of section 21-10-02, the board shall invest the following
- 2 funds:
- 3 a. State bonding fund.
- 4 b. Teachers' fund for retirement.
- 5 c. State fire and tornado fund.
- 6 d. Workforce safety and insurance fund.
- 7 e. Public employees retirement system.
- 8 f. Insurance regulatory trust fund.
- 9 g. State risk management fund.
- 10 h. Budget stabilization fund.
- 11 i. Health care trust fund.
- 12 j. Cultural endowment fund.
- 13 k. Petroleum tank release compensation fund.
- 14 l. Legacy fund.
- 15 m. Legacy earnings fund.
- 16 n. A fund under contract with the board pursuant to subsection 3.

17 **SECTION 5. AMENDMENT.** Section 21-10-12 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **21-10-12. Legacy fund – ~~Earnings defined~~ definitions.**

20 For the purposes of section 26 of article X of the Constitution of North Dakota, ~~the term~~
21 "earnings":

- 22 1. "Earnings" means net income in accordance with generally accepted accounting
23 principles, excluding any unrealized gains or losses.
- 24 2. "Principal" means all moneys in the legacy fund not included in earnings as defined
25 under subsection 1.

26 **SECTION 6.** A new section to chapter 21-10 of the North Dakota Century Code is created
27 and enacted as follows:

28 **Legacy earnings fund - State treasurer - Transfers.**

- 29 1. There is created in the state treasury the legacy earnings fund. The fund consists of all
30 moneys transferred to the fund under subsection 2 and all interest and earnings upon
31 moneys in the fund.

Sixty-seventh
Legislative Assembly

- 1 2. Any legacy fund earnings transferred to the general fund at the end of each biennium
2 in accordance with section 26 of article X of the Constitution of North Dakota must be
3 immediately transferred by the state treasurer to the legacy earnings fund.
- 4 3. ~~If the amounts transferred under subsection 2 exceed the amount available for~~
5 ~~appropriation under subsection 4 the state treasurer shall transfer the excess, within~~
6 ~~thirty days, as follows:~~
- 7 ~~a. Forty percent to the strategic investment and improvements fund to be used in~~
8 ~~accordance with the provisions of section 15-08.1-08;~~
- 9 ~~b. Forty percent to the legacy fund to become part of the principal; and~~
- 10 ~~c. Twenty percent to the income tax relief fund under section 4 of this Act.~~
- 11 ~~4.~~ For each biennium subsequent to the biennium in which the legacy fund earnings are
12 transferred under subsection 2, the amount available for appropriation from the legacy
13 earnings fund is ~~six~~eight percent of the five-year average value of the legacy fund
14 assets as reported by the state investment board. The average value of the legacy
15 fund assets must be calculated using the value of the assets at the end of each fiscal
16 year for the five-year period ending with the most recently completed even-numbered
17 fiscal year.
- 18 ~~5.4.~~ On July first of each odd-numbered year, from the amount available for appropriation
19 or transfer from the legacy earnings fund for the biennium, the state treasurer shall
20 transfer funding in the following order:
- 21 ~~a. The first one hundred million dollars to the legacy sinking and interest fund under~~
22 ~~section 1 of this Act;~~
- 23 ~~b. The next forty million dollars to the clean sustainable energy fund;~~
- 24 ~~c. The next forty million dollars to the infrastructure revolving loan fund under~~
25 ~~section 6-09-49, but not in an amount that would bring the balance of the~~
26 ~~infrastructure revolving loan fund to more than five hundred million dollars; and~~
- 27 ~~d. Any remaining funds for other purposes as designated by the legislative~~
28 ~~assembly.~~
- 29 ~~SECTION 6. A new section to chapter 57-38 of the North Dakota Century Code is created~~
30 ~~and enacted as follows:~~

1 ~~Income tax relief fund.~~

2 ~~There is created in the state treasury the income tax relief fund. The fund consists of all~~
3 ~~moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be spent~~
4 ~~pursuant to legislative appropriations for individual and corporate income tax relief.~~

5 a. Twenty percent, with a minimum of one hundred million dollars, to a sinking and
6 interest fund, of which:

7 (1) An amount equal to any bond payments appropriated by the most recently
8 adjourned special or regular session of the legislative assembly from the
9 legacy sinking and interest fund, with a minimum of one hundred million
10 dollars, must be transferred to the legacy sinking and interest fund under
11 section 2 of this Act; and

12 (2) Any remaining amounts under this subdivision are available for other
13 purposes designated by the legislative assembly;

14 b. Twenty-five percent to infrastructure funds, of which:

15 (1) Forty-five percent must be transferred to the highway tax distribution fund
16 for allocations under section 54-27-19;

17 (2) Five percent to the state park fund under section 55-08-07 for state park
18 construction and improvement projects and other state park initiatives
19 designated by the legislative assembly; and

20 (3) The remaining amount to the legacy infrastructure fund under section 7 of
21 this Act;

22 c. Twenty-five percent to research and economic development funds, of which:

23 (1) Thirty percent must be transferred to the clean sustainable energy fund;

24 (2) Thirty percent must be transferred to the economic diversification research
25 fund under section 1 of this Act;

26 (3) Thirty percent must be transferred to the innovation loan fund to support
27 technology advancement under section 6-09.18-05; and

28 (4) The remaining amount must be transferred to the innovative research and
29 economic diversification fund;

30 d. Ten percent to the legacy project fund under section 8 of this Act;

- 1 e. Eight percent to the workforce development and enrichment fund under section 3
2 of this Act; and
3 f. The remaining amount for other purposes designated by the legislative assembly.

4 **SECTION 7.** A new section to chapter 21-10 of the North Dakota Century Code is created
5 and enacted as follows:

6 **Legacy infrastructure fund.**

- 7 1. There is created in the state treasury the legacy infrastructure fund. The fund consists
8 of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund
9 may be spent pursuant to legislative appropriations to support one-time infrastructure
10 projects, including road and bridge projects, airport projects, and water projects.
11 2. If a political subdivision receives funding from the legacy project fund, the political
12 subdivision shall provide a report to the state treasurer by May thirtieth of each
13 even-numbered year on the use of the funding. The state treasurer shall determine the
14 format of the report. The state treasurer shall make the reports available to the public
15 on the state treasurer's website.

16 **SECTION 8.** A new section to chapter 21-10 of the North Dakota Century Code is created
17 and enacted as follows:

18 **Legacy project fund.**

- 19 1. There is created in the state treasury the legacy project fund. The fund consists of all
20 moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be
21 spent pursuant to legislative appropriations for projects and infrastructure. Funding
22 designated for projects must be used to support statewide economic diversification
23 and growth. Funding designated for infrastructure must be used to support one-time
24 infrastructure with a statewide benefit.
25 2. If a political subdivision receives funding from the legacy project fund, the political
26 subdivision shall provide a report to the state treasurer by May thirtieth of each
27 even-numbered year on the use of the funding. The state treasurer shall determine the
28 format of the report. The state treasurer shall make the reports available to the public
29 on the state treasurer's website.

1 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of
2 management and budget for administrative expenses related to the legacy project
3 advisory board.

4 **SECTION 9.** A new section to chapter 21-10 of the North Dakota Century Code is created
5 and enacted as follows:

6 **Legacy project advisory board- Report to legislative assembly.**

7 1. The legacy project advisory board consists of:

8 a. The governor or the the governor's designee, to serve as chairman;

9 b. The majority and minority leaders of the house of representatives and senate, or
10 their legislative designees;

11 c. The chairmen of the appropriations committees of the house of representatives
12 and the senate, or their legislative designees;

13 d. The chairmen of the finance and taxation standing committees of the house of
14 representatives and the senate, or their legislative designees;

15 e. One member appointed by the North Dakota petroleum council;

16 f. One member appointed by the greater North Dakota chamber of commerce;

17 g. One member appointed by the agriculture commissioner; and

18 h. Three members appointed by the governor.

19 2. The advisory board shall meet at least once per biennium. The office of management
20 and budget shall provide administrative services to the advisory board.

21 3. The advisory board shall submit a report to the legislative assembly regarding
22 recommendations for projects and infrastructure under the legacy project fund.

23 4. The advisory board may not include a recommendation in the report to the legislative
24 assembly unless the recommendation fulfills the purposes of the legacy project fund
25 under section 8 of this Act and is approved by a majority of the members of the
26 advisory board.

27 **SECTION 10.** A new section to chapter 54-60 of the North Dakota Century Code is created
28 and enacted as follows:

29 **Innovative research and economic diversification fund.**

30 There is created in the state treasury the innovative research and economic diversification
31 fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys

1 in the fund may be spent pursuant to legislative appropriations with seventy percent designated
2 for the lignite research council, the oil and gas research council, and other research councils
3 and thirty percent designated for tourism initiatives.

4 **SECTION 11. LEGISLATIVE INTENT.** It is the intent of the sixty-seventh legislative
5 assembly that the sixty-eighth legislative assembly consider additional allocations from the
6 legacy earnings fund, including allocations to ~~the highway tax distribution fund,~~ value-added
7 agricultural programs, ~~the innovation loan fund to support technology advancement,~~ state
8 building maintenance and improvements, and for other one-time initiatives and projects,
9 including initiatives and projects to diversify the state's economy, and to improve the efficiency
10 and effectiveness of state government, ~~and to reduce ongoing general fund appropriations of~~
11 ~~state agencies.~~

12 **SECTION 12. EFFECTIVE DATE.** This Act becomes effective on August 1, 2021.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

In lieu of the amendments adopted by the Senate as printed on pages 1033 through 1037 of the Senate Journal, Engrossed House Bill No. 1380 is amended as follows:

Page 1, line 1, after "enact" insert "a new section to chapter 6-09,"

Page 1, line 1, after "6-09.4" insert ", a new section to chapter 15-20.1"

Page 1, line 1, replace the second "a" with "four"

Page 1, line 1, replace the second "section" with "sections"

Page 1, line 2, replace "57-38" with "54-60"

Page 1, line 2, after the second "to" insert "an economic diversification research fund,"

Page 1, line 3, after "fund" insert ", a workforce development and enrichment fund"

Page 1, line 3, after the second "fund" insert ", a legacy infrastructure fund, a legacy project fund, a legacy project advisory board"

Page 1, line 3, replace "income tax relief" with "innovative research and economic development"

Page 1, line 4, after "reenact" insert "subsection 1 of section 21-10-06 and"

Page 1, line 4, after "to" insert "funds invested by the state investment board and"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, after line 6, insert:

"**SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Economic diversification research fund - Economic diversification research committee - Legislative management report.

1. There is created in the state treasury the economic diversification research fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent by the Bank of North Dakota pursuant to legislative appropriations to provide grants to institutions under the control of the state board of higher education for economic diversification research.
2. The economic diversification research committee consists of:
 - a. The president of the Bank of North Dakota, as chairman;
 - b. Four members with experience in research or venture capital appointed by the president of the Bank of North Dakota;

- c. The state commissioner of higher education, or a designee; and
 - d. The president of North Dakota state university and the president of the university of North Dakota.
3. In consultation with representatives of North Dakota state university and the university of North Dakota, the committee shall award grants to institutions under the control of the state board of higher education. Up to ninety percent of the funding must be awarded to North Dakota state university and the university of North Dakota with equal amounts awarded to each institution. The remaining funding must be awarded to the other institutions under the control of the state board of higher education, as determined by the committee. The committee may not award more than fifty percent of the available funding during the first year of the biennium. The Bank of North Dakota shall distribute the grant funding as awarded by the committee.
4. The committee shall develop guidelines for the economic diversification research grants. The purpose of the grants is to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; to address loss of revenue and jobs in communities with economies that depend primarily on the fossil fuel industry; and to provide experiential learning opportunities for students. Research projects may be initiated by an institution under the control of the state board of higher education or by the private sector. The guidelines must include consideration for research projects with matching funds and provisions for grant oversight by an internal advisory committee and an external advisory committee.
5. The committee shall develop reporting requirements for the institutions under the control of the state board of higher education. The reporting requirements must include criteria for assessing performance outcomes related to the grants. The committee shall compile the reports and shall submit a comprehensive report annually to the legislative management. The comprehensive report must include information on how the research efforts by each institution align with the state's priorities, how the institutions collaborate when appropriate, and how the outcomes of the research meet established performance expectations."

Page 1, line 12, replace "3" with "6"

Page 1, line 14, after "authority" insert "for transfer to the Bank of North Dakota for allocations to infrastructure projects and programs and the clean sustainable energy fund"

Page 1, line 15 replace "necessary" with "appropriated from the fund"

Page 1, line 15, remove the underscored comma

Page 1, after line 16, insert:

"SECTION 3. A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Workforce development and enrichment fund.

1. There is created in the state treasury the workforce development and enrichment fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to provide grants to support:
 - a. Strategic workforce development;
 - b. Technical education;
 - c. Workforce diversification initiatives; and
 - d. Workforce guidance and support.
2. Grant funding may be awarded only for one-time projects and initiatives.
3. Grants awarded for capital projects must have a matching requirement.
4. Twenty-five percent of the moneys in the fund must be designated to support workforce initiatives in communities with economies that depend primarily on the oil and gas industry.

SECTION 4. AMENDMENT. Subsection 1 of section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:
 - a. State bonding fund.
 - b. Teachers' fund for retirement.
 - c. State fire and tornado fund.
 - d. Workforce safety and insurance fund.
 - e. Public employees retirement system.
 - f. Insurance regulatory trust fund.
 - g. State risk management fund.
 - h. Budget stabilization fund.
 - i. Health care trust fund.
 - j. Cultural endowment fund.
 - k. Petroleum tank release compensation fund.
 - l. Legacy fund.
 - m. Legacy earnings fund.
 - n. A fund under contract with the board pursuant to subsection 3."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "eight"

Page 2, line 25, replace "5." with "4."

Page 2, remove lines 28 through 30

Page 3, replace lines 1 through 11 with:

- "a. Twenty percent, with a minimum of one hundred million dollars, to a sinking and interest fund, of which:
 - (1) An amount equal to any bond payments appropriated by the most recently adjourned special or regular session of the legislative assembly from the legacy sinking and interest fund, with a minimum of one hundred million dollars, must be transferred to the legacy sinking and interest fund under section 2 of this Act; and
 - (2) Any remaining amounts under this subdivision are available for other purposes designated by the legislative assembly;
- b. Twenty-five percent to infrastructure funds, of which:
 - (1) Forty-five percent must be transferred to the highway tax distribution fund for allocations under section 54-27-19;
 - (2) Five percent to the state park fund under section 55-08-07 for state park construction and improvement projects and other state park initiatives designated by the legislative assembly; and
 - (3) The remaining amount to the legacy infrastructure fund under section 7 of this Act;
- c. Twenty-five percent to research and economic development funds, of which:
 - (1) Thirty percent must be transferred to the clean sustainable energy fund;
 - (2) Thirty percent must be transferred to the economic diversification research fund under section 1 of this Act;
 - (3) Thirty percent must be transferred to the innovation loan fund to support technology advancement under section 6-09.18-05; and
 - (4) The remaining amount must be transferred to the innovative research and economic diversification fund;
- d. Ten percent to the legacy project fund under section 8 of this Act;
- e. Eight percent to the workforce development and enrichment fund under section 3 of this Act; and
- f. The remaining amount for other purposes designated by the legislative assembly.

SECTION 7. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy infrastructure fund.

1. There is created in the state treasury the legacy infrastructure fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects.
2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.

SECTION 8. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project fund.

1. There is created in the state treasury the legacy project fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations for projects and infrastructure. Funding designated for projects must be used to support statewide economic diversification and growth. Funding designated for infrastructure must be used to support one-time infrastructure with a statewide benefit.
2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.
3. Up to one hundred thousand dollars per biennium may be appropriated to the office of management and budget for administrative expenses related to the legacy project advisory board.

SECTION 9. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project advisory board - Report to legislative assembly.

1. The legacy project advisory board consists of:
 - a. The governor or the the governor's designee, to serve as chairman;
 - b. The majority and minority leaders of the house of representatives and senate, or their legislative designees;
 - c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;

- d. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;
 - e. One member appointed by the North Dakota petroleum council;
 - f. One member appointed by the greater North Dakota chamber of commerce;
 - g. One member appointed by the agriculture commissioner; and
 - h. Three members appointed by the governor.
2. The advisory board shall meet at least once per biennium. The office of management and budget shall provide administrative services to the advisory board.
 3. The advisory board shall submit a report to the legislative assembly regarding recommendations for projects and infrastructure under the legacy project fund.
 4. The advisory board may not include a recommendation in the report to the legislative assembly unless the recommendation fulfills the purposes of the legacy project fund under section 8 of this Act and is approved by a majority of the members of the advisory board.

SECTION 10. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Innovative research and economic diversification fund.

There is created in the state treasury the innovative research and economic diversification fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations with seventy percent designated for the lignite research council, the oil and gas research council, and other research councils and thirty percent designated for tourism initiatives."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, line 15, remove "the innovation loan fund to support technology advancement,"

Page 3, line 17, after the comma insert "and"

Page 3, line 18, remove ", and to reduce ongoing general fund appropriations of state"

Page 3, line 19, remove "agencies"

Page 3, after line 19, insert:

"SECTION 12. EFFECTIVE DATE. This section becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Compared to the previous amendment adopted by the Senate, this amendment:

- Clarifies the bond payments designated for repayment from a newly created legacy sinking and interest fund;

- Designates 25 percent from a newly created workforce development and enrichment fund to communities with economies that depend primarily on the oil and gas industry;
- Authorizes the State Investment Board to invest moneys in the newly created legacy earnings fund;
- Decreases the allocation to a legacy sinking and interest fund by 10 percent, from 30 percent to 20 percent;
- Removes an allocation to the Public Employee Retirement System main system plan;
- Designates, from an allocation for research and economic development, 30 percent to a clean sustainable energy fund, 30 percent to an economic diversification research fund, and 30 percent to the innovation loan fund to support technology advancement;
- Increases the allocation to a workforce development and enrichment fund by 3 percent, from 5 percent to 8 percent; and
- Designates, from an innovative research and economic diversification fund, 70 percent for research councils and 30 percent for tourism initiatives.

April 8, 2021

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

In lieu of the amendments adopted by the Senate as printed on page 1033 through 1037 of the Senate Journal, Engrossed House Bill No. 1380 is amended as follows:

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

Page 1, line 2, remove ", and a new section to chapter 57-38"

Page 1, line 2, remove the second "a"

Page 1, line 3, remove "legacy sinking and interest fund,"

Page 1, line 3, remove ", and an income tax relief fund"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, remove lines 7 through 16

Page 2, remove lines 12 through 30

Page 3, remove lines 1 through 11

Page 3, line 12, after "INTENT" insert "- LEGACY FUND EARNINGS COMMITTEE"

Page 3, line 13, remove "sixty-eighth legislative assembly consider additional allocations from the"

Page 3, replace lines 14 through 19 with "interim legacy fund earnings committee, which is created by House Bill No. 1038 as approved by the sixty-seventh legislative assembly, continue to study potential uses of legacy fund earnings during the 2021-22 interim. It is further the intent of the sixty-seventh legislative assembly that the interim legacy fund earnings committee develop recommendations for uses of legacy fund earnings for submission to the sixty-eighth legislative assembly.

SECTION 4. EFFECTIVE DATE. This Act becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the allocation of legacy fund earnings to various state funds and provides a statement of legislative intent for the interim Legacy Fund Earnings Committee to continue studying potential uses of legacy fund earnings.

2021 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1380
4/12/2021
Senate Appropriations Sub-committee

Relating to a legacy sinking and interest fund, a legacy earnings fund, and an income tax relief fund.

Senator Holmberg opened the hearing at 9:29 AM.

Senators present: **Sorvaag, Holmberg and Heckaman.**

Discussion Topics:

- Explanation of Amendment
- Behavioral Health
- Legacy Fund Earnings

Senator Sorvaag presented and moved Amendment LC 21.0218.06009 - #11484, #11485 and #11489.

Senator Poolman second.

Senators		Senators	
<i>Senator Holmberg</i>	Y	<i>Senator Hogue</i>	Y
<i>Senator Krebsbach</i>	Y	<i>Senator Oehlke</i>	Y
<i>Senator Wanzek</i>	Y	<i>Senator Poolman</i>	Y
<i>Senator Bekkedahl</i>	Y	<i>Senator Rust</i>	Y
<i>Senator Davison</i>	Y	<i>Senator Sorvaag</i>	Y
<i>Senator Dever</i>	Y	<i>Senator Heckaman</i>	N
<i>Senator Erbele</i>	Y	<i>Senator Mathern</i>	N

Roll Call vote - 12-2-0. Motion passed.

