2017 SENATE APPROPRIATIONS

SB 2014

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 & 2074 (Industrial Commission - BND)
1/19/2017
Job # 27109

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Pam Dever for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1 – 3.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Chairman Holmberg called the Committee to order on SB 2014 & 2074. Roll call was taken. All committee members were present.

Administration -
Karlene Fine, Executive Director & Secretary, Industrial Commission of North Dakota
Testified in favor of SB 2014. Testimony Attached # 1
Industrial Commission of North Dakota Agenda – Testimony Attached # 1A.
Industrial Commission of North Dakota Contact Information – Testimony Attached # 1B.

(6:55) **Chairman Holmberg**: we have both BND and Mill & Elevator, the transfer of funds, is that in this or OMB.

Karlene Fine: Some are talked about here, but the transfer is in this bill. The one for general fund is in the OMB bill.

Will decide total sub-committee later, but will be chaired by Senator Sorvaag.
Karlene: I stand corrected. The transfer of BND to general fund is in this bill section 7.

Bank of North Dakota -
Eric Hardmeyer, President, Bank of North Dakota
Testified in favor of SB 2014. Testimony Attached # 2.

Restructured the bank. Organizational chart handed out – Testimony attached # 3.

(21:27) Senator Robinson: You referenced the student loan portfolio. Where does that fall in the organization structure here?

Eric – On the left hand side. Under Education Market Manager. Shirley Glass is Education Market Manager. Shirley has been with the bank since 1985. She knows student's loans better than most in the nation would know.

Senator Hogue: The School loan construction Sun Setted? Can you give me a little back round on why it Sun Setted?

Eric: There is another bill with Senator Schaible on this very issue. It is a total consolidation of these school construction projects. Two years ago, they realized there was not money for school construction. BND worked with Senate Wardner and Senate Schaible to develop a program that BND would, for 2-year period of time, make loans to school districts for school construction – up to $250M - of loans to schools. We realized that measure 2 was going to be out there that would then free up some foundation aid and stabilization fund money. That was the idea of the Sun Set was at that point, they would have a better handle on how much money would be freed up. Our program was just a stop gap to get it to that point.

Senator Hogue: As an independent source of funds?

Eric: Yes.

Chairman Holmberg: The bill will end up here and starting in Education. (24.31)

Eric – Next wed. at 9:00

Chairman Holmberg: $75M this biennium om school construction.

Eric: It combines our debt with state land and collapses them all into one program and be self-sustaining. (continues)(25.42)

(29:47) **Chairman Holmberg**: Where are we at with the building we authorized last time?

Eric - $17M to fund a financial center for those in economic development – housing, commerce, DFI (Dept. of Financial Institutions) We've paid the architect $450,000 to move forward. There was one target we had to meet. We had to have profitability of $125M last year to go forward. On page 4, you can see we met that and exceeded that. After architectural drawings, we then hired a construction manager and began designs and put into construction program. Last March or April when things deteriorate at a more rapid pace economically. Industrial Commission decided to put it on hold. The two-year direct point, the legislation that was passed authorized the bank for 2 biennia to build. We still have authority to go forward, but are on a hold pattern.

Senator Hogue: Can you comment on 1% student loans that we gave for flood victims. How is that portfolio. (32.44)

Eric: Are you talking about the Rebuilders loans in Minot? In 2011, we funded rebuilders loans in Minot, up to $30M. A few in Bismarck. We added $20M so total was $50 M. Those had a two year no payment period at 1% Interest. No credit checks and we'll lend you $30,000 over a 20 or 30-year payback period. We're in repayment period, but there are losses. Our $30M is paid down to $18M. It was devastating time, but we're performing as expected. (Continuing page 4)
2016 is unaudited numbers. Those are pretty accurate. We do not anticipate a lot of changes to that. We ended the year about $257M in assets. That is down a little bit from last year. We are bit high than 2014. As the revenues have come down, so have our deposits. In 2013, our state deposits, we about 5.6%. We are now down to about 4.8% and we continue to see that go down. No surprise. We replace them with funds that we can use from other sources like Federal Home Loan Bank. Keep the bank at about the same size. The Federal Home Loans are a bit pricier in nature then our deposits, but we still make a spread. Proud to report that BND had our 13th year of record profits at $136.2M. We ended a record year with $863M of capital which is the state's investment into the BND; our ownership percentage. It is a high water mark. I will discuss transfers. Last session, $157M that came out of our capital. $100M was used for infrastructure of loan fund and that has not yet come out of the back and is still in our capital. That will come out over time as demand for that program continues to increase. $40M is for our buy down programs that you have authorized us to use for beginning farmer. $10M went to Housing Finance Agency. $7M went for school construction buy down. The special session, last August, authorized another $100M to come out of the bank and we anticipated to come out of the Bank before July 1. So altogether, the demands on BND for capital this is $257M. We anticipate most will come out by the end of the biennium. Not quite sure the infrastructure funding will come, but it will come out over time. As we look to 2017, my projected numbers: you will see that capital goes down from 863 to 753. Our earnings that we retained form all capital. That is how we grow capital is by retaining our earnings. So over 6 months we anticipate that we will earn another $65M or so that off sets some of the money that comes out of the BND. Look at the chart, page 5. It is historic for 100 years; projected through 2018. A $1.9 billion in earnings and $986M of those has come out to assist the state. 51% of earnings go back to state.

(43:05) **Senator Sorvaag**: You're comfortable with $140M. So if something would happen, and we came back in a year from now, so only the earnings between the time make you comfortable? Trying to an idea how hard we are pushing.

Eric- That does anticipate that we're going to earn $260M over the next two years. Depends on the size of the bank and our capital position. Why do banks need capital? Regulation says that you have to have 6.25%; that you need minimum of 6.25. Our benchmark is 10%. Unforeseen, Black swan events, operational things that we can't see right now could happen. Most banks around the state carry about 10%. Not because our peers do, but have looked at various scenarios taking all the risks. What could happen to us that would have us draw on that capital. That's how we came up with 10%. We want to be prudent and responsible.

Senator Bowman: (45.29) As the economy changes, how does that affect the capital? Is that parallel to it; if economy picks up the capital rises and if it goes down. I do not know much about banking. But I have borrowed tons of money in the past. Is this how it works? If we could see upturn in economy, would that help the capital at the bank?

Eric – Aside from capital, the BND also has a loan loss reserve. We have presently $78M in loan loss reserve. We have $4B plus, and we know there is going to be losses. Nature of who we are. We have $78M in reserve account to offset future losses that we anticipate. That's why we needed the change in the bank. In addition to significant changes in economy, things out West have become difficult and experiencing losses. We haven't had to draw on capitol yet. In case of dramatic change in something, like the financial crisis that hit in 2008; across the country, banks found out they did not have enough capital so many banks went out of business. BND is not able to geographical diversify our portfolio. Maybe our student loan portfolio. We're diverse, whether oil or ag, but many have geographical dispersions that we don't have, but we're able to deal with it. In the Farm program a year ago, we did $150M in loans to 400 farmers. Our mission is different than other banks. We are here to make ND better. We're always out there taking risks that other banks don't. Have to operate on the edge and move the state forward. We need capital to operate the beast.

Senator Wanzek: (49.35) On page 4, with the projected 2017, the $260M transfer – could you elaborate again?

Eric: Some will spill over. As it will come out $100M for infrastructure program. A bill to replace and repair roads. $100M for special session general fund. $100M for special session; $20M in existing buy down and as we anticipate what you will do here, we anticipate $140 and buy downs of 30. Basically taking 6 months of that. By the end of 2017, $40M of thator so will go out. Add them up and it comes to $260M.

Senator Wanzek: With the income you are projecting your ending balance and your predicting $753M with those transfers including the $140M?

Eric: Yes, that is exactly right.

Senator Mathern: With the (52:06) financial center not being built, are you actually losing assets worth? In light of interest rates going up. And construction costs going up as the economy gets better.

