

June 2001

BUDGET COMMITTEE ON GOVERNMENT SERVICES - ADDITIONAL RESPONSIBILITIES

APPROVE AGREEMENTS BETWEEN NORTH DAKOTA AND SOUTH DAKOTA

North Dakota Century Code Section 54-40-01, a copy of which is attached as Appendix A, provides that an agency, department, or institution may enter into an agreement with the state of South Dakota to form a bistate authority to jointly exercise any function that the entity is authorized to perform by law. Any proposed agreement must be submitted to the Legislative Assembly or, if the Legislative Assembly is not in session, to the Legislative Council or a committee designated by the Council for approval or rejection. The agreement may not become effective until approved by the Legislative Assembly or the Legislative Council. The Budget Committee on Government Services has been assigned this responsibility for the 2001-02 interim.

The 1999-2000 and the 1997-98 interim Budget Committees on Government Services were also assigned this responsibility; however, no proposed agreements were submitted to the committee for approval to form a bistate authority with the state of South Dakota.

Study Plan

The committee may wish to carry out this responsibility as follows:

1. Receive any proposed agreement from a state agency to form a bistate authority with an agency of South Dakota.
2. Receive testimony from interested persons on the proposed agreement.
3. Review the proposed agreement regarding costs, effect on services, economic impacts, quality, etc.
4. Approve or disapprove the proposed agreement.
5. Prepare a final report for submission to the Legislative Council.

HOUSING DEVELOPMENT FUND REPORT

North Dakota Century Code Section 6-12-05, a copy of which is attached as Appendix B, provides that the governing board overseeing the housing development fund provide annual financial statements and a report for the first four taxable years beginning after December 31, 1998, on the housing development fund. The report

is to analyze the impact of the fund on the state's economy, business and employment activity generated by loans from the fund, and the effects of that activity on state and local tax revenues.

The bill allows a financial institution or group of financial institutions to establish a corporation or limited liability company to operate a housing development fund. The fund may be used for making loans in housing development projects in the state. The loans may be made for any housing project in the state, but the primary focus for loans from the fund must be to provide funding for multifamily housing projects in rural areas that are experiencing or expecting a shortage of housing as a result of economic development. The bill allows a credit against a financial institution's taxes equal to the difference between the participating financial institution's share of interest earned on the loan from the fund in the amount the institution would have earned by applying an interest rate of 300 basis points more than a comparable treasury security rate. The bill is effective for the four taxable years beginning after December 31, 1998.

The housing development fund program allows a higher percentage of the cost of a housing construction project in rural North Dakota to be financed than would be available through traditional financing programs. Traditional financing programs will generally provide financing based on the appraised value of the housing unit. Because in rural North Dakota the cost of new housing construction generally exceeds its appraised value, it is difficult to obtain an adequate amount of financing for new construction in these areas. This program will provide the financing for the cost of construction that exceeds the appraised value which will make housing construction more feasible in rural areas of the state.

While the Housing Finance Agency provides lower-cost financing for eligible homebuyers and homeowners and administers multifamily housing programs that provide lower-cost financing alternatives through the issuance of tax-exempt revenue bonds, its programs operate similarly to traditional financing methods which do not provide financing of costs that exceed appraised value.

The 1999-2000 interim Budget Committee on Government Services was also assigned this responsibility; however, no housing development funds were established, and therefore, no reports were provided to the committee.

Study Plan

The committee may wish to carry out this responsibility as follows:

1. Receive the housing development fund reports, if any.
2. Review the effectiveness of the fund on the state's economy, business and employment activity, and state and local tax revenue.
3. Develop recommendations and any necessary bill drafts regarding the continuation of the program beyond December 31, 2002.
4. Prepare a final report for submission to the Legislative Council.

ATTACH:2