Senator Heckaman presented and moved amendment LC 21.0218.06006 - #11474.

Senator Mathern second.

Senators		Senators	
<i>Senator Holmberg</i>	N	<i>Senator Hogue</i>	N
<i>Senator Krebsbach</i>	N	<i>Senator Oehlke</i>	N
<i>Senator Wanzek</i>	N	<i>Senator Poolman</i>	N
<i>Senator Bekkedahl</i>	N	<i>Senator Rust</i>	N
<i>Senator Davison</i>	N	<i>Senator Sorvaag</i>	N
<i>Senator Dever</i>	N	<i>Senator Heckaman</i>	Y
<i>Senator Erbele</i>	N	<i>Senator Mathern</i>	Y

Roll Call vote 2-12-0. Motion failed.

Senator Sorvaag moved Do Pass as Amended on HB 1380.
Senator Wanzek second.

Senators		Senators	
<i>Senator Holmberg</i>	Y	<i>Senator Hogue</i>	Y
<i>Senator Krebsbach</i>	Y	<i>Senator Oehlke</i>	Y
<i>Senator Wanzek</i>	Y	<i>Senator Poolman</i>	Y
<i>Senator Bekkedahl</i>	Y	<i>Senator Rust</i>	Y
<i>Senator Davison</i>	Y	<i>Senator Sorvaag</i>	Y
<i>Senator Dever</i>	Y	<i>Senator Heckaman</i>	Y
<i>Senator Erbele</i>	Y	<i>Senator Mathern</i>	Y

Roll Call vote - 14-0-0. Motion passed.

Senator Holmberg closed the hearing at 10:01 AM.

Rose Laning, Committee Clerk

April 9, 2021

JK
10/27
4/12

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

In lieu of the amendments adopted by the Senate as printed on pages 1033 through 1037 of the Senate Journal, Engrossed House Bill No. 1380 is amended as follows:

Page 1, line 1, after "enact" insert "a new section to chapter 6-09,"

Page 1, line 1, after "6-09.4" insert ", a new section to chapter 15-20.1"

Page 1, line 1, replace the second "a" with "four"

Page 1, line 1, replace the second "section" with "sections"

Page 1, line 2, replace "57-38" with "54-60"

Page 1, line 2, after the second "to" insert "an economic diversification research fund,"

Page 1, line 3, after the first "fund" insert ", a workforce development and enrichment fund"

Page 1, line 3, after the second "fund" insert ", a legacy infrastructure fund, a legacy project fund, a legacy project advisory board"

Page 1, line 3, replace "income tax relief" with "innovative research and economic development"

Page 1, line 4, after "reenact" insert "subsection 1 of section 21-10-06 and"

Page 1, line 4, after "to" insert "funds invested by the state investment board and"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, after line 6, insert:

"SECTION 1. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Economic diversification research fund - Economic diversification research committee - Legislative management report.

1. There is created in the state treasury the economic diversification research fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent by the Bank of North Dakota pursuant to legislative appropriations to provide grants to institutions under the control of the state board of higher education for economic diversification research.
2. The economic diversification research committee consists of:
 - a. The president of the Bank of North Dakota, as chairman;
 - b. Four members with experience in research or venture capital appointed by the president of the Bank of North Dakota;

- c. The state commissioner of higher education, or a designee; and
 - d. The president of North Dakota state university and the president of the university of North Dakota.
3. In consultation with representatives of North Dakota state university and the university of North Dakota, the committee shall award grants to institutions under the control of the state board of higher education. Up to ninety percent of the funding must be awarded to North Dakota state university and the university of North Dakota with equal amounts awarded to each institution. The remaining funding must be awarded to the other institutions under the control of the state board of higher education, as determined by the committee. The committee may not award more than fifty percent of the available funding during the first year of the biennium. The Bank of North Dakota shall distribute the grant funding as awarded by the committee.
 4. The committee shall develop guidelines for the economic diversification research grants. The purpose of the grants is to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; to address loss of revenue and jobs in communities with economies that depend primarily on the fossil fuel industry; and to provide experiential learning opportunities for students. Research projects may be initiated by an institution under the control of the state board of higher education or by the private sector. The guidelines must include consideration for research projects with matching funds and provisions for grant oversight by an internal advisory committee and an external advisory committee.
 5. The committee shall develop reporting requirements for the institutions under the control of the state board of higher education. The reporting requirements must include criteria for assessing performance outcomes related to the grants. The committee shall compile the reports and shall submit a comprehensive report annually to the legislative management. The comprehensive report must include information on how the research efforts by each institution align with the state's priorities, how the institutions collaborate when appropriate, and how the outcomes of the research meet established performance expectations."

Page 1, line 12, replace "3" with "6"

Page 1, line 14, after "authority" insert "for transfer to the Bank of North Dakota for allocations to infrastructure projects and programs and the clean sustainable energy fund"

Page 1, line 15 replace "necessary" with "appropriated from the fund"

Page 1, line 15, remove the underscored comma

Page 1, after line 16, insert:

"SECTION 3. A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Workforce development and enrichment fund.

1. There is created in the state treasury the workforce development and enrichment fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to provide grants to support:
 - a. Strategic workforce development;
 - b. Technical education;
 - c. Workforce diversification initiatives; and
 - d. Workforce guidance and support.
2. Grant funding may be awarded only for one-time projects and initiatives.
3. Grants awarded for capital projects must have a matching requirement.
4. Thirty percent of the moneys in the fund must be designated to support workforce initiatives in cities located in oil-producing counties that receive five million dollars or more of allocations per fiscal year under subsection 2 of section 57-51-15 with priority given to cities that have:
 - a. The highest percent of mining, quarrying, and oil and gas extraction employment relative to the total employment of all industries in the city;
 - b. The highest number of employees in the mining, quarrying, and oil and gas extraction sector relative to the other cities located in oil-producing counties that receive five million dollars or more of allocations per fiscal year under subsection 2 of section 57-51-15; and
 - c. The highest total taxable sales and purchases relative to the total taxable sales and purchases of all the cities located in oil-producing counties that receive five million dollars or more of allocations per fiscal year under subsection 2 of section 57-51-15.

SECTION 4. AMENDMENT. Subsection 1 of section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:
 - a. State bonding fund.
 - b. Teachers' fund for retirement.
 - c. State fire and tornado fund.
 - d. Workforce safety and insurance fund.
 - e. Public employees retirement system.
 - f. Insurance regulatory trust fund.
 - g. State risk management fund.
 - h. Budget stabilization fund.

- i. Health care trust fund.
- j. Cultural endowment fund.
- k. Petroleum tank release compensation fund.
- l. Legacy fund.
- m. Legacy earnings fund.
- n. A fund under contract with the board pursuant to subsection 3."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "eight"

Page 2, line 25, replace "5." with "4."

Page 2, remove lines 28 through 30

Page 3, replace lines 1 through 11 with:

- "a. Twenty percent, with a minimum of one hundred million dollars, to a sinking and interest fund, of which:
 - (1) An amount equal to any bond payments appropriated by the most recently adjourned special or regular session of the legislative assembly from the legacy sinking and interest fund, with a minimum of one hundred million dollars, must be transferred to the legacy sinking and interest fund under section 2 of this Act; and
 - (2) Any remaining amounts under this subdivision are available for other purposes designated by the legislative assembly;
- b. Twenty-five percent to infrastructure funds, of which:
 - (1) Forty-five percent must be transferred to the highway tax distribution fund for allocations under section 54-27-19;
 - (2) Five percent to the state park fund under section 55-08-07 for state park construction and improvement projects and other state park initiatives designated by the legislative assembly; and
 - (3) The remaining amount to the legacy infrastructure fund under section 7 of this Act;
- c. Twenty-five percent to research and economic development funds, of which:
 - (1) Thirty percent must be transferred to the clean sustainable energy fund;
 - (2) Thirty percent must be transferred to the economic diversification research fund under section 1 of this Act;

- (3) Thirty percent must be transferred to the innovation loan fund to support technology advancement under section 6-09.18-05; and
- (4) The remaining amount must be transferred to the innovative research and economic diversification fund;
- d. Ten percent to the legacy project fund under section 8 of this Act;
- e. Eight percent to the workforce development and enrichment fund under section 3 of this Act; and
- f. The remaining amount for other purposes designated by the legislative assembly.

SECTION 7. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy infrastructure fund.

- 1. There is created in the state treasury the legacy infrastructure fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects.
- 2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.

SECTION 8. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project fund.

- 1. There is created in the state treasury the legacy project fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations for projects and infrastructure. Funding designated for projects must be used to support statewide economic diversification and growth. Funding designated for infrastructure must be used to support one-time infrastructure with a statewide benefit.
- 2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.
- 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of management and budget for administrative expenses related to the legacy project advisory board.

SECTION 9. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project advisory board - Report to legislative assembly.

1. The legacy project advisory board consists of:
 - a. The governor or the the governor's designee, to serve as chairman;
 - b. The majority and minority leaders of the house of representatives and senate, or their legislative designees;
 - c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;
 - d. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;
 - e. One member appointed by the North Dakota petroleum council;
 - f. One member appointed by the greater North Dakota chamber of commerce;
 - g. One member appointed by the agriculture commissioner; and
 - h. Three members appointed by the governor.
2. The advisory board shall meet at least once per biennium. The office of management and budget shall provide administrative services to the advisory board.
3. The advisory board shall submit a report to the legislative assembly regarding recommendations for projects and infrastructure under the legacy project fund.
4. The advisory board may not include a recommendation in the report to the legislative assembly unless the recommendation fulfills the purposes of the legacy project fund under section 8 of this Act and is approved by a majority of the members of the advisory board.

SECTION 10. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Innovative research and economic diversification fund.

There is created in the state treasury the innovative research and economic diversification fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations with seventy percent designated for the lignite research council, the oil and gas research council, and other research councils and thirty percent designated for tourism initiatives."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, line 15, remove "the innovation loan fund to support technology advancement,"

Page 3, line 17, after the comma insert "and"

Page 3, line 18, remove ", and to reduce ongoing general fund appropriations of state"

Page 3, line 19, remove "agencies"

Page 3, after line 19, insert:

7/5/21

"SECTION 12. EFFECTIVE DATE. This section becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Compared to the previous amendment adopted by the Senate, this amendment:

- Clarifies the bond payments designated for repayment from a newly created legacy sinking and interest fund;
- Designates 30 percent from a newly created workforce development and enrichment fund to cities with economies that depend primarily on the oil and gas industry;
- Authorizes the State Investment Board to invest money in the newly created legacy earnings fund;
- Decreases the allocation to a legacy sinking and interest fund by 10 percent, from 30 to 20 percent;
- Removes an allocation to the Public Employee Retirement System main system plan;
- Designates, from an allocation for research and economic development, 30 percent to a clean sustainable energy fund, 30 percent to an economic diversification research fund, and 30 percent to the innovation loan fund to support technology advancement;
- Increases the allocation to a workforce development and enrichment fund by 3 percent, from 5 to 8 percent; and
- Designates, from an innovative research and economic diversification fund, 70 percent for research councils and 30 percent for tourism initiatives.

REPORT OF STANDING COMMITTEE

HB 1380, as engrossed and amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1380, as amended, was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the Senate as printed on pages 1033 through 1037 of the Senate Journal, Engrossed House Bill No. 1380 is amended as follows:

Page 1, line 1, after "enact" insert "a new section to chapter 6-09,"

Page 1, line 1, after "6-09.4" insert ", a new section to chapter 15-20.1"

Page 1, line 1, replace the second "a" with "four"

Page 1, line 1, replace the second "section" with "sections"

Page 1, line 2, replace "57-38" with "54-60"

Page 1, line 2, after the second "to" insert "an economic diversification research fund,"

Page 1, line 3, after the first "fund" insert ", a workforce development and enrichment fund"

Page 1, line 3, after the second "fund" insert ", a legacy infrastructure fund, a legacy project fund, a legacy project advisory board"

Page 1, line 3, replace "income tax relief" with "innovative research and economic development"

Page 1, line 4, after "reenact" insert "subsection 1 of section 21-10-06 and"

Page 1, line 4, after "to" insert "funds invested by the state investment board and"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, after line 6, insert:

"SECTION 1. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Economic diversification research fund - Economic diversification research committee - Legislative management report.

1. There is created in the state treasury the economic diversification research fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent by the Bank of North Dakota pursuant to legislative appropriations to provide grants to institutions under the control of the state board of higher education for economic diversification research.
2. The economic diversification research committee consists of:
 - a. The president of the Bank of North Dakota, as chairman;
 - b. Four members with experience in research or venture capital appointed by the president of the Bank of North Dakota;
 - c. The state commissioner of higher education, or a designee; and

- d. The president of North Dakota state university and the president of the university of North Dakota.
3. In consultation with representatives of North Dakota state university and the university of North Dakota, the committee shall award grants to institutions under the control of the state board of higher education. Up to ninety percent of the funding must be awarded to North Dakota state university and the university of North Dakota with equal amounts awarded to each institution. The remaining funding must be awarded to the other institutions under the control of the state board of higher education, as determined by the committee. The committee may not award more than fifty percent of the available funding during the first year of the biennium. The Bank of North Dakota shall distribute the grant funding as awarded by the committee.
4. The committee shall develop guidelines for the economic diversification research grants. The purpose of the grants is to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; to address loss of revenue and jobs in communities with economies that depend primarily on the fossil fuel industry; and to provide experiential learning opportunities for students. Research projects may be initiated by an institution under the control of the state board of higher education or by the private sector. The guidelines must include consideration for research projects with matching funds and provisions for grant oversight by an internal advisory committee and an external advisory committee.
5. The committee shall develop reporting requirements for the institutions under the control of the state board of higher education. The reporting requirements must include criteria for assessing performance outcomes related to the grants. The committee shall compile the reports and shall submit a comprehensive report annually to the legislative management. The comprehensive report must include information on how the research efforts by each institution align with the state's priorities, how the institutions collaborate when appropriate, and how the outcomes of the research meet established performance expectations."

Page 1, line 12, replace "3" with "6"

Page 1, line 14, after "authority" insert "for transfer to the Bank of North Dakota for allocations to infrastructure projects and programs and the clean sustainable energy fund"

Page 1, line 15 replace "necessary" with "appropriated from the fund"

Page 1, line 15, remove the underscored comma

Page 1, after line 16, insert:

"SECTION 3. A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Workforce development and enrichment fund.

1. There is created in the state treasury the workforce development and enrichment fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to provide grants to support:
 - a. Strategic workforce development;

- b. Technical education;
 - c. Workforce diversification initiatives; and
 - d. Workforce guidance and support.
- 2. Grant funding may be awarded only for one-time projects and initiatives.
 - 3. Grants awarded for capital projects must have a matching requirement.
 - 4. Thirty percent of the moneys in the fund must be designated to support workforce initiatives in cities located in oil-producing counties that receive five million dollars or more of allocations per fiscal year under subsection 2 of section 57-51-15 with priority given to cities that have:
 - a. The highest percent of mining, quarrying, and oil and gas extraction employment relative to the total employment of all industries in the city;
 - b. The highest number of employees in the mining, quarrying, and oil and gas extraction sector relative to the other cities located in oil-producing counties that receive five million dollars or more of allocations per fiscal year under subsection 2 of section 57-51-15; and
 - c. The highest total taxable sales and purchases relative to the total taxable sales and purchases of all the cities located in oil-producing counties that receive five million dollars or more of allocations per fiscal year under subsection 2 of section 57-51-15.

SECTION 4. AMENDMENT. Subsection 1 of section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

- 1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:
 - a. State bonding fund.
 - b. Teachers' fund for retirement.
 - c. State fire and tornado fund.
 - d. Workforce safety and insurance fund.
 - e. Public employees retirement system.
 - f. Insurance regulatory trust fund.
 - g. State risk management fund.
 - h. Budget stabilization fund.
 - i. Health care trust fund.
 - j. Cultural endowment fund.
 - k. Petroleum tank release compensation fund.
 - l. Legacy fund.
 - m. Legacy earnings fund.

n. A fund under contract with the board pursuant to subsection 3."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "eight"

Page 2, line 25, replace "5." with "4."

Page 2, remove lines 28 through 30

Page 3, replace lines 1 through 11 with:

"a. Twenty percent, with a minimum of one hundred million dollars, to a sinking and interest fund, of which:

(1) An amount equal to any bond payments appropriated by the most recently adjourned special or regular session of the legislative assembly from the legacy sinking and interest fund, with a minimum of one hundred million dollars, must be transferred to the legacy sinking and interest fund under section 2 of this Act; and

(2) Any remaining amounts under this subdivision are available for other purposes designated by the legislative assembly;

b. Twenty-five percent to infrastructure funds, of which:

(1) Forty-five percent must be transferred to the highway tax distribution fund for allocations under section 54-27-19;

(2) Five percent to the state park fund under section 55-08-07 for state park construction and improvement projects and other state park initiatives designated by the legislative assembly; and

(3) The remaining amount to the legacy infrastructure fund under section 7 of this Act;

c. Twenty-five percent to research and economic development funds, of which:

(1) Thirty percent must be transferred to the clean sustainable energy fund;

(2) Thirty percent must be transferred to the economic diversification research fund under section 1 of this Act;

(3) Thirty percent must be transferred to the innovation loan fund to support technology advancement under section 6-09.18-05; and

(4) The remaining amount must be transferred to the innovative research and economic diversification fund;

d. Ten percent to the legacy project fund under section 8 of this Act;

- e. Eight percent to the workforce development and enrichment fund under section 3 of this Act; and
- f. The remaining amount for other purposes designated by the legislative assembly.

SECTION 7. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy infrastructure fund.

- 1. There is created in the state treasury the legacy infrastructure fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects.
- 2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.

SECTION 8. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project fund.

- 1. There is created in the state treasury the legacy project fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations for projects and infrastructure. Funding designated for projects must be used to support statewide economic diversification and growth. Funding designated for infrastructure must be used to support one-time infrastructure with a statewide benefit.
- 2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.
- 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of management and budget for administrative expenses related to the legacy project advisory board.

SECTION 9. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project advisory board - Report to legislative assembly.

- 1. The legacy project advisory board consists of:
 - a. The governor or the the governor's designee, to serve as chairman;
 - b. The majority and minority leaders of the house of representatives and senate, or their legislative designees;
 - c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;

- d. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;
 - e. One member appointed by the North Dakota petroleum council;
 - f. One member appointed by the greater North Dakota chamber of commerce;
 - g. One member appointed by the agriculture commissioner; and
 - h. Three members appointed by the governor.
2. The advisory board shall meet at least once per biennium. The office of management and budget shall provide administrative services to the advisory board.
 3. The advisory board shall submit a report to the legislative assembly regarding recommendations for projects and infrastructure under the legacy project fund.
 4. The advisory board may not include a recommendation in the report to the legislative assembly unless the recommendation fulfills the purposes of the legacy project fund under section 8 of this Act and is approved by a majority of the members of the advisory board.

SECTION 10. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Innovative research and economic diversification fund.

There is created in the state treasury the innovative research and economic diversification fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations with seventy percent designated for the lignite research council, the oil and gas research council, and other research councils and thirty percent designated for tourism initiatives."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, line 15, remove "the innovation loan fund to support technology advancement,"

Page 3, line 17, after the comma insert "and"

Page 3, line 18, remove ", and to reduce ongoing general fund appropriations of state"

Page 3, line 19, remove "agencies"

Page 3, after line 19, insert:

"SECTION 12. EFFECTIVE DATE. This section becomes effective on August 1, 2021."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Compared to the previous amendment adopted by the Senate, this amendment:

- Clarifies the bond payments designated for repayment from a newly created legacy sinking and interest fund;
- Designates 30 percent from a newly created workforce development and enrichment fund to cities with economies that depend primarily on the oil and gas industry;
- Authorizes the State Investment Board to invest money in the newly created legacy

earnings fund;

- Decreases the allocation to a legacy sinking and interest fund by 10 percent, from 30 to 20 percent;
- Removes an allocation to the Public Employee Retirement System main system plan;
- Designates, from an allocation for research and economic development, 30 percent to a clean sustainable energy fund, 30 percent to an economic diversification research fund, and 30 percent to the innovation loan fund to support technology advancement;
- Increases the allocation to a workforce development and enrichment fund by 3 percent, from 5 to 8 percent; and
- Designates, from an innovative research and economic diversification fund, 70 percent for research councils and 30 percent for tourism initiatives.