Eric: The $17M does not come out of our capital. Comes out of regular asset base. Same as making a loan, same as making an investment, same as money staying in overnight fed funds. We're using $17M of our assets and instead of putting it into bonds or loans, we're going to build a facility with it. And drive income off of it by lease income from those state agencies. It becomes an asset, not capital expenditure. You get a market rate spread of 2.5%. Compares to a 30-year bond today. Construction costs continue to come down. We could buy more today than we could 6-9 months ago is what I am hearing.

Senator Mathern: Does it count as your capital assets once it's there? You're not able to do that. I don't think construction costs will go down. Does it count in capital assets ledger?

Eric It's a different type of asset class. It's a lease that we would have. Opportunity costs in using that same $17M in buying a bond or loan. In the big grand scheme, a $17M investment just isn't material. What it can do for the state is a very efficient move for the state to collapse these agencies together. Even with the down turn, we make bigger loans than every day. It is not material to the bank's balance sheet, but it's still a smart move.

(Eric continues)

(1:00:53) **Senator Oehlke**: Student loan is 1st in the nation. Is there a 2nd and 3rd?

Eric: Yes, we are the only state that has its own bank. The market is saying there's a market here. There is a larger California based company called SOLFI, that is similar. They are very picky who qualifies. We hope want more players get involved. $1.3Trillion is a great debt is student loan. It's a growing industry is people over 60 that are helping their grandchildren.. BND has $1.3B in student loan assets.

Senator Robinson: How restrictive is our Deal 1 student loan program? Is Shirley Glass on that?

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Eric Yes, all student loans are under Shirley Glass. We look at all things. If they don't qualify under credit score or whatever (cannot understand his words-1.03.50)

Senator Robinson: Gave an e.g. (1.04.00)

Senator Mathern: (1.05.33) There are companies marketing this loan program as a way to get employees in ND. Do you have tally of professions that are available? Medical debt, engineering debt, might be helpful to accentuate it to help with our labor shortage.

Eric: It's open to all resident. We can't break it down. I don't know if we're tracking that. You're' speaking of marketing and how we're getting the work out there. We're actively out there working with private industry getting the word out there. We're pushing the program as hard as we can. There is a lot of heart break out there, and student debt is crushing.

Senator Hogue: This portfolio could have as much growth as you'd like. What level overall of your overall loan portfolio are prepared for?

Eric – you are talking about concentration limits. As we think of how many assets, so we want in any one category. We just opened the door with Industrial commission with student loan trust that could buy some of those loans from us. How much do we want on our books? It provides a decent income stream to the bank. We have a ways to go before we say we reach the limit and are done. We are constantly talking about it. I don't know exact dollar amount. Our funds management committee is looking at. Please go to page 7.

(1.13.41) **Senator Grabinger**: Back to the $17M building. Is that an asset builder and generate own income? **Answer Eric**: yes.

Senator Robinson: page 9-11 regarding beginning farmers and ag base. Are we going to maintain what we've been doing?

Eric: It is the last biennium $40M for those categories – they are continuing appropriations. We're proposing $31M – not general fund money, that BND capital going into those programs.

Senator Robinson: Heard very positive comments.

Senator Wanzek: On the transfers into the general fund. Story about milk check. (1.15.28) How many years can we sell a few milk cows with this scenario? Hopefully things get better.

Eric That's a great analogy. The way the bank grows is through retained earnings. We have dividend – transfer back to the general fund. As long as we have capital, that's are benchmark. Need to retain earnings, and believe the state is going to start earning again. As the state grows, the bank will grow. As long as we're at that threshold, we'll maintain.

Senator Wanzek: The growth of the past few years has helped.

Eric: Absolutely.

Chairman Holmberg: The state has not requested that dividend in 4 biennia?

Eric: Look at the graph on page 5, and you will see that. The bank grew very much. We did not need the dividend at that time. We needed it to support the growth of the bank. Good time to take a holiday from the transfer.

Chairman Holmberg: Let's take a 10 minute break.

(No more was on the tape)

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014/SB 2074 (Industrial Commission)
(Housing Finance Agency, ND State Mill, Lignite Research Council,
And Public Finance Authority)
1/19/2017
Job # 27130
☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Emmerey Stolberg for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1 – 8 B.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Chairman Holmberg called the committee to order on SB 2014/SB 2074.

<u>North Dakota Housing Finance Agency</u> -
Jolene Kline, Executive Director, North Dakota Housing Finance Agency
Testified in favor of SB 2014. Testimony Attached # 1.

(10:52) **Chairman Holmberg:** There were differing opinions between the House and the Senate last session. The appointed subcommittee: Senators Sorvaag, Hogue, and Mathern.

(12:50) **John Phillips, Director, Real Estate Development for Lutheran Social Services Housing**
Testified in favor of SB 2014. Testimony Attached # 2.

(21:28) **Dan Madler, CEO, Beyond Shelter, Inc. (BSI) (Lobbyist # 29)**
Testified in favor of SB 2014. Testimony Attached # 3.

Additional testimony submitted: **Diane Solinger, Executive Director, Jeremiah Program Fargo-Moorhead.** Testimony in favor of SB 2014. Testimony Attached # 4

(30:15) **Senator Mathern:** It appears from your comments that your agency is doing housing projects throughout the state.

Dan Madler: Yes; Beyond Shelter, Inc. (BSI) is a regional, affordable housing developer and most of our development is in the state of ND and we have developed projects across the state.
Senator Mathern: Are you involved in any projects in Wahpeton?

Dan Madler: No, we are not.

Senator Mathern: Is there a need for housing in Wahpeton?

(30:36) **Dan Madler:** From what I understand, there are aged affordable housing projects in the Wahpeton and they have a need for substantial renovations and rehab. As far as new market demand, every few years there are new affordable housing tax-payer projects built.

Senator Mathern: Are you working with officials in Fargo regarding the high rise and is there some way to finance part of that through this bill?

Dan Madler: We have been involved in those conversations related to the Fargo Lashkowitz High Rise. Renovating and rehabilitating that 40-year-old project has a price tag of more than 25-million-dollars. So even under the current allocation of the last biennium, there are just not enough resources that can be assembled using the tools that are available to make that project move forward. I know the Fargo housing authority is looking at options related to the more than 200 residents if the project becomes obsolete.

(32:33) **Connie Ova, VP, Jamestown/Stutsman County Development Corporation; and President, Economic Development Association of North Dakota.**
Testified in favor of SB 2014. Testimony Attached # 5.

<u>North Dakota State Mill</u> –
(35:20) **Vance Taylor, President and General Manager, North Dakota State Mill & Elevator Association.** Testified in favor of SB 2014. Testimony Attached # 6.

Also in attendance: **Ed Barchenger, Controller and Finance Manager.**

(41:43) **Chairman Holmberg:** You do not bring these items to the legislature to fund; you utilize the money you are raising to pay for those things and you get the approval of the Industrial Commission. Does the suggestion from the Governor that the state take 90% of your profits rather than the current 50% make a difference on your ability to do some of these upgrades?

Vance Taylor: That is correct; we operate entirely on our own funds and we do not receive any financial assistance from state. The projects I am talking about are completed through our own special funds and increasing transfers to a level higher than we have now would hinder these needed projects in going forward. Later in my testimony I do respectfully request that we keep the transfer level to the general fund at 50%.

Senator Bowman: As we've seen facility grow, have you expanded your marketing personnel?

Vance Taylor: Yes, we have. We have added one person into our sales department and one person into our traffic department. That goes hand in hand to make the sales and service to the customer. At some point we will need to add more as we continue to grow.

Chairman Holmberg: Are the FTEs limited by us? Are the additional FTEs part of your request?

Vance Taylor: That is correct; our max is 147 which we are at and I have a request for 6 additional FTEs. (Mr. Taylor continued with Testimony Attached # 6).

(51:25) **Chairman Holmberg:** There is a difference between your employees and other state employees. Do you want to share how your workers are unique?

Vance Taylor: We have a long standing relationship with labor union and the mill as with all of the flour mills around the US. We have a good relationship with them in general; we negotiated a contract with them every 5 years and we are currently 3 years into a 5-year contract.

Chairman Holmberg: They are non-classified.