April 9, 2021

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

In lieu of the amendments adopted by the Senate as printed on pages 1033 through 1037 of the Senate Journal, Engrossed House Bill No. 1380 is amended as follows:

Page 1, line 1, after "enact" insert "a new section to chapter 6-09,"

Page 1, line 1, after "6-09.4" insert ", a new section to chapter 15-20.1"

Page 1, line 1, replace the second "a" with "four"

Page 1, line 1, replace the second "section" with "sections"

Page 1, line 2, replace "57-38" with "54-60"

Page 1, line 2, after the second "to" insert "an economic diversification research fund,"

Page 1, line 3, after "fund" insert ", a workforce development and enrichment fund"

Page 1, line 3, after the second "fund" insert ", a legacy infrastructure fund, a legacy project fund, a legacy project advisory board"

Page 1, line 3, replace "income tax relief" with "innovative research and economic development"

Page 1, line 4, after "reenact" insert "subsection 1 of section 21-10-06 and"

Page 1, line 4, after "to" insert "funds invested by the state investment board and"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, after line 6, insert:

"SECTION 1. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Economic diversification research fund - Economic diversification research committee - Legislative management report.

1. There is created in the state treasury the economic diversification research fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent by the Bank of North Dakota pursuant to legislative appropriations to provide grants to institutions under the control of the state board of higher education for economic diversification research.
2. The economic diversification research committee consists of:
 - a. The president of the Bank of North Dakota, as chairman;
 - b. Four members with experience in research or venture capital appointed by the president of the Bank of North Dakota;

- c. The state commissioner of higher education, or a designee; and
 - d. The president of North Dakota state university and the president of the university of North Dakota.
3. In consultation with representatives of North Dakota state university and the university of North Dakota, the committee shall award grants to institutions under the control of the state board of higher education. Up to ninety percent of the funding must be awarded to North Dakota state university and the university of North Dakota with equal amounts awarded to each institution. The remaining funding must be awarded to the other institutions under the control of the state board of higher education, as determined by the committee. The committee may not award more than fifty percent of the available funding during the first year of the biennium. The Bank of North Dakota shall distribute the grant funding as awarded by the committee.
 4. The committee shall develop guidelines for the economic diversification research grants. The purpose of the grants is to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; to address loss of revenue and jobs in communities with economies that depend primarily on the fossil fuel industry; and to provide experiential learning opportunities for students. Research projects may be initiated by an institution under the control of the state board of higher education or by the private sector. The guidelines must include consideration for research projects with matching funds and provisions for grant oversight by an internal advisory committee and an external advisory committee.
 5. The committee shall develop reporting requirements for the institutions under the control of the state board of higher education. The reporting requirements must include criteria for assessing performance outcomes related to the grants. The committee shall compile the reports and shall submit a comprehensive report annually to the legislative management. The comprehensive report must include information on how the research efforts by each institution align with the state's priorities, how the institutions collaborate when appropriate, and how the outcomes of the research meet established performance expectations."

Page 1, line 12, replace "3" with "6"

Page 1, line 14, after "authority" insert "for transfer to the Bank of North Dakota for allocations to infrastructure projects and programs and the clean sustainable energy fund"

Page 1, line 15 replace "necessary" with "appropriated from the fund"

Page 1, line 15, remove the underscored comma

Page 1, after line 16, insert:

"SECTION 3. A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Workforce development and enrichment fund.

1. There is created in the state treasury the workforce development and enrichment fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to provide grants to support:
 - a. Strategic workforce development;
 - b. Technical education;
 - c. Workforce diversification initiatives; and
 - d. Workforce guidance and support.
2. Grant funding may be awarded only for one-time projects and initiatives.
3. Grants awarded for capital projects must have a matching requirement.
4. Thirty percent of the moneys in the fund must be designated to support workforce initiatives in cities located in oil-producing counties that receive five million dollars or more of allocations per fiscal year under subsection 2 of section 57-51-15 with priority given to cities that have:
 - a. The highest percent of mining, quarrying, and oil and gas extraction employment relative to the total employment of all industries in the city;
 - b. The highest number of employees in the mining, quarrying, and oil and gas extraction sector relative to the other cities located in oil-producing counties that receive five million dollars or more of allocations per fiscal year under subsection 2 of section 57-51-15; and
 - c. The highest total taxable sales and purchases relative to the total taxable sales and purchases of all the cities located in oil-producing counties that receive five million dollars or more of allocations per fiscal year under subsection 2 of section 57-51-15.

SECTION 4. AMENDMENT. Subsection 1 of section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:
 - a. State bonding fund.
 - b. Teachers' fund for retirement.
 - c. State fire and tornado fund.
 - d. Workforce safety and insurance fund.
 - e. Public employees retirement system.
 - f. Insurance regulatory trust fund.
 - g. State risk management fund.
 - h. Budget stabilization fund.

- i. Health care trust fund.
- j. Cultural endowment fund.
- k. Petroleum tank release compensation fund.
- l. Legacy fund.
- m. Legacy earnings fund.
- n. A fund under contract with the board pursuant to subsection 3."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "eight"

Page 2, line 25, replace "5." with "4."

Page 2, remove lines 28 through 30

Page 3, replace lines 1 through 11 with:

- "a. Twenty percent, with a minimum of one hundred million dollars, to a sinking and interest fund, of which:
 - (1) An amount equal to any bond payments appropriated by the most recently adjourned special or regular session of the legislative assembly from the legacy sinking and interest fund, with a minimum of one hundred million dollars, must be transferred to the legacy sinking and interest fund under section 2 of this Act; and
 - (2) Any remaining amounts under this subdivision are available for other purposes designated by the legislative assembly;
- b. Twenty-five percent to infrastructure funds, of which:
 - (1) Forty-five percent must be transferred to the highway tax distribution fund for allocations under section 54-27-19;
 - (2) Five percent to the state park fund under section 55-08-07 for state park construction and improvement projects and other state park initiatives designated by the legislative assembly; and
 - (3) The remaining amount to the legacy infrastructure fund under section 7 of this Act;
- c. Twenty-five percent to research and economic development funds, of which:
 - (1) Thirty percent must be transferred to the clean sustainable energy fund;
 - (2) Thirty percent must be transferred to the economic diversification research fund under section 1 of this Act;

- (3) Thirty percent must be transferred to the innovation loan fund to support technology advancement under section 6-09.18-05; and
- (4) The remaining amount must be transferred to the innovative research and economic diversification fund;
- d. Ten percent to the legacy project fund under section 8 of this Act;
- e. Eight percent to the workforce development and enrichment fund under section 3 of this Act; and
- f. The remaining amount for other purposes designated by the legislative assembly.

SECTION 7. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy infrastructure fund.

- 1. There is created in the state treasury the legacy infrastructure fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects.
- 2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.

SECTION 8. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project fund.

- 1. There is created in the state treasury the legacy project fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations for projects and infrastructure. Funding designated for projects must be used to support statewide economic diversification and growth. Funding designated for infrastructure must be used to support one-time infrastructure with a statewide benefit.
- 2. If a political subdivision receives funding from the legacy project fund, the political subdivision shall provide a report to the state treasurer by May thirtieth of each even-numbered year on the use of the funding. The state treasurer shall determine the format of the report. The state treasurer shall make the reports available to the public on the state treasurer's website.
- 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of management and budget for administrative expenses related to the legacy project advisory board.

SECTION 9. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy project advisory board - Report to legislative assembly.

1. The legacy project advisory board consists of:
 - a. The governor or the the governor's designee, to serve as chairman;
 - b. The majority and minority leaders of the house of representatives and senate, or their legislative designees;
 - c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;
 - d. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;
 - e. One member appointed by the North Dakota petroleum council;
 - f. One member appointed by the greater North Dakota chamber of commerce;
 - g. One member appointed by the agriculture commissioner; and
 - h. Three members appointed by the governor.
2. The advisory board shall meet at least once per biennium. The office of management and budget shall provide administrative services to the advisory board.
3. The advisory board shall submit a report to the legislative assembly regarding recommendations for projects and infrastructure under the legacy project fund.
4. The advisory board may not include a recommendation in the report to the legislative assembly unless the recommendation fulfills the purposes of the legacy project fund under section 8 of this Act and is approved by a majority of the members of the advisory board.

SECTION 10. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Innovative research and economic diversification fund.

There is created in the state treasury the innovative research and economic diversification fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations with seventy percent designated for the lignite research council, the oil and gas research council, and other research councils and thirty percent designated for tourism initiatives."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, line 15, remove "the innovation loan fund to support technology advancement,"

Page 3, line 17, after the comma insert "and"

Page 3, line 18, remove ", and to reduce ongoing general fund appropriations of state"

Page 3, line 19, remove "agencies"

Page 3, after line 19, insert:

"SECTION 12. EFFECTIVE DATE. This section becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Compared to the previous amendment adopted by the Senate, this amendment:

- Clarifies the bond payments designated for repayment from a newly created legacy sinking and interest fund;
- Designates 30 percent from a newly created workforce development and enrichment fund to cities with economies that depend primarily on the oil and gas industry;
- Authorizes the State Investment Board to invest money in the newly created legacy earnings fund;
- Decreases the allocation to a legacy sinking and interest fund by 10 percent, from 30 to 20 percent;
- Removes an allocation to the Public Employee Retirement System main system plan;
- Designates, from an allocation for research and economic development, 30 percent to a clean sustainable energy fund, 30 percent to an economic diversification research fund, and 30 percent to the innovation loan fund to support technology advancement;
- Increases the allocation to a workforce development and enrichment fund by 3 percent, from 5 to 8 percent; and
- Designates, from an innovative research and economic diversification fund, 70 percent for research councils and 30 percent for tourism initiatives.

Introduced by

Representatives Lefor, Bosch, Dockter, Headland, Howe, Nathe, Porter, M. Ruby, Steiner
Senators Patten, Sorvaag, Wardner

1 A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter
2 6-09.4, a new section to chapter 15-20.1, ~~a four~~ new sectionsections to chapter 21-10, and a
3 new section to chapter ~~57-38~~54-60 of the North Dakota Century Code, relating to an economic
4 diversification research fund, a legacy sinking and interest fund, a workforce development and
5 enrichment fund, a legacy earnings fund, a legacy infrastructure fund, a legacy project fund, a
6 legacy project advisory board, and an ~~income tax relief~~innovative research and economic
7 development fund; to amend and reenact subsection 1 of section 21-10-06 and section
8 21-10-12 of the North Dakota Century Code, relating to funds invested by the state investment
9 board and legacy fund definitions; to provide for a transfer; ~~and~~ to provide a statement of
10 legislative intent; and to provide an effective date.

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

12 **SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created
13 and enacted as follows:

14 **Economic diversification research fund - Economic diversification research**
15 **committee - Legislative management report.**

16 1. There is created in the state treasury the economic diversification research fund. The
17 fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys
18 in the fund may be spent by the Bank of North Dakota pursuant to legislative
19 appropriations to provide grants to institutions under the control of the state board of
20 higher education for economic diversification research.

21 2. The economic diversification research committee consists of:

22 a. The president of the Bank of North Dakota, as chairman;

23 b. Four members with experience in research or venture capital appointed by the
24 president of the Bank of North Dakota;

1 c. The state commissioner of higher education, or a designee; and

2 d. The president of North Dakota state university and the president of the university
3 of North Dakota.

4 3. In consultation with representatives of North Dakota state university and the university
5 of North Dakota, the committee shall award grants to institutions under the control of
6 the state board of higher education. Up to ninety percent of the funding must be
7 awarded to North Dakota state university and the university of North Dakota with equal
8 amounts awarded to each institution. The remaining funding must be awarded to the
9 other institutions under the control of the state board of higher education, as
10 determined by the committee. The committee may not award more than fifty percent of
11 the available funding during the first year of the biennium. The Bank of North Dakota
12 shall distribute the grant funding as awarded by the committee.

13 4. The committee shall develop guidelines for the economic diversification research
14 grants. The purpose of the grants is to stimulate economic activity across the state
15 through innovation of new technology, concepts, and products; to promote job creation
16 and career and wage growth; to enhance health care outcomes; to address loss of
17 revenue and jobs in communities with economies that depend primarily on the fossil
18 fuel industry; and to provide experiential learning opportunities for students. Research
19 projects may be initiated by an institution under the control of the state board of higher
20 education or by the private sector. The guidelines must include consideration for
21 research projects with matching funds and provisions for grant oversight by an internal
22 advisory committee and an external advisory committee.

23 5. The committee shall develop reporting requirements for the institutions under the
24 control of the state board of higher education. The reporting requirements must
25 include criteria for assessing performance outcomes related to the grants. The
26 committee shall compile the reports and shall submit a comprehensive report annually
27 to the legislative management. The comprehensive report must include information on
28 how the research efforts by each institution align with the state's priorities, how the
29 institutions collaborate when appropriate, and how the outcomes of the research meet
30 established performance expectations.

1 **SECTION 2.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Legacy sinking and interest fund - Debt service requirements - Public finance**
4 **authority.**

5 There is created in the state treasury the legacy sinking and interest fund. The fund consists
6 of all moneys deposited in the fund under section 36 of this Act. Moneys in the fund may be
7 spent by the public finance authority pursuant to legislative appropriations to meet the debt
8 service requirements for evidences of indebtedness issued by the authority for transfer to the
9 Bank of North Dakota for allocations to infrastructure projects and programs and the clean
10 sustainable energy fund. Any moneys in the fund in excess of the amounts
11 necessary appropriated from the fund to meet the debt service requirements for a biennium;
12 may be appropriated by the legislative assembly for other purposes.

13 **SECTION 3.** A new section to chapter 15-20.1 of the North Dakota Century Code is created
14 and enacted as follows:

15 **Workforce development and enrichment fund.**

16 1. There is created in the state treasury the workforce development and enrichment fund.

17 The fund consists of all moneys deposited in the fund under section 6 of this Act.

18 Moneys in the fund may be spent pursuant to legislative appropriations to provide
19 grants to support:

20 a. Strategic workforce development;

21 b. Technical education;

22 c. Workforce diversification initiatives; and

23 d. Workforce guidance and support.

24 2. Grant funding may be awarded only for one-time projects and initiatives.

25 3. Grants awarded for capital projects must have a matching requirement.

26 4. Thirty percent of the moneys in the fund must be designated to support workforce
27 initiatives in cities located in oil-producing counties that receive five million dollars or
28 more of allocations per fiscal year under subsection 2 of section 57-51-15 with priority
29 given to cities that have:

30 a. The highest percent of mining, quarrying, and oil and gas extraction employment
31 relative to the total employment of all industries in the city;

1 b. The highest number of employees in the mining, quarrying, and oil and gas
2 extraction sector relative to the other cities located in oil-producing counties that
3 receive five million dollars or more of allocations per fiscal year under
4 subsection 2 of section 57-51-15; and

5 c. The highest total taxable sales and purchases relative to the total taxable sales
6 and purchases of all the cities located in oil-producing counties that receive five
7 million dollars or more of allocations per fiscal year under subsection 2 of section
8 57-51-15.

9 **SECTION 4. AMENDMENT.** Subsection 1 of section 21-10-06 of the North Dakota Century
10 Code is amended and reenacted as follows:

- 11 1. Subject to the provisions of section 21-10-02, the board shall invest the following
12 funds:
 - 13 a. State bonding fund.
 - 14 b. Teachers' fund for retirement.
 - 15 c. State fire and tornado fund.
 - 16 d. Workforce safety and insurance fund.
 - 17 e. Public employees retirement system.
 - 18 f. Insurance regulatory trust fund.
 - 19 g. State risk management fund.
 - 20 h. Budget stabilization fund.
 - 21 i. Health care trust fund.
 - 22 j. Cultural endowment fund.
 - 23 k. Petroleum tank release compensation fund.
 - 24 l. Legacy fund.
 - 25 m. Legacy earnings fund.
 - 26 n. A fund under contract with the board pursuant to subsection 3.

27 **SECTION 5. AMENDMENT.** Section 21-10-12 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 **21-10-12. Legacy fund –~~Earnings defined~~definitions.**

30 For the purposes of section 26 of article X of the Constitution of North Dakota, ~~the term~~
31 ~~"earnings"~~:

1 1. "Earnings" means net income in accordance with generally accepted accounting
2 principles, excluding any unrealized gains or losses.

3 2. "Principal" means all moneys in the legacy fund not included in earnings as defined
4 under subsection 1.

5 **SECTION 6.** A new section to chapter 21-10 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Legacy earnings fund - State treasurer - Transfers.**

8 1. There is created in the state treasury the legacy earnings fund. The fund consists of all
9 moneys transferred to the fund under subsection 2 and all interest and earnings upon
10 moneys in the fund.

11 2. Any legacy fund earnings transferred to the general fund at the end of each biennium
12 in accordance with section 26 of article X of the Constitution of North Dakota must be
13 immediately transferred by the state treasurer to the legacy earnings fund.

14 3. ~~If the amounts transferred under subsection 2 exceed the amount available for~~
15 ~~appropriation under subsection 4 the state treasurer shall transfer the excess, within~~
16 ~~thirty days, as follows:~~

17 ~~a. Forty percent to the strategic investment and improvements fund to be used in~~
18 ~~accordance with the provisions of section 15-08.1-08;~~

19 ~~b. Forty percent to the legacy fund to become part of the principal; and~~

20 ~~c. Twenty percent to the income tax relief fund under section 4 of this Act.~~

21 ~~4.~~ For each biennium subsequent to the biennium in which the legacy fund earnings are
22 transferred under subsection 2, the amount available for appropriation from the legacy
23 earnings fund is **six**eight percent of the five-year average value of the legacy fund
24 assets as reported by the state investment board. The average value of the legacy
25 fund assets must be calculated using the value of the assets at the end of each fiscal
26 year for the five-year period ending with the most recently completed even-numbered
27 fiscal year.

28 ~~5.4.~~ On July first of each odd-numbered year, from the amount available for appropriation
29 or transfer from the legacy earnings fund for the biennium, the state treasurer shall
30 transfer funding in the following order:

1 ~~a. The first one hundred million dollars to the legacy sinking and interest fund under~~
2 ~~section 1 of this Act;~~

3 ~~b. The next forty million dollars to the clean sustainable energy fund;~~

4 ~~c. The next forty million dollars to the infrastructure revolving loan fund under~~
5 ~~section 6-09-49, but not in an amount that would bring the balance of the~~
6 ~~infrastructure revolving loan fund to more than five hundred million dollars; and~~

7 ~~d. Any remaining funds for other purposes as designated by the legislative~~
8 ~~assembly;~~

9 ~~**SECTION 6.** A new section to chapter 57-38 of the North Dakota Century Code is created~~
10 ~~and enacted as follows:~~

11 ~~**Income tax relief fund.**~~

12 ~~There is created in the state treasury the income tax relief fund. The fund consists of all~~
13 ~~moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be spent~~
14 ~~pursuant to legislative appropriations for individual and corporate income tax relief.~~

15 a. Twenty percent, with a minimum of one hundred million dollars, to a sinking and
16 interest fund, of which:

17 (1) An amount equal to any bond payments appropriated by the most recently
18 adjourned special or regular session of the legislative assembly from the
19 legacy sinking and interest fund, with a minimum of one hundred million
20 dollars, must be transferred to the legacy sinking and interest fund under
21 section 2 of this Act; and

22 (2) Any remaining amounts under this subdivision are available for other
23 purposes designated by the legislative assembly;

24 b. Twenty-five percent to infrastructure funds, of which:

25 (1) Forty-five percent must be transferred to the highway tax distribution fund
26 for allocations under section 54-27-19;

27 (2) Five percent to the state park fund under section 55-08-07 for state park
28 construction and improvement projects and other state park initiatives
29 designated by the legislative assembly; and

30 (3) The remaining amount to the legacy infrastructure fund under section 7 of
31 this Act;

- 1 c. Twenty-five percent to research and economic development funds, of which:
2 (1) Thirty percent must be transferred to the clean sustainable energy fund;
3 (2) Thirty percent must be transferred to the economic diversification research
4 fund under section 1 of this Act;
5 (3) Thirty percent must be transferred to the innovation loan fund to support
6 technology advancement under section 6-09.18-05; and
7 (4) The remaining amount must be transferred to the innovative research and
8 economic diversification fund;
9 d. Ten percent to the legacy project fund under section 8 of this Act;
10 e. Eight percent to the workforce development and enrichment fund under section 3
11 of this Act; and
12 f. The remaining amount for other purposes designated by the legislative assembly.