Vance Taylor: We are all non-classified at the mill and so we would all be classified in the same way. There are 90 union employees now out of the 147 and the rest are non-union. (Mr. Taylor continued with Testimony Attached # 6).

(58:17) **Chairman Holmberg:** The committee might like to know that we changed the law a few sessions ago. We used to say we would get a certain amount of money from you and if you did not have that amount, you would borrow it from the Bank of ND.

Vance Taylor: That is correct; that changed two sessions ago. (Mr. Taylor continued with Testimony Attached # 6).

(59:58) **Senator Hogue:** I had a question about the 5% transfer to the Agriculture Utilization Fund—is that an ongoing thing or is it in statute?

Vance Taylor: That happened at same time we changed it from a dollar amount to a percentage and it is in the statute.

Senator Mathern: I was impressed to hear that we are using about 10% of wheat production at the mill. Does that come in by direct contact of the mill to farmer or does it come by purchasing from the elevators?

Vance Taylor: Most of the wheat comes to the mill by truck. We do unload a fair amount from rail which comes from elevators. On the truck, we try to buy as much off the farm as we can and that will typically be anywhere from 20-25%. We also buy a fair amount from elevators. Most years we will unload 90% of our wheat by truck and 10% by rail. As we have grown, the percentage that has come in by rail has increased and it gives us the need and ability to pull wheat from more parts of the state.

Senator Dever: My understanding is that in addition to its governance by the Industrial Commission, the Bank of ND has an advisory board. Do you have counterpart to that?

Vance Taylor: No we do not have an advisory board, we report directly to the industrial commission.

Senator Dever: So when we talk about expansion, that is all developed through the Industrial Commission?

Vance Taylor: That is correct. We also seek advice; we work with UND to develop our strategic plan. We also work with Dr. Bill Wilson at NDSU to develop our strategies for grain purchasing and grain hedging.

Senator Wanzek: To elaborate more on your unique employee situation; do these non-classified employees participate in PERS or how does that work for health insurance and retirement benefits?

Vance Taylor: All of the employees at the mill have the same package of state benefits as the state employees. Our contract for the union employees just states that medical and other benefits will be the same as the state of ND provides.

Chairman Holmberg: That is the same as workers comp where they are not classified but they participate in the various retirement and state programs.

Senator Wanzek: The years where you had a loss, was a lot of that due to the market at that time? Is that when we had the runaway wheat prices?

Vance Taylor: Yes; I have been in the industry for 40 years and I have not seen a market like that before or since. We maintain great relationship with our customers all the way through but the grain markets where we hedge our grain did not provide an effective hedge and resulted in some losses. That was for a short period of time and only lasted 7 months. It is trending to be more stable in recent years.

Senator Wanzek: I am not sure the prices were good for the farmers.

<u>Lignite Research Council –</u>
(1:06:00) **Jason Bohrer, President & CEO, Lignite Energy Council**
Testified in favor of SB 2014. Testimony Attached # 7.

(1:12:52) **Senator Mathern:** Some of the material I read regarding energy suggests that coal is going out because of market conditions. With the availability of gas and alternative energy, coal could stay in ground because the market condition has nothing to do with government regulations. I was wondering if you could comment on that.

Jason Bohrer: Notwithstanding where the EPA is going, we are going to have to continue to deal with CO2. So notwithstanding where the EPA is going or who the president is, we have economic challenges that are challenging the coal industry that we have to figure out

how to deal with. The second biggest challenge outside of regulations that don't work for us is how you deal with the economics of changing power and generation distribution. One of the great benefits of our Allam Cycle project and Tundra is how it revisits how power is generated from coal. It cuts out a large part of the inefficiencies and it increases the efficiency to above 50%. You see the same types of economic developments and technology developments that have lowered the price of wind and other things; that's the type of leap forward this provides us. Yes, it is a great leap forward for CO2 but it is also a significant step forward in project efficiency and we believe it will allow us to remain competitive in the foreseeable future. It would produce power cheaper than its currently done so this is a cost and efficiency leap forward as much as it is a CO2 leap forward.

Mike Holmes, Vice President, Research and Development, Lignite Energy Council
Mr. Holmes continued with Testimony Attached # 7.
Presenting the details of the Allam Cycle project – a storage ready for CO2 and producing oil. The CO2 can pay for cost of capture.

(1:21:30) **Senator Sorvaag:** Do you have an update on how the Petra Nova Project has worked since they started?

Mike Holmes: We were very eager to see if it was capturing CO2 and they were not worried about it. They were looking at different performance components and so far we have been getting nothing but good news.

North Dakota Public Finance Authority –
(1:22:50) **DeAnn Ament, Executive Director, Public Finance Authority (PFA)**
Testified in favor of SB 2014. Testimony Attached # 8.
North Dakota Public Finance Authority 2016 Annual Report – Testimony Attached # 8 A.
ND PFA – Industrial Commission of North Dakota Members – Testimony Attached # 8 B.

Chairman Holmberg: Closed the hearing on SB 2014/SB 2074.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014/SB 2074 (Industrial Commission – DMR)
1/19/2017
Job # 27147

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Emmery Trottheg for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1

Legislative Council: Adam Mathiak
OMB: Becky Keller

Chairman Holmberg called the committee to order on SB 2014/SB 2074.

Department of Mineral Resources -
Lynn D. Helms, Director, Department of Mineral Resources, ND Industrial Commission
Testified in favor of SB 2014. Testimony Attached # 1.

(3:49) **Chairman Holmberg:** In the law we passed last session we put in triggers. Is that just session law or has that continued?

Lynn D. Helms: That was session law. We never met those triggers so we never hired the 5 field contingency field inspectors. Those positions disappeared in the first round of allotments and they are out of the budget.

Chairman Holmberg: But it was not a bad idea.

Lynn D. Helms: No, in fact we are going to ask you to entertain that idea going forward. I think it would be inappropriate with the uncertainties surrounding oil and gas prices to add FTEs but it would be appropriate to add some contingency FTEs based on rig and well count. It would be appropriate to make us go to the Emergency Commission. (Mr. Helms continued with Testimony Attached # 1). If we go to fifty rigs, it is going to generate some revenue and the revenue would take care of those positions.

(24:38) **Senator Oehlke:** When you do field inspections, do you conduct gas line leak checks as well?

Lynn D. Helms: If it is a natural gas gathering pipeline, then we do check. Our jurisdiction only extends from the wellhead to the inlet of the natural gas plant. From there it is under the Public Service Commission's jurisdiction.

Senator Oehlke: Is there duplication with the Health Department? If so, why?

Lynn D. Helms: There is overlapping jurisdiction because the Health Department is responsible for water and air. Our jurisdiction is the soil, land, solid waste, crude oil, and produced water. Because that jurisdiction overlaps, we have signed an MOA (memorandum of agreement) with the Health Department saying if it is on the facility, our inspectors take care of it. If it is offsite, they will take responsibility. We have an MOA signed with them to minimize that duplication.

Senator Oehlke: Do you share equipment? They have They have a FLIR cameras (night vision). Do you use that or do you have your own?

Lynn D. Helms: We do share equipment but we have no FLIR cameras because we do not have air emission jurisdiction. (Mr. Helms continued with Testimony Attached # 1).

(28:05) **Senator Grabinger:** If your inspectors notice something at a site, are they notifying the Health Department?

Lynn D. Helms: They are. It is more common that a Health Department inspector with his FLIR camera will identify a problem and notify our field inspectors. There is daily communication on all of those issues. (Mr. Helms continued with Testimony Attached # 1).

30:22 **Chairman Holmberg:** (Addressed Adam Mathiak) Does the Emergency Commission have the authority to access other funding sources? Could the Emergency Commission through the budget section access $200,000 from the SIFF fund or somewhere else? Is that authority there or not?

Adam Mathiak: I will have to check; unless there is a pool of money that was already appropriated by the legislative assembly it would be difficult because the Emergency Commission would not have the authority but I will check on that information.

Chairman Holmberg: Could they also authorize a loan?

Adam Mathiak: I will check.

Lynn D. Helms: In the past, it has been designated as the Land and Minerals Trust Fund as the source of the funds. It has been put into the contingency appropriation that upon reaching a specified amount the Emergency Commission could authorize an expenditure from the Land and Minerals Trust fund.