13 **SECTION 7.** A new section to chapter 21-10 of the North Dakota Century Code is created
14 and enacted as follows:

15 **Legacy infrastructure fund.**

- 16 1. There is created in the state treasury the legacy infrastructure fund. The fund consists
17 of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund
18 may be spent pursuant to legislative appropriations to support one-time infrastructure
19 projects, including road and bridge projects, airport projects, and water projects.
20 2. If a political subdivision receives funding from the legacy project fund, the political
21 subdivision shall provide a report to the state treasurer by May thirtieth of each
22 even-numbered year on the use of the funding. The state treasurer shall determine the
23 format of the report. The state treasurer shall make the reports available to the public
24 on the state treasurer's website.

25 **SECTION 8.** A new section to chapter 21-10 of the North Dakota Century Code is created
26 and enacted as follows:

27 **Legacy project fund.**

- 28 1. There is created in the state treasury the legacy project fund. The fund consists of all
29 moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be
30 spent pursuant to legislative appropriations for projects and infrastructure. Funding
31 designated for projects must be used to support statewide economic diversification

1 and growth. Funding designated for infrastructure must be used to support one-time
2 infrastructure with a statewide benefit.

3 2. If a political subdivision receives funding from the legacy project fund, the political
4 subdivision shall provide a report to the state treasurer by May thirtieth of each
5 even-numbered year on the use of the funding. The state treasurer shall determine the
6 format of the report. The state treasurer shall make the reports available to the public
7 on the state treasurer's website.

8 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of
9 management and budget for administrative expenses related to the legacy project
10 advisory board.

11 **SECTION 9.** A new section to chapter 21-10 of the North Dakota Century Code is created
12 and enacted as follows:

13 **Legacy project advisory board- Report to legislative assembly.**

14 1. The legacy project advisory board consists of:

- 15 a. The governor or the the governor's designee, to serve as chairman;
- 16 b. The majority and minority leaders of the house of representatives and senate, or
17 their legislative designees;
- 18 c. The chairmen of the appropriations committees of the house of representatives
19 and the senate, or their legislative designees;
- 20 d. The chairmen of the finance and taxation standing committees of the house of
21 representatives and the senate, or their legislative designees;
- 22 e. One member appointed by the North Dakota petroleum council;
- 23 f. One member appointed by the greater North Dakota chamber of commerce;
- 24 g. One member appointed by the agriculture commissioner; and
- 25 h. Three members appointed by the governor.

26 2. The advisory board shall meet at least once per biennium. The office of management
27 and budget shall provide administrative services to the advisory board.

28 3. The advisory board shall submit a report to the legislative assembly regarding
29 recommendations for projects and infrastructure under the legacy project fund.

30 4. The advisory board may not include a recommendation in the report to the legislative
31 assembly unless the recommendation fulfills the purposes of the legacy project fund

1 under section 8 of this Act and is approved by a majority of the members of the
2 advisory board.

3 **SECTION 10.** A new section to chapter 54-60 of the North Dakota Century Code is created
4 and enacted as follows:

5 **Innovative research and economic diversification fund.**

6 There is created in the state treasury the innovative research and economic diversification
7 fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys
8 in the fund may be spent pursuant to legislative appropriations with seventy percent designated
9 for the lignite research council, the oil and gas research council, and other research councils
10 and thirty percent designated for tourism initiatives.

11 **SECTION 11. LEGISLATIVE INTENT.** It is the intent of the sixty-seventh legislative
12 assembly that the sixty-eighth legislative assembly consider additional allocations from the
13 legacy earnings fund, including allocations to ~~the highway tax distribution fund,~~ value-added
14 agricultural programs, ~~the innovation loan fund to support technology advancement,~~ state
15 building maintenance and improvements, and for other one-time initiatives and projects,
16 including initiatives and projects to diversify the state's economy, and to improve the efficiency
17 and effectiveness of state government, ~~and to reduce ongoing general fund appropriations of~~
18 ~~state agencies.~~

19 **SECTION 12. EFFECTIVE DATE.** This Act becomes effective on August 1, 2021.

4/12/2021 6:26

POMV	\$	7,140,000,000	4%	\$ 571,200,000
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STREAM

Sinking Fund		20%	\$ 114,240,000
	<i>Bond Payments</i>		\$ 100,000,000

REDDI		25%	\$ 142,800,000
	<i>Clean Sustainable</i>	30%	\$ 42,840,000
	<i>University Research</i>	30%	\$ 42,840,000
	<i>LIFT (Innovation Loan Fund)</i>	30%	\$ 42,840,000
	<i>Research Councils</i>	7%	\$ 9,996,000
	<i>Tourism</i>	3%	\$ 4,284,000
		100%	

Legacy Stream		10%	\$ 57,120,000
	<i>Legacy Projects</i>	-	-
	<i>Legacy Infrastructure</i>	-	-

Infrastructure		25%	\$ 142,800,000
	<i>Highway Distribution</i>	45%	\$ 64,260,000
	<i>State Parks</i>	5%	\$ 7,140,000
	<i>Infrastructure Discretion</i>	50%	\$ 71,400,000
		100%	

Workforce Enrichment		8%	\$ 45,696,000
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Flex Stream		12%	\$ 68,544,000
	<i>Overage from Sinking Fund</i>		\$ 14,240,000
			\$ 82,784,000

100%	\$ 571,200,000
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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

In lieu of the amendments adopted by the Senate as printed on page 1033 through 1037 of the Senate Journal, Engrossed House Bill No. 1380 is amended as follows:

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

Page 1, line 2, remove ", and a new section to chapter 57-38"

Page 1, line 2, remove the second "a"

Page 1, line 3, remove "legacy sinking and interest fund,"

Page 1, line 3, remove ", and an income tax relief fund"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, remove lines 7 through 16

Page 2, remove lines 12 through 30

Page 3, remove lines 1 through 11

Page 3, line 12, after "INTENT" insert "- LEGACY FUND EARNINGS COMMITTEE"

Page 3, line 13, remove "sixty-eighth legislative assembly consider additional allocations from the"

Page 3, replace lines 14 through 19 with "interim legacy fund earnings committee, which is created by House Bill No. 1038 as approved by the sixty-seventh legislative assembly, continue to study potential uses of legacy fund earnings during the 2021-22 interim. It is further the intent of the sixty-seventh legislative assembly that the interim legacy fund earnings committee develop recommendations for uses of legacy fund earnings for submission to the sixty-eighth legislative assembly.

SECTION 4. EFFECTIVE DATE. This Act becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the allocation of legacy fund earnings to various state funds and provides a statement of legislative intent for the interim Legacy Fund Earnings Committee to continue studying potential uses of legacy fund earnings.

2021 CONFERENCE COMMITTEE

HB 1380

2021 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Brynhild Haugland Room, State Capitol

HB 1380
4/26/2021
Conference Committee

Relating to an economic diversification research fund, a legacy sinking and interest fund, a workforce development and enrichment fund, a legacy earnings fund, a legacy infrastructure fund, a legacy project fund, a legacy project advisory board, and an innovative research and economic development fund;

11:32 Chairman Delzer Called the meeting to order, roll call was taken; Chairman Delzer Representative Vigesaa, and Representative Boe; Senators Sorvaag, Bell and Heckamen

Discussion Topics:

- Senate Changes to bill

Chairman Delzer Passes out two charts from the legislative council (testimony # 11645 and 11644)

11:33 Senator Sorvaag Explains the changes that the senate made (testimony #11646)

11:56 Chairman Delzer Closed the meeting for HB 1380

Risa Beube,

House Appropriations Committee Clerk

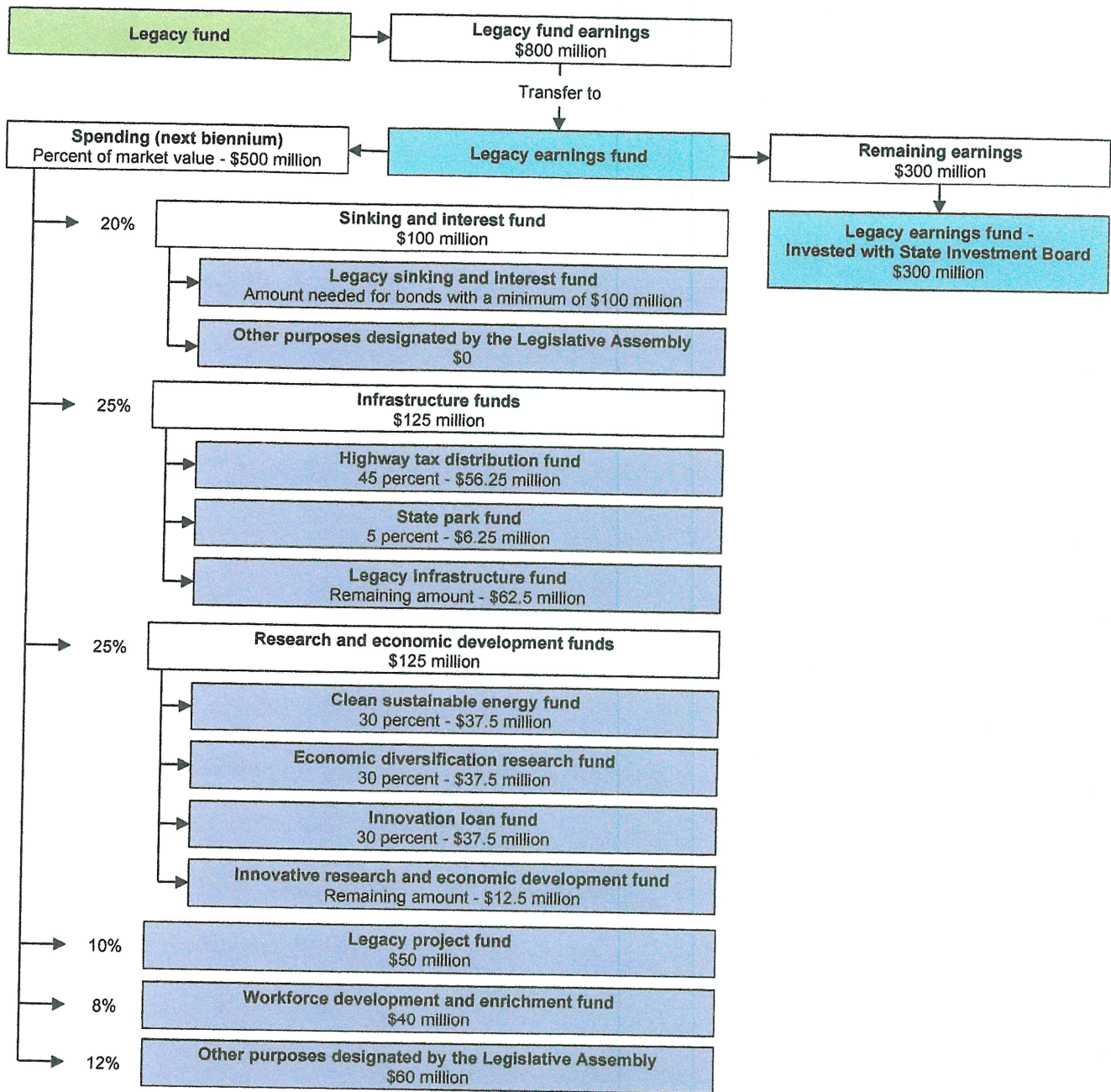


North Dakota Legislative Council

Prepared for Representative Delzer
LC# 21.9644.08000
April 2021

LEGACY FUND EARNINGS SCENARIO - ENGROSSED HOUSE BILL NO. 1380 WITH SENATE AMENDMENTS

This memorandum provides, for illustration purposes only, information on a legacy fund earnings scenario based on the provisions of Engrossed House Bill No. 1380 with Senate amendments [21.0218.08000].



NOTE: These amounts are not official estimates and are provided for illustration purposes only.



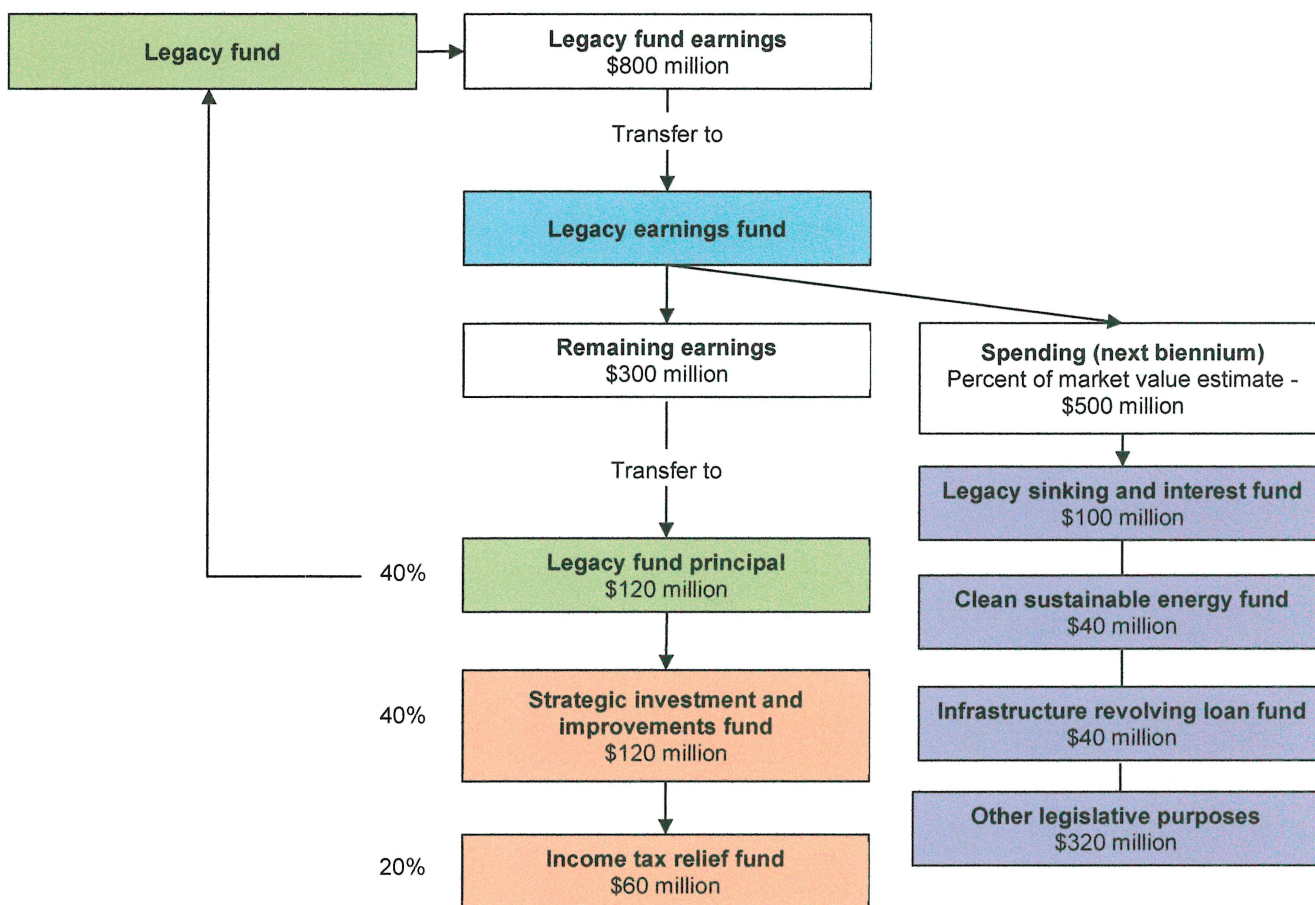
North Dakota Legislative Council

Prepared by the Legislative Council staff
 LC# 21.9644.05000
 February 2021

LEGACY FUND EARNINGS SCENARIO - HOUSE BILL NO. 1380

This memorandum provides, for illustration purposes only, information on a legacy fund earnings scenario based on the provisions of House Bill No. 1380 with proposed amendments [21.0218.05011].

LEGACY FUND EARNINGS SCENARIO



NOTE: The amounts reflected on this schedule are not official estimates and are provided for illustration purposes only.

21.0218.06009

FIRST ENGROSSMENT

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1380

Introduced by

Representatives Lefor, Bosch, Dockter, Headland, Howe, Nathe, Porter, M. Ruby, Steiner
Senators Patten, Sorvaag, Wardner

1 A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter
2 6-09.4, a new section to chapter 15-20.1, ~~a four~~ new sectionsections to chapter 21-10, and a
3 new section to chapter ~~57-3854-60~~ of the North Dakota Century Code, relating to an economic
4 diversification research fund, a legacy sinking and interest fund, a workforce development and
5 enrichment fund, a legacy earnings fund, a legacy infrastructure fund, a legacy project fund, a
6 legacy project advisory board, and an ~~income tax relief~~ innovative research and economic
7 development fund; to amend and reenact subsection 1 of section 21-10-06 and section
8 21-10-12 of the North Dakota Century Code, relating to funds invested by the state investment
9 board and legacy fund definitions; to provide for a transfer; ~~and~~ to provide a statement of
10 legislative intent; and to provide an effective date.

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

12 **SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created
13 and enacted as follows:

14 Economic diversification research fund - Economic diversification research
15 committee - Legislative management report.

16 1. There is created in the state treasury the economic diversification research fund. The
17 fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys
18 in the fund may be spent by the Bank of North Dakota pursuant to legislative
19 appropriations to provide grants to institutions under the control of the state board of
20 higher education for economic diversification research.

21 2. The economic diversification research committee consists of:

22 a. The president of the Bank of North Dakota, as chairman;

23 b. Four members with experience in research or venture capital appointed by the
24 president of the Bank of North Dakota;

1 c. The state commissioner of higher education, or a designee; and

2 d. The president of North Dakota state university and the president of the university
3 of North Dakota.

4 3. In consultation with representatives of North Dakota state university and the university
5 of North Dakota, the committee shall award grants to institutions under the control of
6 the state board of higher education. Up to ninety percent of the funding must be
7 awarded to North Dakota state university and the university of North Dakota with equal
8 amounts awarded to each institution. The remaining funding must be awarded to the
9 other institutions under the control of the state board of higher education, as
10 determined by the committee. The committee may not award more than fifty percent of
11 the available funding during the first year of the biennium. The Bank of North Dakota
12 shall distribute the grant funding as awarded by the committee.

13 4. The committee shall develop guidelines for the economic diversification research
14 grants. The purpose of the grants is to stimulate economic activity across the state
15 through innovation of new technology, concepts, and products; to promote job creation
16 and career and wage growth; to enhance health care outcomes; to address loss of
17 revenue and jobs in communities with economies that depend primarily on the fossil
18 fuel industry; and to provide experiential learning opportunities for students. Research
19 projects may be initiated by an institution under the control of the state board of higher
20 education or by the private sector. The guidelines must include consideration for
21 research projects with matching funds and provisions for grant oversight by an internal
22 advisory committee and an external advisory committee.

23 5. The committee shall develop reporting requirements for the institutions under the
24 control of the state board of higher education. The reporting requirements must
25 include criteria for assessing performance outcomes related to the grants. The
26 committee shall compile the reports and shall submit a comprehensive report annually
27 to the legislative management. The comprehensive report must include information on
28 how the research efforts by each institution align with the state's priorities, how the
29 institutions collaborate when appropriate, and how the outcomes of the research meet
30 established performance expectations.

1 **SECTION 2.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Legacy sinking and interest fund - Debt service requirements - Public finance**
4 **authority.**

5 There is created in the state treasury the legacy sinking and interest fund. The fund consists
6 of all moneys deposited in the fund under section 36 of this Act. Moneys in the fund may be
7 spent by the public finance authority pursuant to legislative appropriations to meet the debt
8 service requirements for evidences of indebtedness issued by the authority for transfer to the
9 Bank of North Dakota for allocations to infrastructure projects and programs and the clean
10 sustainable energy fund. Any moneys in the fund in excess of the amounts
11 necessary appropriated from the fund to meet the debt service requirements for a biennium-
12 may be appropriated by the legislative assembly for other purposes.