Chairman Holmberg: That may be something for the subcommittee to look into. We do not want to encumber the Emergency Commission money when we do not know how much is going to be there.

Lynn D. Helms: Continued with Testimony Attached # 1.

(37:35) **Senator Bowman:** How deep is the core coal vein?

Ed Murphy, North Dakota State Geologist: We took samples right from surface. When this would go to mining, you would need to do deep drilling to 150 feet.

Senator Bowman: Is it valuable?

Ed Murphy: Yes; we are looking at the total rare earths now to get an approximate value. When we are done, we are hoping to entice companies to come in and do the expensive drilling.

Lynn D. Helms: Continued with Testimony Attached # 1.

(46:01) **Senator Bowman:** If we start to see a steady increase in the amount of wells being drilled these people will be needed so we will have to give you flexibility.

Lynn D. Helms: I would strongly encourage looking at contingency positions to build in flexibility. If you are aware of something other than contingency positions, please let me know.

Senator Bowman: Are there jobs available to them other places?

Lynn D. Helms: We may end up with a demographic gap of people who would have had that experience but are gone. (Mr. Helms continued with Testimony Attached # 1).

(54:50) **Senator G. Lee:** How do fewer rigs affect your efficiency?

Lynn D. Helms: Our metrics have changed: some have improved and some have decreased. We have shifted the petroleum engineers and we want to reduce the number of engineering technicians. But we have to keep in mind that a drilling rig drilled one well in two months in 2011, but now it drills two wells per one month. All of those efficiencies have been built in here and we are trying to predict continuing improvement in those areas. The wells and facilities still cover 1,500 sq. miles and we still have to cover them on a monthly basis. But drilling has become much more efficient. Rig inspections have become more efficient while well inspections have not.

Senator Hogue: Can you give us an update on your litigations?

Lynn D. Helms: BLM Hydraulic Fracturing: We were able to achieve a preliminary injunction so the rule cannot go into effect until it has gone through the courts. It's in the Tenth Circuit Court under appeal and there is a briefing schedule which runs through the May 1st.

Venting and Flowing Rule: We were not able to get a preliminary injunction so that rule took affect Monday. There were delays in implementation fashioned in the venting and flowing rule so even though the rule took effect Monday, impacts do not kick in until a year later. We were not able to convince the judge that there were real, immediate, and irreparable harms.

RCRA (Resource Conservation and Recovery Act): This rule could potentially affect the rules that affect every landfill and piece of solid waste that is disposed of in ND. The Environmental Integrity Project sued the EPA for not reviewing and updating the RCRA rules. We moved to intervene and the judge denied our motion to intervene on December 18th but he approved a settlement agreement 10 days later between the Environmental Project and the EPA. We filed an appeal of the decision to approve their settlement agreement and we do not have a briefing scheduled yet but it will go to the Tenth Circuit Court in DC. That one is important because everyone uses landfills and it will affect all solid waste rules for ND.

Senator Hogue: Some agencies are optimistic with the incoming administration but is there any objective indication that would give you optimism?

Lynn D. Helms: Absolutely. The new PHMSA rule would overwrite ND rules on oil conditioning that says anything that has happened in the last sixty days will disappear within the first month of the new administration. There will be a different approach by the Department of Justice on the rules and they will likely agree to settle or not appeal if we are successful in the first round.

We will regulate and inspect and enforce to the level you can afford. We cannot do it to the level you've been accustomed to with either one of these executive budgets but with a reduced budget (Page 40, Attachment # 1).

Chairman Holmberg: Closed the hearing on SB 2014/SB 2074.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014/SB 2074 (Industrial Commission – Renewable Energy)
1/19/2017
Job # 27150

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Carrie Wiring for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1 – 8 A.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Andrea Holl Pfennig, Program Administrator, North Dakota Department of Commerce: Testified in favor of SB 2014. Testimony Attached # 1.

(3:24) Deana Wiese, Executive Director, North Dakota Ethanol Producers Association: Testified in favor of SB 2014. Testimony Attached #2 and # 3.

(6:00) Senator Kilzer: CO2 is a gas; how do you weigh 18 pounds from each bushel of corn?

Deana Wiese: I will follow up on that and get back to you.

Senator Grabinger: The first project listed in Andrea's testimony was about the engagement with the education, did your group partner with that at all? Or are they willing to do further assistance with that?

Deana Wiese: Yes, the North Dakota Ethanol Council actually is the applicant for that project and we reached out to additional industry partners vendors with the ethanol plants and they provided the matching funds for the project. There is significant buying in that project.

Troy Coons, Chairman, Northwest Landowners Association: Testified in favor of SB 2014. We represent about 500 farm families and property owners in the state of North Dakota. We are in support of the DNR budget as proposed by the department. From a perspective of the services owners and operators, their agency budget, agency presence in the field enforcing environmental protections, perspective of mineral owners and operators, the agency's budget needs to be supported for them to be efficient with permitting and fine management. I think we have reached a good point and I would hate to see us lose ground at this point.

(9:00) Karlene Fine: That concludes the Industrial Commission Budget. I will indicate that there is a listing in your books of all of the agency directors and their phone numbers. All of them have indicated for you to call if you have any questions at any time.

Chairman Holmberg: Karlene is just a phone call away when it comes to our sub-committee work. Closed the hearing on SB 2014/2074.

Additional Testimony submitted from the State Industrial Commission:

Oil and Gas Research Council – Testimony Attached # 4.
North Dakota Outdoor Heritage Fund – Testimony Attached # 5.
North Dakota Pipeline Authority – Testimony Attached # 6.
North Dakota Pipeline Authority Annual Report – Testimony Attached # 7.
North Dakota Transmission Authority – Testimony Attached # 8.
North Dakota Transmission Authority Annual Report – Testimony Attached # 8 A.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
1/26/2017
Job # 27504

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the sub-committee to order on SB 2014. **Senator Hogue** and **Senator Mathern** were also present.

Asked them to explain the changes that Gov. Burgum made from what Gov. Dalrymple had recommended. We're not going to talk about the changes in salaries or medical, just the operating.

Karlene Fine, Executive Director, State Industrial Commission
When we talk about the Industrial Commission budget, the 1st subsection of the bill, we talked about the DMR budget, my office which is special funds and the Public Finance Authority is special funds. The special fund agencies under the Burgum budget did not take any cuts other than the salaries and in the health.

For the administrative office, there are 4 FTEs of which 2 are vacant. One is being filled with a temporary position and in the midst of recruitment for a deputy position but that has been put on hold pending legislation.
The largest components of the operating budget deal with the dues that we pay to the Interstate Oil and Gas Compact Commission – we pay for that and we also pay the costs of travel for the members of ND. Travel is $38,000. We had an increase in the budget, we've been asked to improve our website. They tried to hold the budget even.
This budget is paid for by the Industrial Commission agencies that are under the Industrial Commission. The Bank is charged a fee. The Mill is charged a fee. Public Finance Authority and Housing Finance Agency all pay a fee for administrative costs and each of the research programs that we oversee. We handle all the accounting for the research programs in our office, the Outdoor Heritage Fund, and we feel they should pay for a portion of those costs so we aren't going to the general fund to cover any of those costs.

Senator Mathern: Asked about the travel costs of the commissioners.

Karlene Fine: There are members of the Interstate Oil & Gas Compact Commission. It's not the three Industrial Commission members. They are citizens that are appointed by the governor and also a legislator that typically serves on the IO&GCC and we cover those costs for those individuals to go representing ND.

Senator Sorvaag: There is no change from Dalrymple to your administrative budget? (Answer – no.) There were two less employees from mineral resources in Burgum's budget. You hold even now? (Correct.)

Karlene Fine: Outdoor Heritage Fund – doesn't have any separate staff. It's administered in my office and there is an advisory board that was set up by statute with 16 people on it. The chairman, Jim Melchior, takes the lead in appearing before groups and talking about it.

Senator Hogue: That board was created in 2013 and I have a copy of all the things that it funds on a matching basis with private investors. When I compare that with Game & Fish, I believe there is a lot of duplication. If the 2017 legislature wanted to reduce duplication and identified it in the Outdoor Heritage Fund, how would they go about doing that? If they liked the governance structure which is a citizen lead committee that takes applications and passes them along to the Industrial Commission. And not wanting the duplication, would we have to cut the cap off from the Outdoor Heritage Fund and look to the G & F and Parks & Rec to fund these eligible projects that the Outdoor Heritage Fund does?

Karlene Fine: The Outdoor Heritage Fund has the 4 directives and some of those may be a duplication that are funded from Game and Fish. Game and Fish has actually come to us and we've funded projects for them that they didn't have within their dollars. They were then able to leverage it with some federal programs. Game & Fish, Soil Conservation Service for the tree planting. If the funds weren't there under the Outdoor Heritage Fund, I'm not sure where they would go. (gave examples) We try to work with them to provide funding.

Senator Hogue: I'm trying to think of ways to avoid duplication, but to me this fund was created in 2013 as a defensive reaction to threats of an initiated measure and now it's got a foothold in state government. It's capped under the governor's budget at $10M, so do we want to spend another $10M and put the money in the agencies that already do this or extract money from those agencies to go into this fund?

Karlene Fine: I'd need to talk to the chairman of the committee to get a sense on those kind of questions or those kind of possibilities. The value of the board and its broad picture of having people from the conservation community as well as the business community, gives some value at looking at the projects and prioritizing them.

Senator Mathern: When we go from $40M to $10M, is this moving toward elimination? Should we reduce the number of directives or is the citizen committee engaged in helping you and the Industrial Commission come up with the $10M? Or is that totally outside of their realm?

Karlene Fine: That was decided outside their realm. Even though the dollar amount was $40M, it was always based on the amount that was coming from the oil production tax. We were always forecasted to get about $20M.

Senator Mathern: So we were never spending at the $40M level? (Answer – no.)

Senator Sorvaag: That was the cap. Is this a fund that could assist in sediment removal issues around Jamestown? In the Sheyenne River, they've done sedimentation reduction, but going in and dredging is a whole new issue. I was asked to ask that. Would that fit under that purview of the Outdoor Heritage Fund?

Karlene Fine: We do dredging projects, and the most recent is on Powers Lake. We've provided some funding to the local community there so they could continue some dredging operations. There's been a number of projects that have had some dredging done for water quality. It's a qualified application. Some dredging projects have been turned down because of costs, and each round of projects has to be prioritized with the amount of dollars that is available and that's what the citizen committee does.

Senator Sorvaag: Are certain agencies adding to their budget by coming over and getting money here that they didn't get to do what they wanted – whether it's Game and Fish or Parks. They're adding more projects because here's more money.

Karlene Fine: Last session, you passed a law that said that if there was any general fund project, the legislature had to approve it in the appropriation process. Over on the House side, Parks & Rec has its budget and they are discussing the money they've been awarded from the Outdoor Heritage Fund, but they have to get approval. That's from the general fund, the special fund agency is not.

Senator Hogue: The governor takes the cap from $40M to $10M. Can you give us the discussions at either the Industrial Commission level or in your office as to why the Governor made that recommendation?

Karlene Fine: There was no discussion with the Industrial Commission on the dollar amount. That is determined by the Governor solely doing the executive budget. We are not involved but he is a strong supporter of the program so I've got to think it's just trying to balance the budget.

Senator Mathern: asked when is the next meeting and would they give feedback on this.

Karlene Fine: They only meet when there is a grant round and we only have two grant rounds a year. The next grant round is on May 1 and we will take in applications. About 6 weeks later, there will be a review and each applicant comes in, makes a presentation about their project and then the board acts on that project making a recommendation to the Industrial Commission which then acts on them.

Senator Mathern: How many dollars are left and how many dollars will be requested for your May meeting for this biennium ?

Karlene Fine: Currently, we anticipate having available for this next grant round about $7M. The first biennium, the forecast was much higher so the board made recommendations on projects that exceeded the amount of money that was going to be available during that biennium. We knew some of these projects weren't going to be dispersed for 10 years. We thought there would be sufficient funding so they awarded projects totaling $19M and we didn't have that much funding coming in. This biennium they have been much more conservative.

Senator Mathern: Are there obligations over the next number of bienniums and how large would the obligation be?

Karlene Fine: We set up a contract and there are contracts in place for all those that have been funded. And there is sufficient funding for those. We only disperse the money when they get the work done.

Senator Mathern: Is any of the $10M obligated? (Answer – no.)

Lignite Research Council –

Senator Sorvaag: I don't think anything really changed between Governor Burgum's budget and what Governor Dalrymple's introduced but please give us a quick view.

Jason Bohrer: Between the two budgets – everything that touched the Lignite Research Fund and any of its execution has remained unchanged. Looking back at previous bienniums, there have been increases into the Lignite Research Fund that were proposed by Governor Dalrymple so there have been significant changes from then.

Senator Sorvaag: asked him to highlight the changes.

Jason Bohrer: The most significant change is a transfer of money from the SIF fund into the Lignite Research Fund. The history of that – after the Clean Power Plan was released, and after it was evaluated by the Lignite Energy Council members, we had a meeting with Governor Dalrymple and met with many legislators and spelled out that this was our path forward. It was done at the behest of Governor Dalrymple and he said to show him a ND solution to this problem. We did and it includes a heavy reliance on research and development of next generation technologies. This is not a problem that we've seen the likes of before. This requires a different approach both from industry and from the state. From the industry side – the magnitude of some of these projects is such that our members are not going to be able to shoulder it. You're no longer looking at the day when you will say that we have a plant that is owned by a utility. We're going to have some new partnership among our industrial partners too, so we made that pitch to Gov. Dalrymple and said if we re-work our own research apparatus, and different ownership models, there is an opportunity to increase the R & D from the state and leverage some of the federal priorities as well.
Our first idea was based on what the Empower Commission had recommended. It was a broader R&D apparatus that was not just available not just to Lignite Energy members, but would be a very broad based commercial demonstration type fund. Instead of Lignite Research Fund, it was a fund that would say that this is advance energy research fund that coal could apply to; oil could apply to; just about anyone could apply to. The original idea

was to fund it with some of the interest from the Legacy Fund. We understand that's not feasible at this point. That is the history of how we got to where we are today.

Senator Sorvaag: So where do we go from here?

Jason Bohrer: I do need to rewind and say where we came from includes a much bigger idea, scope and potential. Empower evaluated the way the state funds research and development and came to the conclusion that it does a very good job of funding the lab scale – the $1M to $5M projects. We don't do a great job of funding basic science. Traditionally we haven't needed to because that's been done at the federal level. Although we've gotten some successes specific to lignite because our sodium problems have been different from what the federal government was interested in.

The biggest gap that Empower looked at was once we identify a promising technology and fund it to $5-10M level, we don't have a way to push that into the commercial demonstration phase when you're talking about hundreds of millions of dollars in project costs and scope.

We took that idea and said let's create another R & D program that anybody who access to that gives us the ability to leverage tens of millions of dollars and build a demonstration plant. It might be coal or anything, but it's a next generation or a leap forward in technology. That's where we had that conversation with the Governor. Understanding where the finances were, he said we're not going there, but here's where I think we can go. The result was in his budget.

Senator Sorvaag: It sounds like there's collaboration.

Jason Bohrer: Our understanding and intent is to take what he did give us and say this is what's feasible right now given the economics of this state. It's not exactly what we've asked for, but we're going to take that and we have the timeline works and can push toward the revolutionary technology. We want to maintain the ability of our traditional lignite research fund to meet the ongoing technology challenges and take the new dollars that we hope are coming and move that transformational technology forward.

Senator Mathern: In bienniums past, a lot of the rationale for this money was developing EPA regulations and Clean Air regulations. Now it seems like those are going to fall or change dramatically. What's the rationale to do it any longer if those regulations will no longer be in place?