13 **SECTION 3.** A new section to chapter 15-20.1 of the North Dakota Century Code is created
14 and enacted as follows:

15 **Workforce development and enrichment fund.**

16 1. There is created in the state treasury the workforce development and enrichment fund.

17 The fund consists of all moneys deposited in the fund under section 6 of this Act.

18 Moneys in the fund may be spent pursuant to legislative appropriations to provide
19 grants to support:

20 a. Strategic workforce development;

21 b. Technical education;

22 c. Workforce diversification initiatives; and

23 d. Workforce guidance and support.

24 2. Grant funding may be awarded only for one-time projects and initiatives.

25 3. Grants awarded for capital projects must have a matching requirement.

26 4. Thirty percent of the moneys in the fund must be designated to support workforce
27 initiatives in cities located in oil-producing counties that receive five million dollars or
28 more of allocations per fiscal year under subsection 2 of section 57-51-15 with priority
29 given to cities that have:

30 a. The highest percent of mining, quarrying, and oil and gas extraction employment
31 relative to the total employment of all industries in the city;

1 b. The highest number of employees in the mining, quarrying, and oil and gas
2 extraction sector relative to the other cities located in oil-producing counties that
3 receive five million dollars or more of allocations per fiscal year under
4 subsection 2 of section 57-51-15; and

5 c. The highest total taxable sales and purchases relative to the total taxable sales
6 and purchases of all the cities located in oil-producing counties that receive five
7 million dollars or more of allocations per fiscal year under subsection 2 of section
8 57-51-15.

9 **SECTION 4. AMENDMENT.** Subsection 1 of section 21-10-06 of the North Dakota Century
10 Code is amended and reenacted as follows:

11 1. Subject to the provisions of section 21-10-02, the board shall invest the following
12 funds:

- 13 a. State bonding fund.
- 14 b. Teachers' fund for retirement.
- 15 c. State fire and tornado fund.
- 16 d. Workforce safety and insurance fund.
- 17 e. Public employees retirement system.
- 18 f. Insurance regulatory trust fund.
- 19 g. State risk management fund.
- 20 h. Budget stabilization fund.
- 21 i. Health care trust fund.
- 22 j. Cultural endowment fund.
- 23 k. Petroleum tank release compensation fund.
- 24 l. Legacy fund.
- 25 m. Legacy earnings fund.
- 26 n. A fund under contract with the board pursuant to subsection 3.

27 **SECTION 5. AMENDMENT.** Section 21-10-12 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 **21-10-12. Legacy fund –~~Earnings defined~~definitions.**

30 For the purposes of section 26 of article X of the Constitution of North Dakota, ~~the term~~
31 "earnings";

1 1. "Earnings" means net income in accordance with generally accepted accounting
2 principles, excluding any unrealized gains or losses.

3 2. "Principal" means all moneys in the legacy fund not included in earnings as defined
4 under subsection 1.

5 **SECTION 6.** A new section to chapter 21-10 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Legacy earnings fund - State treasurer - Transfers.**

8 1. There is created in the state treasury the legacy earnings fund. The fund consists of all
9 moneys transferred to the fund under subsection 2 and all interest and earnings upon
10 moneys in the fund.

11 2. Any legacy fund earnings transferred to the general fund at the end of each biennium
12 in accordance with section 26 of article X of the Constitution of North Dakota must be
13 immediately transferred by the state treasurer to the legacy earnings fund.

14 3. ~~If the amounts transferred under subsection 2 exceed the amount available for~~
15 ~~appropriation under subsection 4 the state treasurer shall transfer the excess, within~~
16 ~~thirty days, as follows:~~

17 ~~a. Forty percent to the strategic investment and improvements fund to be used in~~
18 ~~accordance with the provisions of section 15-08.1-08:~~

19 ~~b. Forty percent to the legacy fund to become part of the principal; and~~

20 ~~c. Twenty percent to the income tax relief fund under section 4 of this Act.~~

21 4. For each biennium subsequent to the biennium in which the legacy fund earnings are
22 transferred under subsection 2, the amount available for appropriation from the legacy
23 earnings fund is ~~six~~eight percent of the five-year average value of the legacy fund
24 assets as reported by the state investment board. The average value of the legacy
25 fund assets must be calculated using the value of the assets at the end of each fiscal
26 year for the five-year period ending with the most recently completed even-numbered
27 fiscal year.

28 5.4. On July first of each odd-numbered year, from the amount available for appropriation
29 or transfer from the legacy earnings fund for the biennium, the state treasurer shall
30 transfer funding in the following order:

Sixty-seventh
Legislative Assembly

- 1 ~~a. The first one hundred million dollars to the legacy sinking and interest fund under~~
2 ~~section 1 of this Act;~~
- 3 ~~b. The next forty million dollars to the clean sustainable energy fund;~~
- 4 ~~c. The next forty million dollars to the infrastructure revolving loan fund under~~
5 ~~section 6-09-49, but not in an amount that would bring the balance of the~~
6 ~~infrastructure revolving loan fund to more than five hundred million dollars; and~~
- 7 ~~d. Any remaining funds for other purposes as designated by the legislative~~
8 ~~assembly.~~
- 9 ~~SECTION 6. A new section to chapter 57-38 of the North Dakota Century Code is created~~
10 ~~and enacted as follows:~~
- 11 ~~Income tax relief fund.~~
- 12 ~~There is created in the state treasury the income tax relief fund. The fund consists of all~~
13 ~~moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be spent~~
14 ~~pursuant to legislative appropriations for individual and corporate income tax relief.~~
- 15 ~~a. Twenty percent, with a minimum of one hundred million dollars, to a sinking and~~
16 ~~interest fund, of which:~~
- 17 ~~(1) An amount equal to any bond payments appropriated by the most recently~~
18 ~~adjourned special or regular session of the legislative assembly from the~~
19 ~~legacy sinking and interest fund, with a minimum of one hundred million~~
20 ~~dollars, must be transferred to the legacy sinking and interest fund under~~
21 ~~section 2 of this Act; and~~
- 22 ~~(2) Any remaining amounts under this subdivision are available for other~~
23 ~~purposes designated by the legislative assembly;~~
- 24 ~~b. Twenty-five percent to infrastructure funds, of which:~~
- 25 ~~(1) Forty-five percent must be transferred to the highway tax distribution fund~~
26 ~~for allocations under section 54-27-19;~~
- 27 ~~(2) Five percent to the state park fund under section 55-08-07 for state park~~
28 ~~construction and improvement projects and other state park initiatives~~
29 ~~designated by the legislative assembly; and~~
- 30 ~~(3) The remaining amount to the legacy infrastructure fund under section 7 of~~
31 ~~this Act;~~

- 1 c. Twenty-five percent to research and economic development funds, of which:
2 (1) Thirty percent must be transferred to the clean sustainable energy fund;
3 (2) Thirty percent must be transferred to the economic diversification research
4 fund under section 1 of this Act;
5 (3) Thirty percent must be transferred to the innovation loan fund to support
6 technology advancement under section 6-09.18-05; and
7 (4) The remaining amount must be transferred to the innovative research and
8 economic diversification fund;
9 d. Ten percent to the legacy project fund under section 8 of this Act;
10 e. Eight percent to the workforce development and enrichment fund under section 3
11 of this Act; and
12 f. The remaining amount for other purposes designated by the legislative assembly.

13 **SECTION 7.** A new section to chapter 21-10 of the North Dakota Century Code is created
14 and enacted as follows:

15 **Legacy infrastructure fund.**

- 16 1. There is created in the state treasury the legacy infrastructure fund. The fund consists
17 of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund
18 may be spent pursuant to legislative appropriations to support one-time infrastructure
19 projects, including road and bridge projects, airport projects, and water projects.
20 2. If a political subdivision receives funding from the legacy project fund, the political
21 subdivision shall provide a report to the state treasurer by May thirtieth of each
22 even-numbered year on the use of the funding. The state treasurer shall determine the
23 format of the report. The state treasurer shall make the reports available to the public
24 on the state treasurer's website.

25 **SECTION 8.** A new section to chapter 21-10 of the North Dakota Century Code is created
26 and enacted as follows:

27 **Legacy project fund.**

- 28 1. There is created in the state treasury the legacy project fund. The fund consists of all
29 moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be
30 spent pursuant to legislative appropriations for projects and infrastructure. Funding
31 designated for projects must be used to support statewide economic diversification

1 and growth. Funding designated for infrastructure must be used to support one-time
2 infrastructure with a statewide benefit.

3 2. If a political subdivision receives funding from the legacy project fund, the political
4 subdivision shall provide a report to the state treasurer by May thirtieth of each
5 even-numbered year on the use of the funding. The state treasurer shall determine the
6 format of the report. The state treasurer shall make the reports available to the public
7 on the state treasurer's website.

8 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of
9 management and budget for administrative expenses related to the legacy project
10 advisory board.

11 **SECTION 9.** A new section to chapter 21-10 of the North Dakota Century Code is created
12 and enacted as follows:

13 **Legacy project advisory board - Report to legislative assembly.**

14 1. The legacy project advisory board consists of:

15 a. The governor or the the governor's designee, to serve as chairman;

16 b. The majority and minority leaders of the house of representatives and senate, or
17 their legislative designees;

18 c. The chairmen of the appropriations committees of the house of representatives
19 and the senate, or their legislative designees;

20 d. The chairmen of the finance and taxation standing committees of the house of
21 representatives and the senate, or their legislative designees;

22 e. One member appointed by the North Dakota petroleum council;

23 f. One member appointed by the greater North Dakota chamber of commerce;

24 g. One member appointed by the agriculture commissioner; and

25 h. Three members appointed by the governor.

26 2. The advisory board shall meet at least once per biennium. The office of management
27 and budget shall provide administrative services to the advisory board.

28 3. The advisory board shall submit a report to the legislative assembly regarding
29 recommendations for projects and infrastructure under the legacy project fund.

30 4. The advisory board may not include a recommendation in the report to the legislative
31 assembly unless the recommendation fulfills the purposes of the legacy project fund.

1 under section 8 of this Act and is approved by a majority of the members of the
2 advisory board.

3 **SECTION 10.** A new section to chapter 54-60 of the North Dakota Century Code is created
4 and enacted as follows:

5 **Innovative research and economic diversification fund.**

6 There is created in the state treasury the innovative research and economic diversification
7 fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys
8 in the fund may be spent pursuant to legislative appropriations with seventy percent designated
9 for the lignite research council, the oil and gas research council, and other research councils
10 and thirty percent designated for tourism initiatives.

11 **SECTION 11. LEGISLATIVE INTENT.** It is the intent of the sixty-seventh legislative
12 assembly that the sixty-eighth legislative assembly consider additional allocations from the
13 legacy earnings fund, including allocations to ~~the highway tax distribution fund,~~ value-added
14 agricultural programs, ~~the innovation loan fund to support technology advancement,~~ state
15 building maintenance and improvements, and for other one-time initiatives and projects,
16 including initiatives and projects to diversify the state's economy, and to improve the efficiency
17 and effectiveness of state government, ~~and to reduce ongoing general fund appropriations of~~
18 ~~state agencies.~~

19 **SECTION 12. EFFECTIVE DATE.** This Act becomes effective on August 1, 2021.

2021 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1380
4/29/2021
Conference Committee

Relating to an economic diversification research fund, a legacy sinking and interest fund, a workforce development and enrichment fund, a legacy earnings fund, a legacy infrastructure fund, a legacy project fund, a legacy project advisory board, and an innovative research and economic development fund;

2:06 Chairman Representative Vigesaa Called the meeting to order, roll call was taken; Chairman Representative Vigesaa Representative Pollert, Representative Boe and Senators Sorvaag, Bell and Heckamen

Discussion Topics:

- Amendments

Senator Sorvaag- Explains the amendment and makes a motion to adopt amendment 2100218.06016 (testimony #11691 and 11692)

Senator Bell- Second the motion

2:25 Voice Vote – Roll Call Vote Requested

Roll Call was taken;

3-3-0 Motion Fails

2:27 Representative Vigesaa –Explains his amendment (testimony #11712)

2:40 Representative Pollert -Makes a motion to adopt amendment 21.0218.06015

Senator Bell Second the motion

Further Discussion

2:40 Roll Call Vote;

Motion Carries 6-0-0

2:41 Chairman Representative Vigesaa Closed the meeting for HB 1380

Risa Beube,

House Appropriations Committee Clerk

April 29, 2021

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

That the Senate recede from its amendments as printed on pages 1689-1695 of the House Journal and pages 1404-1410 of the Senate Journal and that Engrossed House Bill No. 1380 be amended as follows:

Page 1, line 1, after "enact" insert "a new section to chapter 6-09,"

Page 1, line 1, after the comma insert "a new section to chapter 15-20.1, and"

Page 1, line 2, remove ", and a new section to chapter 57-38"

Page 1, line 2, after the second "to" insert " an economic diversification research fund,"

Page 1, line 3, after the first comma insert " a workforce development and enrichment fund,
and"

Page 1, line 3, remove ", and an income tax relief fund"

Page 1, line 4, after "reenact" insert " subsection 1 of section 21-10-06 and"

Page 1, line 4, after "to" insert " funds invested by the state investment board and"

Page 1, line 5, after "definitions" insert "; to repeal House Bill No. 1038, as approved by the sixty-seventh legislative assembly, relating to a legislative management legacy fund earnings committee"

Page 1, line 5, after "transfer" insert "; to create a legislative management legacy fund earnings committee"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, after line 6, insert:

"**SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Economic diversification research fund - Legislative management report.

1. There is created in the state treasury the economic diversification research fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent by the Bank of North Dakota pursuant to legislative appropriations to provide grants to institutions under the control of the state board of higher education for economic diversification research.
2. Up to ninety percent of the funding must be designated to North Dakota state university and the university of North Dakota with equal amounts allocated to each institution. The remaining funding must be allocated to the other institutions under the control of the state board of higher education.

3. The purpose of the funding is to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; to address loss of revenue and jobs in communities with economies that depend primarily on the fossil fuel industry; and to provide experiential learning opportunities for students. Research projects may be initiated by an institution under the control of the state board of higher education or by the private sector. Any guidelines for the funding must include consideration for research projects with matching funds and provisions for grant oversight by an internal advisory committee and an external advisory committee."

Page 1, line 12, replace "3" with "6"

Page 1, line 14, after "authority" insert "for transfer to the Bank of North Dakota for allocations to infrastructure projects and programs"

Page 1, line 15, replace "necessary" with "appropriated from the fund"

Page 1, line 15, remove the underscored comma

Page 1, line 16 replace "may be appropriated by the legislative assembly for other purposes" with "must be transferred by the state treasurer to the public employees retirement system main system plan under chapter 54-52, but only if the public employees retirement system main system plan's actuarial funded ratio as reported for the most recently completed even-numbered fiscal year is less than ninety percent. If the public employees retirement system main system plan's actuarial funded ratio is ninety percent or more and then subsequently decreases below ninety percent, the state treasurer may not resume the transfers under this subdivision unless the main system plan's actuarial funded ratio is less than seventy percent"

Page 1, after line 16, insert:

"SECTION 3. A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Workforce development and enrichment fund.

There is created in the state treasury the workforce development and enrichment fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to provide grants to support strategic workforce development, technical education, workforce diversification initiatives, and workforce guidance and support.

SECTION 4. AMENDMENT. Subsection 1 of section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:
 - a. State bonding fund.
 - b. Teachers' fund for retirement.
 - c. State fire and tornado fund.
 - d. Workforce safety and insurance fund.

- e. Public employees retirement system.
- f. Insurance regulatory trust fund.
- g. State risk management fund.
- h. Budget stabilization fund.
- i. Health care trust fund.
- j. Cultural endowment fund.
- k. Petroleum tank release compensation fund.
- l. Legacy fund.
- m. Legacy earnings fund.
- n. A fund under contract with the board pursuant to subsection 3."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "seven"

Page 2, line 25, replace "5." with "4."

Page 2, line 28, after "hundred" insert "fifty"

Page 2, line 29, replace "1" with "2"

Page 2, line 29, replace the underscored semicolon with an underscored period

Page 2, line 30, remove "The next forty million dollars to the clean sustainable energy fund:"

Page 3, remove lines 1 through 3

Page 3, line 4, replace "d." with "The next sixty million dollars to the highway tax distribution fund for allocations under section 54-27-19."

- c. The next fifty million dollars to the tax relief fund.
- d. The next thirty million dollars to the clean sustainable energy fund.
- e. The next thirty million dollars to research, innovation, and workforce initiatives, of which equal amounts must be distributed to the economic diversification research fund, the innovation loan fund to support technology advancement, and the workforce development and enrichment fund.
- f."

Page 3, line 5, after "assembly" insert ".

- 5. If the amounts transferred under subsection 2 exceed the amount available for appropriation under subsection 3, an amount equal to any appropriations from the legacy sinking and interest fund for bond payments under section 2 of this Act must be retained in the legacy earnings fund

through June 30, 2025, after which an amount equal to twice any appropriations from the legacy sinking and interest fund under section 2 of this Act for bond payments, but not more than one hundred fifty million dollars, must be retained in the legacy earnings fund. After deducting any amounts to be retained in the legacy earnings fund, the state treasurer shall transfer, within thirty days, any remaining amounts under this subsection in the following order:

- a. The first one hundred million dollars to the legacy fund to become part of the principal.
- b. Any remaining amount to the strategic investment and improvements fund to be used in accordance with the provisions of section 15-08.1-08"

Page 3 replace lines 6 through 11 with:

"SECTION 7. REPEAL. House Bill No. 1038, as approved by the sixty-seventh legislative assembly, is repealed.

SECTION 8. LEGACY FUND EARNINGS - LEGISLATIVE MANAGEMENT COMMITTEE.

1. During the 2021-22 interim, the legacy fund earnings committee is created and is composed of the following members:
 - a. The majority and minority leaders of the house of representatives and the senate, or their legislative designees;
 - b. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;
 - c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;
 - d. The chairmen of the industry, business and labor standing committees of the house of representatives and the senate, or their legislative designees;
 - e. One member of the legacy and budget stabilization fund advisory board from the house of representatives and one member of the legacy and budget stabilization fund advisory board from the senate, appointed by the respective majority leaders; and
 - f. The chairman of the legislative management, or the chairman's legislative designee.
2. The legislative management shall designate the chairman of the committee.
3. The committee shall study potential uses of legacy fund earnings, including the use of earnings to provide tax relief, research and technological advancements, innovation, economic growth and diversification, and workforce development. The committee may consider input from representatives of economic development entities, agricultural organizations, research entities, the innovation loan fund to support

technology advancement committee, workforce development entities, higher education institutions, and the parks and recreation department. As part of the study, the committee shall:

- a. Consider the establishment of a statutory committee to award grants for university research programs and workforce enrichment initiatives;
 - b. Define the use of university research, innovation, and workforce enrichment funding that may include efforts to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; and to provide experiential learning opportunities for students; and
 - c. Develop reporting requirements for entities receiving funds from the clean sustainable energy fund and from grants awarded for university research, innovation, and workforce enrichment initiatives.
4. The legislative management shall report its findings and recommendations, together with any legislation required to implement those recommendations, to the sixty-eighth legislative assembly."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, after line 19, insert:

"SECTION 9. EFFECTIVE DATE. This Act becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Version	Senate Version	Proposed Amendment
<p>Legacy fund definitions</p> <ul style="list-style-type: none"> • Clarifies the definitions for the legacy fund 	<p>Legacy fund definitions</p> <ul style="list-style-type: none"> • Same as the House version 	<p>Legacy fund definitions</p> <ul style="list-style-type: none"> • Same as the House and Senate versions
<p>Legacy fund earnings transfer</p> <ul style="list-style-type: none"> • Transfers legacy fund earnings at the end of each biennium to a legacy earnings fund 	<p>Legacy fund earnings transfer</p> <ul style="list-style-type: none"> • Same as the House version 	<p>Legacy fund earnings transfer</p> <ul style="list-style-type: none"> • Same as the House and Senate versions
<p>Percent of market value method</p> <ul style="list-style-type: none"> • Determines the amount available for spending from the legacy earnings fund based on a percent of market value calculation method • Uses 6 percent of the 5-year average value of legacy fund assets for the percent of market value 	<p>Percent of market value method</p> <ul style="list-style-type: none"> • Same as the House version • Uses 8 percent of the 5-year average value of legacy fund assets for the percent of market value 	<p>Percent of market value method</p> <ul style="list-style-type: none"> • Same as the House and Senate versions • Uses 7 percent of the 5-year average value of legacy fund assets for the percent of market value
<p>Allocations from the legacy earnings fund</p> <ul style="list-style-type: none"> • Allocates the amount available for spending as follows: \$100 million to a legacy sinking 	<p>Allocations from the legacy earnings fund</p> <ul style="list-style-type: none"> • Allocates the amount available for spending as follows: 20 percent with a minimum of 	<p>Allocations from the legacy earnings fund</p> <ul style="list-style-type: none"> • Allocates the amount available for spending as follows: \$150 million to a legacy sinking

and interest fund designated for bond repayments and other legislative purposes;
\$40 million to a clean sustainable energy fund;
\$40 million to the infrastructure revolving loan fund; and
Any remaining amounts for other purposes designated by the Legislative Assembly.