Jason Bohrer: Regardless of the EPA regulation, we are recognizing that we do have to do something about CO2. We are committed to doing that because if we want to succeed in the world, everyone is moving away from CO2 intensive power generation. The only way forward economically is to come up with a solution that pleases everyone which is let's bring costs down for production but also bring CO2 down for those who are worried about it. Our arguments have converged to the point where it doesn't really matter what your rationale for doing this is. The result is lower cost electricity that doesn't have a CO2 footprint.

Senator Sorvaag: The only other request is that if you could provide kind of a detailed list of how the money has been spent. Appreciate you coming in.

North Dakota Housing Finance Agency -
(36:08)
Jolene Kline, Executive Director, North Dakota Housing Finance Agency

Senator Sorvaag: said there were dollars difference in the operating expense line between the two governor's budgets.

Jolene Kline said she was working off a sheet that Becky sent her – Recommendation Comparison Summary - Testimony Attached # 1. But said there is some confusion if we are working off the SB 2014 numbers or the numbers that were included in the executive budget recommendations.

Senator Sorvaag: SB 2074 will no longer exist after tomorrow, however, there is nothing in SB 2014 of any detail so I'd work from SB 2074 and whatever changes from the executive recommendations and revised executive recommendations. SB 2074 is the executive recommendations so want to look at the 1% cut of $448,594.

Jolene Kline: Because the operating expense line is primarily source release premiums that are outside of our control and occupancy costs, those two items are a very large piece of our operating line so cutting $448 may not sound like it's going to be real difficult. It may be tough but we will do it.

She explained some differences in the bill money numbers and the differences in the budgets and said it is very important that they look at where the starting point is because they could be starting with numbers that are already $970,000 short.

Becky Keller: We were instructed to look for savings in all of our agencies, including our special fund agencies. We had to go somewhere between 1-3% so we picked this number for calculation and sent a note to the agency asking if this line item would work. That's where we put it thinking that it can get changed or modified as it goes through the system. We threw a number out there and it's up to you to decide what you do with it.

Senator Mathern: What amendment to SB 2014 would be needed, in order to operate and carry out your programming to the level of the revised executive budget?

Jolene Kline: If we're looking at SB 2014, it appears to me that the base level number, that should reflect the $970,000 that was added in as of June 2016. No? ok. If we have to work off that number now, do we have to decrease that number by $48,000?

(42:04) **Becky Keller**: That's up to this committee. The base level in SB 2014 is the original appropriation level less any one-time, and you weren't subject to the allotment so it wouldn't include that, so if you had any adjustments after session ended. We don't put that in the base amount. You'd have to ask for an increase in your appropriation line for that amount. This $448 is Gov. Burgum's recommendation but it's up to the legislature now what they want to do with that number.

Senator Mathern: What does the agency need as an amendment to SB 2014 to meet Gov. Burgum's recommendation?

Jolene Kline: We'll meet the 448,000 but I don't know how the enhancement is given because we're a special fund agency. In SB 2074, the grant line had an almost $6M grant adjustment to it. SB 2014 does not have that grant. If that's not change, that means that we have to turn back $5.4M of additional money to HUD. It would also mean that we'd have some additional Section 8 authority that we pass through to projects, so unless our continuing appropriation language allows us to accept that money.....

Senator Mathern: That's what I mean – to clarify the amendment to SB 2014 to make sure we don't make those mistakes. I don't presume our committee wants us to have them turn down the federal dollars.

Senator Sorvaag: At the end of the day, our whole budget is going to be an amendment.

Karlene Fine: We're developing a list of those items, now that we know that SB 2074 has died, a list of amendments we need to have, not only just the numbers as well as other sections of the bill and we will have that all together in one document that will be provided to the subcommittee to make sure we aren't losing ground.

Senator Sorvaag: SB 2014 will be an amendment. I'm using SB 2074 but trying to figure out the revised coming from Burgum.

(46:14) Jolene Kline: We would look at that 2014 base level. Add in those grant line items. That service release premium that's already been appropriated. Pull out somewhere the $48,000 to accommodate the governor's request and come up with a number for you. Is that correct?

Senator Sorvaag: That's what we need to see.

Adam Mathiak: We'll have spread sheets coming.

Karlene Fine: I will pass on this information so our other agencies will come in a little more prepared. You have to recognize that the Governor is the chairman of the board that overseas these agencies, so we follow the directions that the Governor gives to us.

Senator Sorvaag: We are looking at a starting point and then we can get into details. Thank you. Closed the hearing on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
2/1/2017
Job # 27745

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1 – 7.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the sub-committee to order on SB 2014. **Senators Hogue** and **Mathern** were also present.

Adam Mathiak handed out:
Industrial Commission Base Level Funding – Testimony Attached # 1
Bank of North Dakota Base Level Funding – Testimony Attached # 2
Mill and Elevator Association Base Level Funding – Testimony Attached # 3
Housing Finance Agency Base Level Funding – Testimony Attached # 4

Eric Hardmeyer, President, Bank of North Dakota
Handed out Proposed Amendments to SB 2014 Operations – Testimony Attached # 5.
And explained the testimony.

Senator Sorvaag: Do you see the ramifications of SB 2272 - what would need to be done there? Assuming it survives as it is written today.

Eric Hardmeyer: SB 2272 creates one fund out of three different pockets of money. Our loans – direct school construction loans up to $250M. We ended up only making $123M. Today there is also $150M in the state land department in what's called the SCL Fund (School Construction Loan Fund). In what is proposed in 2272, is to take $75M from the Foundation Aid Construction Fund and combine all three of those into one fund – and it becomes a revolving fund. To the degree that it affects the Bank of ND is that over time, our $123M that we have on our books, gets refinanced into the SCL fund and they use part of the $75M of new proceeds to gradually buy out $123M over a period of three to four bienniums. It would eventually take us out of our direct loans on school construction. I think

they are proposing, in this first biennium, would be to take us out to the tune of $20 to $30M of those loans which would have an impact on the school construction. This was somewhat anticipated.
We have $6M in here for school construction buy down. We were authorized to make direct school construction loans. The bill is written that the schools pay 2%, the bank receives 5%. So we get paid a market rate. The difference of 3% is made up through an appropriation of our earnings to make us whole. The $6M was calculated by taking 3% times $150M which is $3M dollars times 2. That's 6 years. We figured we were going to paid down from $123M to $120M with SB 2272. So that's how the $6M figures into this and its all part of our request to move buy down dollars out of capital over into those funds.

Senator Sorvaag: If this passed, it would reduce some and would be more over time? It's not something you'd see significant amounts the next biennium?

Eric Hardmeyer: The buy down – probably not much. We're calculating that we're going to get paid down some by the revolving fund. It would be $123M down to $100M.

Senator Mathern: Any discussion about bringing those three sources of dollars into the bank for total implementation? What's the barrier to that?

Eric Hardmeyer: The idea is to create a revolving fund for perpetuity so that you can continue to make loans out of this revolving fund – low interest loans at 2%. They are 20 year terms and very favorable. As rates increase, they're going to be more and more favorable. The idea is that the BND will administer this program but the funds are outside of the banks' assets. They're in a separate revolving fund. The bank will administer the program…

Senator Mathern: Even the money coming over from foundation aid? (Answer: Yes).

Eric Hardmeyer: (continuing testimony).

Senator Hogue: Everyone has their idea of how much to be transferred? What would be your optimum level? Is there an agreement between all the members of the Industrial Commission?

Eric Hardmeyer: When we were working with Gov. Dalrymple, we gave a number we were comfortable with, as we look at the bank, the growth, the capital, and my number was $140M. That was the high mark. (Introduced Tim Porter, CFO and Jason Johnson, head of accounting). We all work closely together to decide the number.
The $200M was beyond our comfort zone. $140M is a number we'd be comfortable with and kept us at our 10% capital level based on earnings. The Bank of North Dakota has grown to earn, over the next two years, somewhere around $260M. We'd be paying out the $140M plus the buy downs of $31M. About $170M of our $260M will return to the state.

Senator Hogue: Benchmark is 10%?

Eric Hardmeyer: Correct. That benchmark has grown over the years. It was 8% and we racheted it up to 10%. Banks by regulation, need to carry 6.25%. It had to do with the

financial crisis requiring banks to carry more capital. We also built in additional capital needs; strategic risk, market risk, operational risk and credit risk. Each of those 4 risk categories gets us to our 10%. That's what North Dakota banks carry and probably similar to what banks carry nationwide.

Senator Hogue: There's talk in the House about refinancing the WAWS debt. What's the banks position on that?

Eric Hardmeyer: I don't know that the Industrial Commission has weighed in on that. WAWS – that's a bit of an issue for us. We have $64M outstanding right now in loans to WAWS. Some of you may be aware of the difficulty they are having generating cash flow due to the downturn on the energy side. The committees have requested a refinance package which basically takes the BND and increases our level from $64M to $83M. They all knew that this is not something that we were supportive of. There are other solutions or ways to do it. Essentially, you're taking resources trust fund money and making a bank loan out of it that requires debt service. We're running a bank and if you have a loan that gets into trouble, that's an issue for us. I'll just be upfront and tell you that it was not an option that we liked.

Senator Hogue: The folks from Valley City were in and they have a $22M project. I think their preferred option is to try to sell some revenue bonds. They threw out the BND and said they've had discussions. Where is the bank on that?

Eric Hardmeyer: We had a very preliminary discussion with individuals that were representing that project back in November. They informed us what the project was. We didn't commit to anything, nor could we because we haven't seen the package. We'd take a look at it like we would any other economic development project.

Senator Sorvaag: You look at it from the same standards that the revenue bond people would be. That was part of the nature of selling it. Their numbers have to be viable.

Eric Hardmeyer: We want to encourage growth but we have to look at a deal. If it doesn't make sense, we'll be upfront and say that we're not going to put this kind of money at risk.

Senator Sorvaag: Discussed the employee numbers and vacancies.

Eric Hardemeyer: Our assets per employee are incredible in terms of what we're doing compared to the industry. There are certain areas where we're going to need to add staff. We have issues with credit and need to staff that area, the cyber security, IT security, compliance. 181 is bare bones. If we have a vacancy, we not just going to fill it. We're continuously looking at how we can improve things. If we don't need them, we're not going to fill them, but that means we're not paying for them either. But at this rate, we'll be running at full capacity.

Senator Sorvaag: You have authorization to do the building through the next biennium. It's asset for asset and has no bearing on anything else.

Eric Hardmeyer: That's right. It comes out of cash or investments. It's about the same as buying municipal bond or revenue bond.

Eric Hardmeyer handed out amendment – Proposed NDCC Amendment Regarding Defaulted Student Loan Collection Costs - Testimony Attached # 6.

(31:00) SB 2130 was a bill that we sponsored. It was our agency bill and it basically did two things. The first one was that we were trying to change the process under which we got a judgement and take that from a judicial hearing to an administrative hearing. The idea was that it would quicken the time, make it a less expensive process and we could move these along quicker. We were adamant with the AG that we weren't hurting the due process that the borrower might have, but in floor discussion, that was something that was not necessarily found appetizing for some of the senators. Our position is that we could live without that piece.
The other piece of the bill was to clarify our ability to recoup collection costs. We've been in the student loan business since the 1960s and had what's called the guarantee agency since 1982 which co-insured these student loans. It acts as the front piece to default aversion and other things that the federal government wanted us to do on their behalf. We did that from 1982 until April 2016. At that point, our student loan portfolio fell down to such a small level that we said it doesn't pay for us to do this so we sent that back to the Department of Education who then gave it to another agency.

With that federal guarantee status, it sheltered us and gave us the ability for collection costs and methods that our attorneys felt needed to be clarified if we were to go without the shelter of the federal government. When that bill was killed the other day, we're not sure if we have the ability or not, but we were trying to clarify this. We wanted to bring back a piece of it that would allow the BND to collect and recover some collection costs that would have to do with our student loans that are in default. What we proposed for recovery costs over a biennium was about $100,000. We went back to the drawing board and wanted to make it more concise so this is the language we came up with that would allow us to recover no more than 25%. The federal government allowed us to collect or recover 40%. Our experience shows we haven't needed that much so we reduced it to 25 and it's actually closer to 20 but we wanted a little leeway. Our promissory notes that every student signs says that we have the ability to recover our collection costs up to 20-25%. Trying to codify the practice.

(36:10) **Senator Hogue**: The collection costs are obtaining a credit report, and the administrative time of staff who are engaged in the collection business. That would be a state employee who is having to spend time to track down this individual. They log their time as an individual, and then that can be tacked on to the overall indebtedness that you would obtain a judgement for, right? (Correct.) If the student citizen had $100,000 in loans and maybe there would be $10-$15,000 of accrued interest, the bank could add on to that up to $25,000 for the time (if it amounted to that amount of time). It could add that in to the overall indebtedness and assess that as well.

Eric Hardmeyer: I believe that is correct.

Senator Hogue: Is this unique to student loans or is this something that's in beginning farmers?

Eric Hardmeyer: I'll have to check on that.

Senator Sorvaag: He asked Senator Hogue to work together with the Bank on these issues and come up with some kind of amendment.

Lignite Research Council –
Karlene Fine, Executive Director, North Dakota State Industrial Commission
Handed out Lignite Research Program Funding – Testimony Attached # 7, and explained that attachment.

Senator Sorvaag: In that last $3M with the trigger which obviously died with the OMB budget, but needs to come back in? (answer – yes). And if you look at that $13M, we'd like to see how that was expended.

Karlene Fine: We have provided that information and was emailed to Senator Mathern of different kind of projects we've been funding out of the Lignite Research Fund.
We will copy and make sure that gets to you.

Senator Mathern: I thought that was a partial list, but please follow up and send it to everybody.

Karlene Fine: The list of the funding in the Lignite Research Fund is a continuing appropriation so the money has been coming into that fund and been used. This new money that came in during this biennium was expended on a series of projects and ongoing costs.

Senator Sorvaag: Just a general idea of where the money goes.

Karlene Fine: The $4.6M is a work that is being done at the EERC on the Allam Cycle.

Senator Sorvaag: Closed the sub-committee hearing on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 sub-committee
2/7/2017
Job # 28015

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Ezra Liebelt for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes:

Testimony Attached # 1 – 6.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag: Called the sub-committee to order on SB 2014. **Senator Hogue** and **Senator Mathern** were also present.

Senator Sorvaag: The first thing we are going to talk about today on this budget is the **Mill and Elevator.** We are going to go quick over this budget. There were a few changes by the Burgum administration and executive recommendations.

Vance Taylor, President and General Manager, North Dakota State Mill & Elevator Association: Said they are ok with changes in Burgum's budget in terms of dollars but we would like to keep the additional FTE and make the reductions in overtime. (1:05-1:34)

Senator Sorvaag: If the FTE is removed is that an identified position already, do you know which one that is or would that have to be determined?

Vance Taylor: We would have to determine at a future date.

Senator Sorvaag: I am talking about prioritizing. I am going to ask a couple more questions and then the committee members. It is all pretty straight forward here. He goes over the changes in the budget. What dollars are we talking about in profits? (1:51-3:01)

Vance Taylor: Profits in general are budgeted give or take $10M per year, so ten percent would be about $1M/year or more.

Senator Sorvaag: If you were allowed to keep more profits, would they go into the reserve or would you look to invest them in projects, let's say if there was 20-30% allowed to be kept?

Vance Taylor: They would go into the plant in the form of capital projects. A certain level of capital project is necessary to maintain the plant and to keep from falling backwards. 90% level of transfer will not allow them to maintain and run the plant properly, 50% level is a good level to maintain. (4:20-6:00)

Senator Hogue: Looking at testimony. You listed 5 capital projects. You stated that depending on the amount of transfers that would impact your ability to do your improvement projects. Of those that are listed on page five, what amount of your profits do you feel you need to retain in order to complete those projects? (6:16-7:00)

Vance Taylor: I listed major projects that we would like to do in the near future like fixing roofs and replacing equipment. To be able to do those projects and do one of these projects per year, we would like to keep the transfer to the general fund at 50%. (7:09-7:53)

Senator Sorvaag: That is going to be the discussion at the end of the day. Any other comments?