\$100 million to a legacy sinking and interest fund designated for bond repayments and other legislative purposes;
25 percent to infrastructure funds, of which 45 percent must be designated for the highway tax distribution fund, 5 percent must be designated for the state park fund, and any remaining amounts must be designated for a legacy infrastructure fund;
25 percent to research and economic development funds, of which 30 percent must be designated for a clean sustainable energy fund, 30 percent must be designated for an economic diversification research fund, 30 percent must be designated for the innovation loan fund to support technology advancement, and any remaining amounts must be designated for an innovative research and economic diversification fund;
10 percent to a legacy project fund;
8 percent to a workforce development and enrichment fund; and
Any remaining amounts for other purposes designated by the Legislative Assembly.

and interest fund for bond payments with any excess amounts transferred to the Public Employees Retirement System main system plan;
\$60 million to the highway tax distribution fund;
\$50 million to the tax relief fund;
\$30 million to the clean sustainable energy fund;
\$30 million for research, innovation, and workforce initiatives with equal amounts distributed to the economic diversification research fund, the innovation loan fund to support technology advancement, and the workforce development and enrichment fund.
Any remaining amounts for other purposes designated by the Legislative Assembly

Excess earnings

- Allocates any amounts exceeding the amount available for spending as follows:
40 percent to the strategic investment and improvements fund;
40 percent to the legacy fund to become part of the principal; and
20 percent to an income tax relief fund.

Excess earnings

- Any amounts exceeding the amount available for spending would remain in the legacy earnings fund and would be invested by the State Investment Board

Excess earnings

- From any amounts exceeding the amount available for spending, a portion would be retained in the legacy earnings fund and would be invested by the State Investment Board with any remaining amounts transferred as follows:
\$100 million to the legacy fund to become part of the principal; and
Any remaining amounts to the strategic investment and improvements fund.

Legislative intent

- Provides intent for the Legislative Assembly to consider additional allocations from the legacy earnings fund for the highway tax distribution fund, value-added agriculture programs, the innovation loan fund to support technology advancement, state building

Legislative intent

- Provides intent for the Legislative Assembly to consider additional allocations from the legacy earnings fund for value-added agriculture programs, state building maintenance and improvements, and other one-time initiatives and projects

Legislative intent

- Provides intent for the Legislative Assembly to consider additional allocations from the legacy earnings fund for value-added agriculture programs, the innovation loan fund to support technology advancement, state building maintenance and improvements, and other

maintenance and improvements, and other one-time initiatives and projects

Other sections

- Creates a legacy sinking and interest fund
- Creates an income tax relief fund

one-time initiatives and projects

Other sections

- Same as the House and Senate versions

Other sections

- Same as the House version
- The Senate version did not include an income tax relief fund
- Creates an economic diversification research fund to grant up to 90 percent of the money in the fund to the research universities and the remaining amounts to other institutions under the control of the State Board of Higher Education
- Creates a workforce development and enrichment fund for grants to support technical education and workforce diversification with 30 percent of the money in the fund designated for cities located in oil-and-gas-producing counties
- Creates a legacy infrastructure fund to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects, and requires political subdivisions to provide a report on the use of any funding received from the legacy infrastructure fund
- Creates a legacy project fund to support projects for statewide economic diversification and growth and to support infrastructure with a statewide benefit and requires political subdivisions to provide a report on the use of any funding received from the legacy infrastructure fund
- Establishes a legacy project advisory board to recommend projects and infrastructure initiatives under the legacy project fund
- Creates an innovative research and economic diversification fund and designates 70 percent of the money in the fund to support the Lignite Research Council, the Oil and Gas Research Council, and other

- Creates an economic diversification research fund to grant up to 90 percent of the money in the fund to the research universities and the remaining amounts to other institutions under the control of the State Board of Higher Education
- Creates a workforce development and enrichment fund for grants to support technical education and workforce diversification

	<p>research councils, and 30 percent for tourism initiatives</p> <ul style="list-style-type: none">• Provides an effective date for the bill	<ul style="list-style-type: none">• Provides an effective date for the bill• Repeals House Bill No 1038 relating to a Legislative Management legacy earnings fund committee• Creates a committee to study selected potential uses of legacy fund earnings
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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

That the Senate recede from its amendments as printed on pages 1689-1695 of the House Journal and pages 1404-1410 of the Senate Journal and that Engrossed House Bill No. 1380 be amended as follows:

Page 1, line 1, replace the comma with "and"

Page 1, line 2, remove ", and a new section to chapter 57-38"

Page 1, line 3, replace the first comma with "and"

Page 1, line 3, remove ", and an income tax relief fund"

Page 1, line 4, after "reenact" insert " subsection 1 of section 21-10-06 and"

Page 1, line 4, after "to" insert " funds invested by the state investment board and"

Page 1, line 5, after "definitions" insert "; to repeal House Bill No. 1038, as approved by the sixty-seventh legislative assembly, relating to a legislative management legacy fund earnings committee"

Page 1, line 5, after "transfer" insert "; to create a legislative management legacy fund earnings committee"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, line 14, after "authority" insert "for transfer to the Bank of North Dakota for allocations to infrastructure projects and programs"

Page 1, line 15, replace "necessary" with "appropriated from the fund"

Page 1, line 15, remove the underscored comma

Page 1, line 16 replace "may be appropriated by the legislative assembly for other purposes" with "must be transferred by the state treasurer to the public employees retirement system main system plan under chapter 54-52, but only if the public employees retirement system main system plan's actuarial funded ratio as reported for the most recently completed even-numbered fiscal year is less than ninety percent. If the public employees retirement system main system plan's actuarial funded ratio is ninety percent or more and then subsequently decreases below ninety percent, the state treasurer may not resume the transfers under this subdivision unless the main system plan's actuarial funded ratio is less than seventy percent"

Page 1, after line 16, insert:

"SECTION 2. AMENDMENT. Subsection 1 of section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:
 - a. State bonding fund.

- b. Teachers' fund for retirement.
- c. State fire and tornado fund.
- d. Workforce safety and insurance fund.
- e. Public employees retirement system.
- f. Insurance regulatory trust fund.
- g. State risk management fund.
- h. Budget stabilization fund.
- i. Health care trust fund.
- j. Cultural endowment fund.
- k. Petroleum tank release compensation fund.
- l. Legacy fund.
- m. Legacy earnings fund.
- n. A fund under contract with the board pursuant to subsection 3."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "seven"

Page 2, line 25, replace "5." with "4."

Page 2, line 28, after "hundred" insert "fifty"

Page 2, line 29, replace the underscored semicolon with an underscored period

Page 2, line 30, remove "The next forty million dollars to the clean sustainable energy fund;"

Page 3, remove lines 1 through 3

Page 3, line 4, replace "d." with "The next sixty million dollars to the highway tax distribution fund for allocations under section 54-27-19."

c."

Page 3, line 5, after "assembly" insert ", including:

- (1) Up to fifty million dollars for tax relief pursuant to appropriations or transfers authorized by the legislative assembly;
- (2) Up to thirty million dollars to the clean sustainable energy fund pursuant to appropriations or transfers authorized by the legislative assembly; and
- (3) Up to thirty million dollars for university research programs, the innovation loan fund to support technology advancement, and

workforce enrichment initiatives pursuant to appropriations or transfers authorized by the legislative assembly.

5. If the amounts transferred under subsection 2 exceed the amount available for appropriation under subsection 3, an amount equal to any appropriations from the legacy sinking and interest fund for bond payments under section 2 of this Act must be retained in the legacy earnings fund through June 30, 2025, after which an amount equal to twice any appropriations from the legacy sinking and interest fund under section 2 of this Act for bond payments, but not more than one hundred fifty million dollars, must be retained in the legacy earnings fund. After deducting any amounts to be retained in the legacy earnings fund, the state treasurer shall transfer, within thirty days, any remaining amounts under this subsection in the following order:
 - a. The first one hundred million dollars to the legacy fund to become part of the principal.
 - b. Any remaining amount to the strategic investment and improvements fund to be used in accordance with the provisions of section 15-08.1-08"

Page 3 replace lines 6 through 11 with:

"SECTION 5. REPEAL. House Bill No. 1038, as approved by the sixty-seventh legislative assembly, is repealed.

SECTION 6. LEGACY FUND EARNINGS - LEGISLATIVE MANAGEMENT COMMITTEE.

1. During the 2021-22 interim, the legacy fund earnings committee is created and is composed of the following members:
 - a. The majority and minority leaders of the house of representatives and the senate, or their legislative designees;
 - b. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;
 - c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;
 - d. The chairmen of the industry, business and labor standing committees of the house of representatives and the senate, or their legislative designees;
 - e. One member of the legacy and budget stabilization fund advisory board from the house of representatives and one member of the legacy and budget stabilization fund advisory board from the senate, appointed by the respective majority leaders; and
 - f. The chairman of the legislative management, or the chairman's legislative designee.
2. The legislative management shall designate the chairman of the committee.

3. The committee shall study potential uses of legacy fund earnings, including the use of earnings to provide tax relief, research and technological advancements, innovation, economic growth and diversification, and workforce development. The committee may consider input from representatives of economic development entities, agricultural organizations, research entities, the innovation loan fund to support technology advancement committee, workforce development entities, higher education institutions, and the parks and recreation department. As part of the study, the committee shall:
 - a. Consider the establishment of a statutory committee to award grants for university research programs and workforce enrichment initiatives;
 - b. Define the use of university research, innovation, and workforce enrichment funding that may include efforts to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; and to provide experiential learning opportunities for students; and
 - c. Develop reporting requirements for entities receiving funds from the clean sustainable energy fund and from grants awarded for university research, innovation, and workforce enrichment initiatives.
4. The legislative management shall report its findings and recommendations, together with any legislation required to implement those recommendations, to the sixty-eighth legislative assembly."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, after line 19, insert:

"SECTION 8. EFFECTIVE DATE. This Act becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Version	Senate Version	Proposed Amendment
Legacy fund definitions <ul style="list-style-type: none"> • Clarifies the definitions for the legacy fund 	Legacy fund definitions <ul style="list-style-type: none"> • Same as the House version 	Legacy fund definitions <ul style="list-style-type: none"> • Same as the House and Senate versions
Legacy fund earnings transfer <ul style="list-style-type: none"> • Transfers legacy fund earnings at the end of each biennium to a legacy earnings fund 	Legacy fund earnings transfer <ul style="list-style-type: none"> • Same as the House version 	Legacy fund earnings transfer <ul style="list-style-type: none"> • Same as the House and Senate versions
Percent of market value method <ul style="list-style-type: none"> • Determines the amount available for spending from the legacy earnings fund based on a percent of market value calculation method • Uses 6 percent of the 5-year average value of legacy fund assets for the percent of market 	Percent of market value method <ul style="list-style-type: none"> • Same as the House version • Uses 8 percent of the 5-year average value of legacy fund assets for the percent of market 	Percent of market value method <ul style="list-style-type: none"> • Same as the House and Senate versions • Uses 7 percent of the 5-year average value of legacy fund assets for the percent of market

value	value	value
<p>Allocations from the legacy earnings fund</p> <ul style="list-style-type: none"> Allocates the amount available for spending as follows: <ul style="list-style-type: none"> \$100 million to a legacy sinking and interest fund designated for bond repayments and other legislative purposes; \$40 million to a clean sustainable energy fund; \$40 million to the infrastructure revolving loan fund; and Any remaining amounts for other purposes designated by the Legislative Assembly. 	<p>Allocations from the legacy earnings fund</p> <ul style="list-style-type: none"> Allocates the amount available for spending as follows: <ul style="list-style-type: none"> 20 percent with a minimum of \$100 million to a legacy sinking and interest fund designated for bond repayments and other legislative purposes; 25 percent to infrastructure funds, of which 45 percent must be designated for the highway tax distribution fund, 5 percent must be designated for the state park fund, and any remaining amounts must be designated for a legacy infrastructure fund; 25 percent to research and economic development funds, of which 30 percent must be designated for a clean sustainable energy fund, 30 percent must be designated for an economic diversification research fund, 30 percent must be designated for the innovation loan fund to support technology advancement, and any remaining amounts must be designated for an innovative research and economic diversification fund; 10 percent to a legacy project fund; 8 percent to a workforce development and enrichment fund; and Any remaining amounts for other purposes designated by the Legislative Assembly. 	<p>Allocations from the legacy earnings fund</p> <ul style="list-style-type: none"> Allocates the amount available for spending as follows: <ul style="list-style-type: none"> \$150 million to a legacy sinking and interest fund for bond payments with any excess amounts transferred to the Public Employees Retirement System main system plan; \$60 million to the highway tax distribution fund; and Any remaining amounts for other purposes designated by the Legislative Assembly, including up to \$50 million for tax relief; up to \$30 million to the clean sustainable energy fund; and up to \$30 million for university research programs, the innovation loan fund to support technology advancement, and workforce enrichment initiatives.
<p>Excess earnings</p> <ul style="list-style-type: none"> Allocates any amounts exceeding the amount available for spending as follows: <ul style="list-style-type: none"> 40 percent to the strategic investment and improvements fund; 40 percent to the legacy fund to become part of the principal; and 20 percent to an income tax relief fund. 	<p>Excess earnings</p> <ul style="list-style-type: none"> Any amounts exceeding the amount available for spending would remain in the legacy earnings fund and would be invested by the State Investment Board 	<p>Excess earnings</p> <ul style="list-style-type: none"> From any amounts exceeding the amount available for spending, a portion would be retained in the legacy earnings fund and would be invested by the State Investment Board with any remaining amounts transferred as follows: <ul style="list-style-type: none"> \$100 million to the legacy fund to become part of the principal; and Any remaining amounts to the strategic investment and improvements fund.
<p>Legislative intent</p> <ul style="list-style-type: none"> Provides intent for the Legislative Assembly to consider 	<p>Legislative intent</p> <ul style="list-style-type: none"> Provides intent for the Legislative Assembly to consider 	<p>Legislative intent</p> <ul style="list-style-type: none"> Provides intent for the Legislative Assembly to consider

additional allocations from the legacy earnings fund for the highway tax distribution fund, value-added agriculture programs, the innovation loan fund to support technology advancement, state building maintenance and improvements, and other one-time initiatives and projects

Other sections

- Creates a legacy sinking and interest fund
- Creates an income tax relief fund

additional allocations from the legacy earnings fund for value-added agriculture programs, state building maintenance and improvements, and other one-time initiatives and projects

Other sections

- Same as the House version
- The Senate version did not include an income tax relief fund
- Creates an economic diversification research fund to grant up to 90 percent of the money in the fund to the research universities and the remaining amounts to other institutions under the control of the State Board of Higher Education
- Creates a workforce development and enrichment fund for grants to support technical education and workforce diversification with 30 percent of the money in the fund designated for cities located in oil-and-gas-producing counties
- Creates a legacy infrastructure fund to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects, and requires political subdivisions to provide a report on the use of any funding received from the legacy infrastructure fund
- Creates a legacy project fund to support projects for statewide economic diversification and growth and to support infrastructure with a statewide benefit and requires political subdivisions to provide a report on the use of any funding received from the legacy infrastructure fund
- Establishes a legacy project advisory board to recommend projects and infrastructure initiatives under the legacy project fund

additional allocations from the legacy earnings fund for value-added agriculture programs, the innovation loan fund to support technology advancement, state building maintenance and improvements, and other one-time initiatives and projects

Other sections

- Same as the House and Senate versions

	<ul style="list-style-type: none">• Creates an innovative research and economic diversification fund and designates 70 percent of the money in the fund to support the Lignite Research Council, the Oil and Gas Research Council, and other research councils, and 30 percent for tourism initiatives• Provides an effective date for the bill	<ul style="list-style-type: none">• Provides an effective date for the bill• Repeals House Bill No 1038 relating to a Legislative Management legacy earnings fund committee• Creates a committee to study selected potential uses of legacy fund earnings
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**2021 HOUSE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL/RESOLUTION NO. HB 1380 engrossed

House Appropriations Committee

- Action Taken**
- HOUSE accede to Senate Amendments**
 - HOUSE accede to Senate Amendments and further amend**
 - SENATE recede from Senate amendments**
 - SENATE recede from Senate amendments and amend as follows**

 - Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Sorvaag Seconded by: Senator Bell

Representatives			Yes	No		Senators			Yes	No
	4/26	4/29					4/26	4/29		
Vigessa	X	X		X		Sorvaag	X	X	X	
Pollert		X		X		Bell	X	X	X	
Boe	X	X		X		Heckaman	X	X	X	
Delzer	X									
Total Rep. Vote						Total Senate Vote				

Vote Count Yes: 3 No: 3 Absent: 0

House Carrier _____ Senate Carrier _____

LC Number _____ . _____ of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Amendment 21.0218.06016

Motion Fails

**2021 HOUSE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL/RESOLUTION NO. HB 1380 engrossed

House Appropriations Committee

- Action Taken**
- HOUSE accede to Senate Amendments
 - HOUSE accede to Senate Amendments and further amend
 - SENATE recede from Senate amendments
 - SENATE recede from Senate amendments and amend as follows
 - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Representative Pollert Seconded by: Senator Bell

Representatives					Senators				
			Yes	No				Yes	No
Vigessa			X		Sorvaag			X	
Pollert			X		Bell			X	
Boe			X		Heckaman			X	
Total Rep. Vote	3	0	0		Total Senate Vote	3	0	0	

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Representative Vigesaa Senate Carrier Senator Sorvaag

LC Number 21.0218 . 06015 of amendment

LC Number 21.0218 . 09000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

HB 1380, as engrossed: Your conference committee (Sens. Sorvaag, Bell, Heckaman and Reps. Vigesaa, Pollert, Boe) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1689-1698, adopt amendments as follows, and place HB 1380 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1689-1695 of the House Journal and pages 1404-1410 of the Senate Journal and that Engrossed House Bill No. 1380 be amended as follows:

Page 1, line 1, replace the comma with "and"

Page 1, line 2, remove ", and a new section to chapter 57-38"

Page 1, line 3, replace the first comma with "and"

Page 1, line 3, remove ", and an income tax relief fund"

Page 1, line 4, after "reenact" insert " subsection 1 of section 21-10-06 and"

Page 1, line 4, after "to" insert " funds invested by the state investment board and"

Page 1, line 5, after "definitions" insert "; to repeal House Bill No. 1038, as approved by the sixty-seventh legislative assembly, relating to a legislative management legacy fund earnings committee"

Page 1, line 5, after "transfer" insert "; to create a legislative management legacy fund earnings committee"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, line 14, after "authority" insert "for transfer to the Bank of North Dakota for allocations to infrastructure projects and programs"

Page 1, line 15, replace "necessary" with "appropriated from the fund"

Page 1, line 15, remove the underscored comma

Page 1, line 16 replace "may be appropriated by the legislative assembly for other purposes" with "must be transferred by the state treasurer to the public employees retirement system main system plan under chapter 54-52, but only if the public employees retirement system main system plan's actuarial funded ratio as reported for the most recently completed even-numbered fiscal year is less than ninety percent. If the public employees retirement system main system plan's actuarial funded ratio is ninety percent or more and then subsequently decreases below ninety percent, the state treasurer may not resume the transfers under this subdivision unless the main system plan's actuarial funded ratio is less than seventy percent"

Page 1, after line 16, insert:

"SECTION 2. AMENDMENT. Subsection 1 of section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:
 - a. State bonding fund.

- b. Teachers' fund for retirement.
- c. State fire and tornado fund.
- d. Workforce safety and insurance fund.
- e. Public employees retirement system.
- f. Insurance regulatory trust fund.
- g. State risk management fund.
- h. Budget stabilization fund.
- i. Health care trust fund.
- j. Cultural endowment fund.
- k. Petroleum tank release compensation fund.
- l. Legacy fund.
- m. Legacy earnings fund.
- n. A fund under contract with the board pursuant to subsection 3."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "seven"

Page 2, line 25, replace "5." with "4."

Page 2, line 28, after "hundred" insert "fifty"

Page 2, line 29, replace the underscored semicolon with an underscored period

Page 2, line 30, remove "The next forty million dollars to the clean sustainable energy fund;"

Page 3, remove lines 1 through 3

Page 3, line 4, replace "d." with "The next sixty million dollars to the highway tax distribution fund for allocations under section 54-27-19."

c."

Page 3, line 5, after "assembly" insert ", including:"

- (1) Up to fifty million dollars for tax relief pursuant to appropriations or transfers authorized by the legislative assembly;
- (2) Up to thirty million dollars to the clean sustainable energy fund pursuant to appropriations or transfers authorized by the legislative assembly; and

- (3) Up to thirty million dollars for university research programs, the innovation loan fund to support technology advancement, and workforce enrichment initiatives pursuant to appropriations or transfers authorized by the legislative assembly.
5. If the amounts transferred under subsection 2 exceed the amount available for appropriation under subsection 3, an amount equal to any appropriations from the legacy sinking and interest fund for bond payments under section 2 of this Act must be retained in the legacy earnings fund through June 30, 2025, after which an amount equal to twice any appropriations from the legacy sinking and interest fund under section 2 of this Act for bond payments, but not more than one hundred fifty million dollars, must be retained in the legacy earnings fund. After deducting any amounts to be retained in the legacy earnings fund, the state treasurer shall transfer, within thirty days, any remaining amounts under this subsection in the following order:
- a. The first one hundred million dollars to the legacy fund to become part of the principal.
- b. Any remaining amount to the strategic investment and improvements fund to be used in accordance with the provisions of section 15-08.1-08"

Page 3 replace lines 6 through 11 with:

"SECTION 5. REPEAL. House Bill No. 1038, as approved by the sixty-seventh legislative assembly, is repealed.

SECTION 6. LEGACY FUND EARNINGS - LEGISLATIVE MANAGEMENT COMMITTEE.

1. During the 2021-22 interim, the legacy fund earnings committee is created and is composed of the following members:
- a. The majority and minority leaders of the house of representatives and the senate, or their legislative designees;
- b. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;
- c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;
- d. The chairmen of the industry, business and labor standing committees of the house of representatives and the senate, or their legislative designees;
- e. One member of the legacy and budget stabilization fund advisory board from the house of representatives and one member of the legacy and budget stabilization fund advisory board from the senate, appointed by the respective majority leaders; and
- f. The chairman of the legislative management, or the chairman's legislative designee.
2. The legislative management shall designate the chairman of the committee.

3. The committee shall study potential uses of legacy fund earnings, including the use of earnings to provide tax relief, research and technological advancements, innovation, economic growth and diversification, and workforce development. The committee may consider input from representatives of economic development entities, agricultural organizations, research entities, the innovation loan fund to support technology advancement committee, workforce development entities, higher education institutions, and the parks and recreation department. As part of the study, the committee shall:
 - a. Consider the establishment of a statutory committee to award grants for university research programs and workforce enrichment initiatives;
 - b. Define the use of university research, innovation, and workforce enrichment funding that may include efforts to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; and to provide experiential learning opportunities for students; and
 - c. Develop reporting requirements for entities receiving funds from the clean sustainable energy fund and from grants awarded for university research, innovation, and workforce enrichment initiatives.
4. The legislative management shall report its findings and recommendations, together with any legislation required to implement those recommendations, to the sixty-eighth legislative assembly."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, after line 19, insert:

"SECTION 8. EFFECTIVE DATE. This Act becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Version	Senate Version	Proposed Amendment
Legacy fund definitions <ul style="list-style-type: none"> • Clarifies the definitions for the legacy fund 	Legacy fund definitions <ul style="list-style-type: none"> • Same as the House version 	Legacy fund definitions <ul style="list-style-type: none"> • Same as the House and Senate versions
Legacy fund earnings transfer <ul style="list-style-type: none"> • Transfers legacy fund earnings at the end of each biennium to a legacy earnings fund 	Legacy fund earnings transfer <ul style="list-style-type: none"> • Same as the House version 	Legacy fund earnings transfer <ul style="list-style-type: none"> • Same as the House and Senate versions
Percent of market value method <ul style="list-style-type: none"> • Determines the amount available for spending from the legacy earnings fund based on a percent of market value calculation method • Uses 6 percent of the 5-year average value of legacy fund assets for the percent of market value 	Percent of market value method <ul style="list-style-type: none"> • Same as the House version • Uses 8 percent of the 5-year average value of legacy fund assets for the percent of market value 	Percent of market value method <ul style="list-style-type: none"> • Same as the House and Senate versions • Uses 7 percent of the 5-year average value of legacy fund assets for the percent of market value
Allocations from the legacy earnings	Allocations from the legacy earnings	Allocations from the legacy earnings

<p>fund</p> <ul style="list-style-type: none"> Allocates the amount available for spending as follows: <ul style="list-style-type: none"> \$100 million to a legacy sinking and interest fund designated for bond repayments and other legislative purposes; \$40 million to a clean sustainable energy fund; \$40 million to the infrastructure revolving loan fund; and Any remaining amounts for other purposes designated by the Legislative Assembly. <p>Excess earnings</p> <ul style="list-style-type: none"> Allocates any amounts exceeding the amount available for spending as follows: <ul style="list-style-type: none"> 40 percent to the strategic investment and improvements fund; 40 percent to the legacy fund to become part of the principal; and 20 percent to an income tax relief fund. <p>Legislative intent</p> <ul style="list-style-type: none"> Provides intent for the Legislative Assembly to consider additional allocations from the legacy earnings fund for the highway tax distribution fund, value-added agriculture programs, the innovation loan fund to support technology advancement, state building maintenance and improvements, and other one-time initiatives and projects 	<p>fund</p> <ul style="list-style-type: none"> Allocates the amount available for spending as follows: <ul style="list-style-type: none"> 20 percent with a minimum of \$100 million to a legacy sinking and interest fund designated for bond repayments and other legislative purposes; 25 percent to infrastructure funds, of which 45 percent must be designated for the highway tax distribution fund, 5 percent must be designated for the state park fund, and any remaining amounts must be designated for a legacy infrastructure fund; 25 percent to research and economic development funds, of which 30 percent must be designated for a clean sustainable energy fund, 30 percent must be designated for an economic diversification research fund, 30 percent must be designated for the innovation loan fund to support technology advancement, and any remaining amounts must be designated for an innovative research and economic diversification fund; 10 percent to a legacy project fund; 8 percent to a workforce development and enrichment fund; and Any remaining amounts for other purposes designated by the Legislative Assembly. <p>Excess earnings</p> <ul style="list-style-type: none"> Any amounts exceeding the amount available for spending would remain in the legacy earnings fund and would be invested by the State Investment Board <p>Legislative intent</p> <ul style="list-style-type: none"> Provides intent for the Legislative Assembly to consider additional allocations from the legacy earnings fund for value-added agriculture programs, state building maintenance and improvements, and other one-time initiatives and projects 	<p>fund</p> <ul style="list-style-type: none"> Allocates the amount available for spending as follows: <ul style="list-style-type: none"> \$150 million to a legacy sinking and interest fund for bond payments with any excess amounts transferred to the Public Employees Retirement System main system plan; \$60 million to the highway tax distribution fund; and Any remaining amounts for other purposes designated by the Legislative Assembly, including up to \$50 million for tax relief; up to \$30 million to the clean sustainable energy fund; and up to \$30 million for university research programs, the innovation loan fund to support technology advancement, and workforce enrichment initiatives. <p>Excess earnings</p> <ul style="list-style-type: none"> From any amounts exceeding the amount available for spending, a portion would be retained in the legacy earnings fund and would be invested by the State Investment Board with any remaining amounts transferred as follows: <ul style="list-style-type: none"> \$100 million to the legacy fund to become part of the principal; and Any remaining amounts to the strategic investment and improvements fund. <p>Legislative intent</p> <ul style="list-style-type: none"> Provides intent for the Legislative Assembly to consider additional allocations from the legacy earnings fund for value-added agriculture programs, the innovation loan fund to support technology advancement, state building maintenance and improvements, and other one-time initiatives and projects
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Other sections	Other sections	Other sections
<ul style="list-style-type: none">• Creates a legacy sinking and interest fund• Creates an income tax relief fund	<ul style="list-style-type: none">• Same as the House version• The Senate version did not include an income tax relief fund• Creates an economic diversification research fund to grant up to 90 percent of the money in the fund to the research universities and the remaining amounts to other institutions under the control of the State Board of Higher Education• Creates a workforce development and enrichment fund for grants to support technical education and workforce diversification with 30 percent of the money in the fund designated for cities located in oil-and-gas-producing counties• Creates a legacy infrastructure fund to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects, and requires political subdivisions to provide a report on the use of any funding received from the legacy infrastructure fund• Creates a legacy project fund to support projects for statewide economic diversification and growth and to support infrastructure with a statewide benefit and requires political subdivisions to provide a report on the use of any funding received from the legacy infrastructure fund• Establishes a legacy project advisory board to recommend projects and infrastructure initiatives under the legacy project fund• Creates an innovative research and economic diversification fund and designates 70 percent of the money in the fund to support the Lignite Research Council, the Oil and Gas Research Council, and other research councils, and 30 percent for tourism initiatives• Provides an effective date for the bill	<ul style="list-style-type: none">• Same as the House and Senate versions• Provides an effective date for the bill• Repeals House Bill No 1038 relating to a Legislative Management legacy earnings fund committee

Insert LC: 21.0218.06015
House Carrier: Vigesaa
Senate Carrier: Sorvaag

		<ul style="list-style-type: none">• Creates a committee to study selected potential uses of legacy fund earnings
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Engrossed HB 1380 was placed on the Seventh order of business on the calendar.

21.0218.06016
Title.

Prepared by the Legislative Council staff for
Senator Sorvaag

April 29, 2021

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1380

That the Senate recede from its amendments as printed on pages 1689-1695 of the House Journal and pages 1404-1410 of the Senate Journal and that Engrossed House Bill No. 1380 be amended as follows:

Page 1, line 1, after "enact" insert "a new section to chapter 6-09,"

Page 1, line 1, after the comma insert "a new section to chapter 15-20.1, and"

Page 1, line 2, remove ", and a new section to chapter 57-38"

Page 1, line 2, after the second "to" insert " an economic diversification research fund,"

Page 1, line 3, after the first comma insert " a workforce development and enrichment fund,
and"

Page 1, line 3, remove ", and an income tax relief fund"

Page 1, line 4, after "reenact" insert " subsection 1 of section 21-10-06 and"

Page 1, line 4, after "to" insert " funds invested by the state investment board and"

Page 1, line 5, after "definitions" insert "; to repeal House Bill No. 1038, as approved by the sixty-seventh legislative assembly, relating to a legislative management legacy fund earnings committee"

Page 1, line 5, after "transfer" insert "; to create a legislative management legacy fund earnings committee"

Page 1, line 5, remove "and"

Page 1, line 5, after "intent" insert "; and to provide an effective date"

Page 1, after line 6, insert:

"**SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Economic diversification research fund - Legislative management report.

1. There is created in the state treasury the economic diversification research fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent by the Bank of North Dakota pursuant to legislative appropriations to provide grants to institutions under the control of the state board of higher education for economic diversification research.
2. Up to ninety percent of the funding must be designated to North Dakota state university and the university of North Dakota with equal amounts allocated to each institution. The remaining funding must be allocated to the other institutions under the control of the state board of higher education.

3. The purpose of the funding is to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; to address loss of revenue and jobs in communities with economies that depend primarily on the fossil fuel industry; and to provide experiential learning opportunities for students. Research projects may be initiated by an institution under the control of the state board of higher education or by the private sector. Any guidelines for the funding must include consideration for research projects with matching funds and provisions for grant oversight by an internal advisory committee and an external advisory committee."

Page 1, line 12, replace "3" with "6"

Page 1, line 14, after "authority" insert "for transfer to the Bank of North Dakota for allocations to infrastructure projects and programs"

Page 1, line 15, replace "necessary" with "appropriated from the fund"

Page 1, line 15, remove the underscored comma

Page 1, line 16 replace "may be appropriated by the legislative assembly for other purposes" with "must be transferred by the state treasurer to the public employees retirement system main system plan under chapter 54-52, but only if the public employees retirement system main system plan's actuarial funded ratio as reported for the most recently completed even-numbered fiscal year is less than ninety percent. If the public employees retirement system main system plan's actuarial funded ratio is ninety percent or more and then subsequently decreases below ninety percent, the state treasurer may not resume the transfers under this subdivision unless the main system plan's actuarial funded ratio is less than seventy percent"

Page 1, after line 16, insert:

"SECTION 3. A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Workforce development and enrichment fund.

There is created in the state treasury the workforce development and enrichment fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to provide grants to support strategic workforce development, technical education, workforce diversification initiatives, and workforce guidance and support.

SECTION 4. AMENDMENT. Subsection 1 of section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:
 - a. State bonding fund.
 - b. Teachers' fund for retirement.
 - c. State fire and tornado fund.
 - d. Workforce safety and insurance fund.

- e. Public employees retirement system.
- f. Insurance regulatory trust fund.
- g. State risk management fund.
- h. Budget stabilization fund.
- i. Health care trust fund.
- j. Cultural endowment fund.
- k. Petroleum tank release compensation fund.
- l. Legacy fund.
- m. Legacy earnings fund.
- n. A fund under contract with the board pursuant to subsection 3."

Page 2, line 12, remove "If the amounts transferred under subsection 2 exceed the amount available for"

Page 2, remove lines 13 through 18

Page 2, line 19, remove "4."

Page 2, line 21, replace "six" with "seven"

Page 2, line 25, replace "5." with "4."

Page 2, line 28, after "hundred" insert "fifty"

Page 2, line 29, replace "1" with "2"

Page 2, line 29, replace the underscored semicolon with an underscored period

Page 2, line 30, remove "The next forty million dollars to the clean sustainable energy fund:"

Page 3, remove lines 1 through 3

Page 3, line 4, replace "d." with "The next sixty million dollars to the highway tax distribution fund for allocations under section 54-27-19."

- c. The next fifty million dollars to the tax relief fund.
- d. The next thirty million dollars to the clean sustainable energy fund.
- e. The next thirty million dollars to research, innovation, and workforce initiatives, of which equal amounts must be distributed to the economic diversification research fund, the innovation loan fund to support technology advancement, and the workforce development and enrichment fund.
- f."

Page 3, line 5, after "assembly" insert ".

- 5. If the amounts transferred under subsection 2 exceed the amount available for appropriation under subsection 3, an amount equal to any appropriations from the legacy sinking and interest fund for bond payments under section 2 of this Act must be retained in the legacy earnings fund

through June 30, 2025, after which an amount equal to twice any appropriations from the legacy sinking and interest fund under section 2 of this Act for bond payments, but not more than one hundred fifty million dollars, must be retained in the legacy earnings fund. After deducting any amounts to be retained in the legacy earnings fund, the state treasurer shall transfer, within thirty days, any remaining amounts under this subsection in the following order:

- a. The first one hundred million dollars to the legacy fund to become part of the principal.
- b. Any remaining amount to the strategic investment and improvements fund to be used in accordance with the provisions of section 15-08.1-08"

Page 3 replace lines 6 through 11 with:

"SECTION 7. REPEAL. House Bill No. 1038, as approved by the sixty-seventh legislative assembly, is repealed.

SECTION 8. LEGACY FUND EARNINGS - LEGISLATIVE MANAGEMENT COMMITTEE.

1. During the 2021-22 interim, the legacy fund earnings committee is created and is composed of the following members:
 - a. The majority and minority leaders of the house of representatives and the senate, or their legislative designees;
 - b. The chairmen of the finance and taxation standing committees of the house of representatives and the senate, or their legislative designees;
 - c. The chairmen of the appropriations committees of the house of representatives and the senate, or their legislative designees;
 - d. The chairmen of the industry, business and labor standing committees of the house of representatives and the senate, or their legislative designees;
 - e. One member of the legacy and budget stabilization fund advisory board from the house of representatives and one member of the legacy and budget stabilization fund advisory board from the senate, appointed by the respective majority leaders; and
 - f. The chairman of the legislative management, or the chairman's legislative designee.
2. The legislative management shall designate the chairman of the committee.
3. The committee shall study potential uses of legacy fund earnings, including the use of earnings to provide tax relief, research and technological advancements, innovation, economic growth and diversification, and workforce development. The committee may consider input from representatives of economic development entities, agricultural organizations, research entities, the innovation loan fund to support

technology advancement committee, workforce development entities, higher education institutions, and the parks and recreation department. As part of the study, the committee shall:

- a. Consider the establishment of a statutory committee to award grants for university research programs and workforce enrichment initiatives;
 - b. Define the use of university research, innovation, and workforce enrichment funding that may include efforts to stimulate economic activity across the state through innovation of new technology, concepts, and products; to promote job creation and career and wage growth; to enhance health care outcomes; and to provide experiential learning opportunities for students; and
 - c. Develop reporting requirements for entities receiving funds from the clean sustainable energy fund and from grants awarded for university research, innovation, and workforce enrichment initiatives.
4. The legislative management shall report its findings and recommendations, together with any legislation required to implement those recommendations, to the sixty-eighth legislative assembly."

Page 3, line 14, remove "the highway tax distribution fund,"

Page 3, after line 19, insert:

"SECTION 9. EFFECTIVE DATE. This Act becomes effective on August 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Version	Senate Version	Proposed Amendment
<p>Legacy fund definitions</p> <ul style="list-style-type: none"> • Clarifies the definitions for the legacy fund 	<p>Legacy fund definitions</p> <ul style="list-style-type: none"> • Same as the House version 	<p>Legacy fund definitions</p> <ul style="list-style-type: none"> • Same as the House and Senate versions
<p>Legacy fund earnings transfer</p> <ul style="list-style-type: none"> • Transfers legacy fund earnings at the end of each biennium to a legacy earnings fund 	<p>Legacy fund earnings transfer</p> <ul style="list-style-type: none"> • Same as the House version 	<p>Legacy fund earnings transfer</p> <ul style="list-style-type: none"> • Same as the House and Senate versions
<p>Percent of market value method</p> <ul style="list-style-type: none"> • Determines the amount available for spending from the legacy earnings fund based on a percent of market value calculation method • Uses 6 percent of the 5-year average value of legacy fund assets for the percent of market value 	<p>Percent of market value method</p> <ul style="list-style-type: none"> • Same as the House version • Uses 8 percent of the 5-year average value of legacy fund assets for the percent of market value 	<p>Percent of market value method</p> <ul style="list-style-type: none"> • Same as the House and Senate versions • Uses 7 percent of the 5-year average value of legacy fund assets for the percent of market value
<p>Allocations from the legacy earnings fund</p> <ul style="list-style-type: none"> • Allocates the amount available for spending as follows: \$100 million to a legacy sinking 	<p>Allocations from the legacy earnings fund</p> <ul style="list-style-type: none"> • Allocates the amount available for spending as follows: 20 percent with a minimum of 	<p>Allocations from the legacy earnings fund</p> <ul style="list-style-type: none"> • Allocates the amount available for spending as follows: \$150 million to a legacy sinking

and interest fund designated for bond repayments and other legislative purposes;
 \$40 million to a clean sustainable energy fund;
 \$40 million to the infrastructure revolving loan fund; and
 Any remaining amounts for other purposes designated by the Legislative Assembly.

\$100 million to a legacy sinking and interest fund designated for bond repayments and other legislative purposes;
 25 percent to infrastructure funds, of which 45 percent must be designated for the highway tax distribution fund, 5 percent must be designated for the state park fund, and any remaining amounts must be designated for a legacy infrastructure fund;
 25 percent to research and economic development funds, of which 30 percent must be designated for a clean sustainable energy fund, 30 percent must be designated for an economic diversification research fund, 30 percent must be designated for the innovation loan fund to support technology advancement, and any remaining amounts must be designated for an innovative research and economic diversification fund;
 10 percent to a legacy project fund;
 8 percent to a workforce development and enrichment fund; and
 Any remaining amounts for other purposes designated by the Legislative Assembly.

and interest fund for bond payments with any excess amounts transferred to the Public Employees Retirement System main system plan;
 \$60 million to the highway tax distribution fund;
 \$50 million to the tax relief fund;
 \$30 million to the clean sustainable energy fund;
 \$30 million for research, innovation, and workforce initiatives with equal amounts distributed to the economic diversification research fund, the innovation loan fund to support technology advancement, and the workforce development and enrichment fund.
 Any remaining amounts for other purposes designated by the Legislative Assembly

Excess earnings

- Allocates any amounts exceeding the amount available for spending as follows:
 40 percent to the strategic investment and improvements fund;
 40 percent to the legacy fund to become part of the principal; and
 20 percent to an income tax relief fund.

Excess earnings

- Any amounts exceeding the amount available for spending would remain in the legacy earnings fund and would be invested by the State Investment Board

Excess earnings

- From any amounts exceeding the amount available for spending, a portion would be retained in the legacy earnings fund and would be invested by the State Investment Board with any remaining amounts transferred as follows:
 \$100 million to the legacy fund to become part of the principal; and
 Any remaining amounts to the strategic investment and improvements fund.

Legislative intent

- Provides intent for the Legislative Assembly to consider additional allocations from the legacy earnings fund for the highway tax distribution fund, value-added agriculture programs, the innovation loan fund to support technology advancement, state building

Legislative intent

- Provides intent for the Legislative Assembly to consider additional allocations from the legacy earnings fund for value-added agriculture programs, state building maintenance and improvements, and other one-time initiatives and projects

Legislative intent

- Provides intent for the Legislative Assembly to consider additional allocations from the legacy earnings fund for value-added agriculture programs, the innovation loan fund to support technology advancement, state building maintenance and improvements, and other

maintenance and improvements, and other one-time initiatives and projects

Other sections

- Creates a legacy sinking and interest fund
- Creates an income tax relief fund

one-time initiatives and projects

Other sections

- Same as the House and Senate versions

Other sections

- Same as the House version
- The Senate version did not include an income tax relief fund
- Creates an economic diversification research fund to grant up to 90 percent of the money in the fund to the research universities and the remaining amounts to other institutions under the control of the State Board of Higher Education
- Creates a workforce development and enrichment fund for grants to support technical education and workforce diversification with 30 percent of the money in the fund designated for cities located in oil-and-gas-producing counties
- Creates a legacy infrastructure fund to support one-time infrastructure projects, including road and bridge projects, airport projects, and water projects, and requires political subdivisions to provide a report on the use of any funding received from the legacy infrastructure fund
- Creates a legacy project fund to support projects for statewide economic diversification and growth and to support infrastructure with a statewide benefit and requires political subdivisions to provide a report on the use of any funding received from the legacy infrastructure fund
- Establishes a legacy project advisory board to recommend projects and infrastructure initiatives under the legacy project fund
- Creates an innovative research and economic diversification fund and designates 70 percent of the money in the fund to support the Lignite Research Council, the Oil and Gas Research Council, and other

- Creates an economic diversification research fund to grant up to 90 percent of the money in the fund to the research universities and the remaining amounts to other institutions under the control of the State Board of Higher Education
- Creates a workforce development and enrichment fund for grants to support technical education and workforce diversification

	<p>research councils, and 30 percent for tourism initiatives</p> <ul style="list-style-type: none">• Provides an effective date for the bill	<ul style="list-style-type: none">• Provides an effective date for the bill• Repeals House Bill No 1038 relating to a Legislative Management legacy earnings fund committee• Creates a committee to study selected potential uses of legacy fund earnings
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21.0218.06016

FIRST ENGROSSMENT

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1380

Introduced by

Representatives Lefor, Bosch, Dockter, Headland, Howe, Nathe, Porter, M. Ruby, Steiner
Senators Patten, Sorvaag, Wardner

1 A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter
2 6-09.4, a new section to chapter 15-20.1, and a new section to chapter 21-10, ~~and a new~~
3 ~~section to chapter 57-38~~ of the North Dakota Century Code, relating to an economic
4 diversification research fund, a legacy sinking and interest fund, a workforce development and
5 enrichment fund, and a legacy earnings fund, ~~and an income tax relief fund~~; to amend and
6 reenact subsection 1 of section 21-10-06 and section 21-10-12 of the North Dakota Century
7 Code, relating to funds invested by the state investment board and legacy fund definitions; to
8 repeal House Bill No. 1038, as approved by the sixty-seventh legislative assembly, relating to a
9 legislative management legacy fund earnings committee; to provide for a transfer; to create a
10 legislative management legacy fund earnings committee; ~~and~~ to provide a statement of
11 legislative intent; and to provide an effective date.

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

13 **SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created
14 and enacted as follows:

15 **Economic diversification research fund - Legislative management report.**

- 16 1. There is created in the state treasury the economic diversification research fund. The
17 fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys
18 in the fund may be spent by the Bank of North Dakota pursuant to legislative
19 appropriations to provide grants to institutions under the control of the state board of
20 higher education for economic diversification research.
- 21 2. Up to ninety percent of the funding must be designated to North Dakota state
22 university and the university of North Dakota with equal amounts allocated to each
23 institution. The remaining funding must be allocated to the other institutions under the
24 control of the state board of higher education.

1 3. The purpose of the funding is to stimulate economic activity across the state through
2 innovation of new technology, concepts, and products; to promote job creation and
3 career and wage growth; to enhance health care outcomes; to address loss of
4 revenue and jobs in communities with economies that depend primarily on the fossil
5 fuel industry; and to provide experiential learning opportunities for students. Research
6 projects may be initiated by an institution under the control of the state board of higher
7 education or by the private sector. Any guidelines for the funding must include
8 consideration for research projects with matching funds and provisions for grant
9 oversight by an internal advisory committee and an external advisory committee.

10 **SECTION 2.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
11 and enacted as follows:

12 **Legacy sinking and interest fund - Debt service requirements - Public finance**
13 **authority.**

14 There is created in the state treasury the legacy sinking and interest fund. The fund consists
15 of all moneys deposited in the fund under section 36 of this Act. Moneys in the fund may be
16 spent by the public finance authority pursuant to legislative appropriations to meet the debt
17 service requirements for evidences of indebtedness issued by the authority for transfer to the
18 Bank of North Dakota for allocations to infrastructure projects and programs. Any moneys in the
19 fund in excess of the amounts ~~necessary~~ appropriated from the fund to meet the debt service
20 requirements for a biennium, ~~may be appropriated by the legislative assembly for other~~
21 ~~purposes~~ must be transferred by the state treasurer to the public employees retirement system
22 main system plan under chapter 54-52, but only if the public employees retirement system main
23 system plan's actuarial funded ratio as reported for the most recently completed even-
24 numbered fiscal year is less than ninety percent. If the public employees retirement system
25 main system plan's actuarial funded ratio is ninety percent or more and then subsequently
26 decreases below ninety percent, the state treasurer may not resume the transfers under this
27 subdivision unless the main system plan's actuarial funded ratio is less than seventy percent.

28 **SECTION 3.** A new section to chapter 15-20.1 of the North Dakota Century Code is created
29 and enacted as follows:

Workforce development and enrichment fund.

There is created in the state treasury the workforce development and enrichment fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations to provide grants to support strategic workforce development, technical education, workforce diversification initiatives, and workforce guidance and support.

SECTION 4. AMENDMENT. Subsection 1 of section 21-10-06 of the North Dakota Century Code is amended and reenacted as follows:

1. Subject to the provisions of section 21-10-02, the board shall invest the following funds:

- a. State bonding fund.
- b. Teachers' fund for retirement.
- c. State fire and tornado fund.
- d. Workforce safety and insurance fund.
- e. Public employees retirement system.
- f. Insurance regulatory trust fund.
- g. State risk management fund.
- h. Budget stabilization fund.
- i. Health care trust fund.
- j. Cultural endowment fund.
- k. Petroleum tank release compensation fund.
- l. Legacy fund.

m. Legacy earnings fund.

n. A fund under contract with the board pursuant to subsection 3.

SECTION 5. AMENDMENT. Section 21-10-12 of the North Dakota Century Code is amended and reenacted as follows:

21-10-12. Legacy fund –~~Earnings defined~~definitions.

For the purposes of section 26 of article X of the Constitution of North Dakota, ~~the term~~ "earnings":

1. "Earnings" means net income in accordance with generally accepted accounting principles, excluding any unrealized gains or losses.

1 2. "Principal" means all moneys in the legacy fund not included in earnings as defined
2 under subsection 1.

3 **SECTION 6.** A new section to chapter 21-10 of the North Dakota Century Code is created
4 and enacted as follows:

5 **Legacy earnings fund - State treasurer - Transfers.**

6 1. There is created in the state treasury the legacy earnings fund. The fund consists of all
7 moneys transferred to the fund under subsection 2 and all interest and earnings upon
8 moneys in the fund.

9 2. Any legacy fund earnings transferred to the general fund at the end of each biennium
10 in accordance with section 26 of article X of the Constitution of North Dakota must be
11 immediately transferred by the state treasurer to the legacy earnings fund.

12 3. ~~If the amounts transferred under subsection 2 exceed the amount available for~~
13 ~~appropriation under subsection 4 the state treasurer shall transfer the excess, within~~
14 ~~thirty days, as follows:~~

15 ~~a. Forty percent to the strategic investment and improvements fund to be used in~~
16 ~~accordance with the provisions of section 15-08.1-08;~~

17 ~~b. Forty percent to the legacy fund to become part of the principal; and~~

18 ~~c. Twenty percent to the income tax relief fund under section 4 of this Act.~~

19 4. For each biennium subsequent to the biennium in which the legacy fund earnings are
20 transferred under subsection 2, the amount available for appropriation from the legacy
21 earnings fund is ~~six~~seven percent of the five-year average value of the legacy fund
22 assets as reported by the state investment board. The average value of the legacy
23 fund assets must be calculated using the value of the assets at the end of each fiscal
24 year for the five-year period ending with the most recently completed even-numbered
25 fiscal year.

26 ~~5.4.~~ On July first of each odd-numbered year, from the amount available for appropriation
27 or transfer from the legacy earnings fund for the biennium, the state treasurer shall
28 transfer funding in the following order:

29 a. The first one hundred ~~forty~~ fifty million dollars to the legacy sinking and interest fund
30 under section ~~4~~2 of this Act;

31 b. ~~The next forty million dollars to the clean sustainable energy fund;~~

- 1 ~~c. The next forty million dollars to the infrastructure revolving loan fund under~~
2 ~~section 6-09-49, but not in an amount that would bring the balance of the~~
3 ~~infrastructure revolving loan fund to more than five hundred million dollars; and~~
- 4 ~~d. The next sixty million dollars to the highway tax distribution fund for allocations~~
5 ~~under section 54-27-19.~~
- 6 ~~c. The next fifty million dollars to the tax relief fund.~~
- 7 ~~d. The next thirty million dollars to the clean sustainable energy fund.~~
- 8 ~~e. The next thirty million dollars to research, innovation, and workforce initiatives, of~~
9 ~~which equal amounts must be distributed to the economic diversification research~~
10 ~~fund, the innovation loan fund to support technology advancement, and the~~
11 ~~workforce development and enrichment fund.~~
- 12 ~~f. Any remaining funds for other purposes as designated by the legislative~~
13 ~~assembly.~~
- 14 ~~5. If the amounts transferred under subsection 2 exceed the amount available for~~
15 ~~appropriation under subsection 3, an amount equal to any appropriations from the~~
16 ~~legacy sinking and interest fund for bond payments under section 2 of this Act must be~~
17 ~~retained in the legacy earnings fund through June 30, 2025, after which an amount~~
18 ~~equal to twice any appropriations from the legacy sinking and interest fund under~~
19 ~~section 2 of this Act for bond payments, but not more than one hundred fifty million~~
20 ~~dollars, must be retained in the legacy earnings fund. After deducting any amounts to~~
21 ~~be retained in the legacy earnings fund, the state treasurer shall transfer, within thirty~~
22 ~~days, any remaining amounts under this subsection in the following order:~~
- 23 ~~a. The first one hundred million dollars to the legacy fund to become part of the~~
24 ~~principal.~~
- 25 ~~b. Any remaining amount to the strategic investment and improvements fund to be~~
26 ~~used in accordance with the provisions of section 15-08.1-08.~~
- 27 ~~**SECTION 4.** A new section to chapter 57-38 of the North Dakota Century Code is created~~
28 ~~and enacted as follows:~~

1 — ~~Income tax relief fund.~~

2 — ~~There is created in the state treasury the income tax relief fund. The fund consists of all~~
3 ~~moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be spent~~
4 ~~pursuant to legislative appropriations for individual and corporate income tax relief.~~

5 **SECTION 7. REPEAL.** House Bill No. 1038, as approved by the sixty-seventh legislative
6 assembly, is repealed.

7 **SECTION 8. LEGACY FUND EARNINGS - LEGISLATIVE MANAGEMENT COMMITTEE.**

- 8 1. During the 2021-22 interim, the legacy fund earnings committee is created and is
9 composed of the following members:
- 10 a. The majority and minority leaders of the house of representatives and the senate,
11 or their legislative designees;
 - 12 b. The chairmen of the finance and taxation standing committees of the house of
13 representatives and the senate, or their legislative designees;
 - 14 c. The chairmen of the appropriations committees of the house of representatives
15 and the senate, or their legislative designees;
 - 16 d. The chairmen of the industry, business and labor standing committees of the
17 house of representatives and the senate, or their legislative designees;
 - 18 e. One member of the legacy and budget stabilization fund advisory board from the
19 house of representatives and one member of the legacy and budget stabilization
20 fund advisory board from the senate, appointed by the respective majority
21 leaders; and
 - 22 f. The chairman of the legislative management, or the chairman's legislative
23 designee.
- 24 2. The legislative management shall designate the chairman of the committee.
- 25 3. The committee shall study potential uses of legacy fund earnings, including the use of
26 earnings to provide tax relief, research and technological advancements, innovation,
27 economic growth and diversification, and workforce development. The committee may
28 consider input from representatives of economic development entities, agricultural
29 organizations, research entities, the innovation loan fund to support technology
30 advancement committee, workforce development entities, higher education

- 1 institutions, and the parks and recreation department. As part of the study, the
2 committee shall:
- 3 a. Consider the establishment of a statutory committee to award grants for
4 university research programs and workforce enrichment initiatives;
 - 5 b. Define the use of university research, innovation, and workforce enrichment
6 funding that may include efforts to stimulate economic activity across the state
7 through innovation of new technology, concepts, and products; to promote job
8 creation and career and wage growth; to enhance health care outcomes; and to
9 provide experiential learning opportunities for students; and
 - 10 c. Develop reporting requirements for entities receiving funds from the clean
11 sustainable energy fund and from grants awarded for university research,
12 innovation, and workforce enrichment initiatives.
- 13 4. The legislative management shall report its findings and recommendations, together
14 with any legislation required to implement those recommendations, to the sixty-eighth
15 legislative assembly.

16 **SECTION 9. LEGISLATIVE INTENT.** It is the intent of the sixty-seventh legislative
17 assembly that the sixty-eighth legislative assembly consider additional allocations from the
18 legacy earnings fund, including allocations to ~~the highway tax distribution fund~~, value-added
19 agricultural programs, the innovation loan fund to support technology advancement, state
20 building maintenance and improvements, and for other one-time initiatives and projects,
21 including initiatives and projects to diversify the state's economy, to improve the efficiency and
22 effectiveness of state government, and to reduce ongoing general fund appropriations of state
23 agencies.

24 **SECTION 10. EFFECTIVE DATE.** This Act becomes effective on August 1, 2021.

North Dakota Legislative Council

Prepared for Representative Delzer

LC# 21.9644.20000

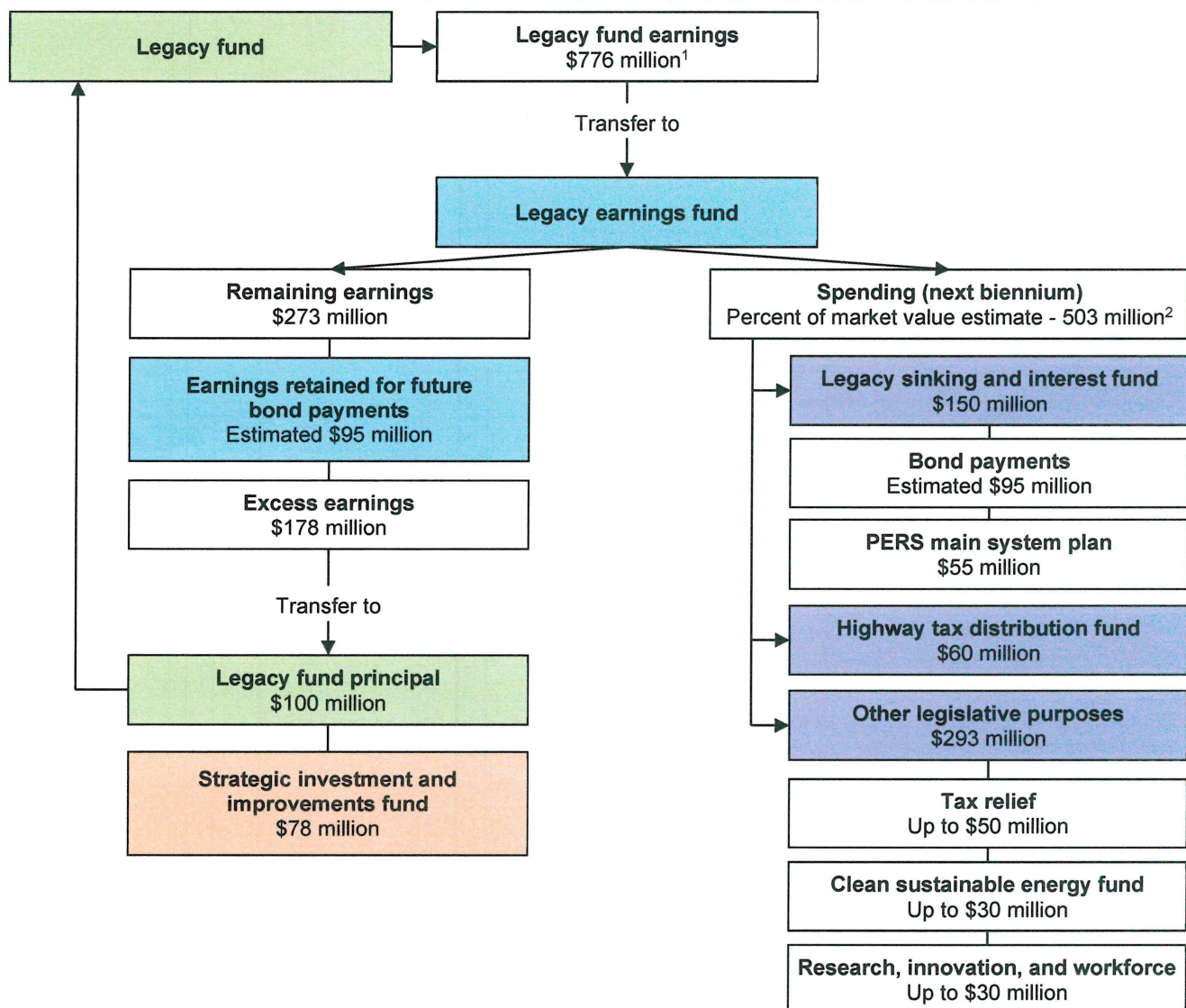
April 2021



LEGACY FUND EARNINGS SCENARIO

This memorandum provides, **for illustration purposes only**, information on a legacy fund earnings scenario based on a proposal using a percent of market value calculation based on 7 percent.

LEGACY FUND EARNINGS SCENARIO - PERCENT OF MARKET VALUE CALCULATION AT 7 PERCENT



¹This amount reflects 8.07 percent of the projected average balance of the legacy fund for the 2021-23 biennium (\$9.62 billion), which is proportional to the estimated earnings of \$636 million for the 2019-21 biennium.

²This amount reflects 7 percent of the projected 5-year average value of the legacy fund through June 2022 (\$7.18 billion).

NOTE: The amounts reflected on this schedule are not official estimates and are provided for illustration purposes only.