Vance Taylor: The final line of reasoning behind that level of transfer just making sense for the Mill and the State, if you look back at the transfers that have been done over the last fifteen years. In the last seven years we transferred as much to the general fund as we did in the previous twenty-seven years. (8:28-9:36)

Senator Hogue: I saw an article about the wait times at the mill. What are the wait times and if you know what would be the industry average for other elevators in the area? This unloading project that you've identified is designed to solve part of that problem.

Vance Taylor: We have a project approved last year that will double our unloading capacity and hopefully cut are waiting time in half. It is currently under construction and we will be finished in March or April next year. The project I looked at would be phase two of that project, which connects a track that will hold a whole shuttle train that we would bring in from the western part of ND. It would reduce truck waiting time. Lines are longer now because we're grinding more wheat now. We want to bring in as much as we can by truck. A long wait could be 4-5 hours, some others an hour or less. The average right now is generally 2-3 hours. (10:16-12:20)

Senator Hogue: What is the average wait time for wheat deliveries?

Vance Taylor: It is going to depend on the elevator. Some of the smaller elevators have no lines, but the ethanol plant by Casselton could almost be a full day. I would say our waiting time now is longer than the average elevator. My guess is the average waiting time at other elevators is about an hour, but we are averaging 2-3 hours.

Senator Sorvaag: Thanked Vance

Karlene Fine, Executive Director, North Dakota State Industrial Commission:
Page 5 of Vance's testimony there is a picture of where the new pit is being put in. When he said next year it would be done, he meant April 2017 of this year.

Senator Sorvaag: We will switch over to the **Department of Mineral Resources**.

Lynn D. Helms, Director, Department of Mineral Resources, ND Industrial Commission: What you are looking at we were asked to bring you suggested table that would show what we would need or the differences between the base budget and DMR essential budget. Handed out SB 2014 vs. DMR Essential Budget – Testimony Attached # 1. (15:03-16:42)

Senator Sorvaag: The 103.5 the essential FTE, what do you have today?

Lynn D. Helms: At the department of mineral resources we have 110 FTE, but six are vacant.

Senator Mathern: What is the difference between DMR essential budget and Burgum budget?

Lynn D. Helms: If you have copy of my presentation that I gave about a month ago, the Burgum budget with the underfunding of salary and benefits and operating would require us to go down to 90.5 FTEs. If I could give some background on that, after looking at all the different budgets and numbers that were out there, the 15-17 budget and the two sets of allotments that came after that. As we were trying to prepare a budget to present to the legislature I directed Mr. Murphy and Mr. Hicks to go back and do a zero based budget. I asked them to figure out how many people they needed to do your job and how much operating cost is associated with those people. When you talk about essential budget, that's a zero based budget. We started at zero and went line by line through the budget calculating how many FTEs and how many dollars it would take to run the agency at current activity levels. (17:40-20:17)

Senator Mathern: What functions would be lost or would we not be doing if we did the Burgum budget?

Lynn D. Helms: You would find the answer to that question on pages 38-39 of my previous testimony. (20:42-24:40)

Senator Sorvaag: Is the conditioning as critical with pipeline as it is with rail?

Lynn D. Helms: It is not however after the crude oil leaves the production facility we have no control of where it ends up. Sometimes it goes through a pipe and ends up at a rail facility and sometimes it goes by truck to a pipeline facility. When we took a look at that kind of variability and the fact that are jurisdiction ended with the first custody transfer we decided to implement it on all Bakken and 3 Forks crude oil because you could not predict once it leaves that well site what mode of transportation it was going to take out of the state. (24:50-26:00)

Senator Hogue: You mentioned getting rid of that rule and the Berm rule what does that mean. Do you have to go to the industrial commission and get them to repeal that rule?

Lynn D. Helms: That is precisely what I would do. (26:24-26:52)

Senator Hogue: As far as you are concerned they are amiable to that suggestion if necessary?

Lynn D. Helms: I haven't addressed that with them yet. It would be my recommendation if we are forced to cut manpower to this extent.

Senator Mathern: What if we believed that the essential budget was accurate and the need was there for this 103.5 FTEs and asked you to raise the money in the industry? Do we have anything in place like that in this industry?

Lynn D. Helms: No we do not. You would have to implement some type of a mill levy on crude oil or something to that affect in order to raise that money.

Senator Mathern: Couldn't we institute an inspection fee?

Lynn D. Helms: We could and some of our sister states do that. Montana charges $100/month per injection well for an inspection fee. We could through statute or authorize the commission to look into that and set some sort of fee to raise the money.

Senator Mathern: We have fees for elevators.

Lynn D. Helms: I'd like to provide a document from Interstate Oil & Gas Compact. They did a comparison of 5 highest oil producing states in the nation and what was happening to those regulatory budgets in those states. **Mike Smith@IOGCC:** Email provided, Testimony Attached # 2. Also handed out, **Barrel Oil per Annual Gross/Annual Oil**, Testimony Attached #3. **SB No. 2014 – page 3**, Testimony Attached, #4. He went over each handout. (30:00-38:47)

Senator Sorvaag: You'd have to base it on a different rig count. It would have to be a different trigger number.

Lynn D. Helms: You are absolutely right and we are suggesting for these purposes since they would be facility inspectors, we'd base on the number of wells. Rather than a rig count we would base it on a well count. Which is much more concrete. Industry has taken to this model of drilling wells but not competing them or of idling wells and leaving them offline. (38:54-40:15)

Senator Mathern: Why would you only have 5 if your essential budget says you need 12?

Lynn D. Helms: The 5 is based on additions to our essential budget. If we in fact our facing the Burgum budget or the Dalrymple budget, it would be significantly more. The 5 would be in additional to the essential budget which just continues current activity levels and current inspection levels. (40:39-41:05)

Senator Mathern: Wouldn't it be better to put them all in, we need to figure out the whole range of what you are going to need.

Lynn D. Helms: We are basing it on the starting point being the DMR essential budget but I can provide you with a couple options.

Senator Mathern: I wonder if we shouldn't ask for an amendment to consider a fee structure. I am a little bit concerned that the public sees, all the pipeline damages or breaks on a regular basis and is asking for more protection. We should figure out some way to fund those positions.

Senator Sorvaag: An amendment or should we just have a worksheet of some type, it could be done either way?

Senator Mathern: I would like something from the department.

Senator Sorvaag: We need to give counsel more guidance.

Lynn D. Helms: State of Montana charges $100 per underground injection well per year.

Senator Sorvaag: Start with that number and see where we would be what kind of ball park numbers we would be talking. I would like you to work on some of the wording for the contingency.

Senator Hogue: What are your thoughts, are you thinking what you have from section 6 from 2009 session would be one solution and Montana would be the alternative approach? One draws form fund and another charges a new fee on the producer.

Lynn D. Helms: We're looking at two different options. Fee structure to bridge the gap between the Burgum budget and DMR essential budget with a contingency for 5 additional positions. The second one would be the contingency funding to cover the whole thing. I could provide both of those sets of options. (45:04-46:06)

Senator Sorvaag: On this field staffing models based on your original testimony, that's based on 110. Do you have versions of that based on reduced numbers? That was based on 110, so if dropping to 103, can you plug into that model?

Lynn D. Helms: Pages 38-39 addresses what actions would be taken to get to the 103. Drop to 25 field inspectors and 3 pipeline inspectors and we would eliminate some engineering technicians. (47:01-47:36)

Senator Sorvaag: Is that 103 or 106, this shows 106?

Lynn D. Helms: That is a 106.5, you are right. I can certainly do that for the 103.5.

Senator Sorvaag: Go to the 101.5 or something. That will put a little spread on the 106.

Senator Mathern: What would we lose if we don't fund a petroleum engineer? What is the down side or consequences?

Lynn D. Helms: I would want to ask state geologist to address that.

Ed Murphy, State Geologist: You may recall last session we talked about the money that was generated by Whiting's Petroleum, Pronghorn discovery what we didn't talk about was that as Whiting was doing the work we were doing the work. The geological survey named the Pronghorn member based on the work we did. Industry probably would have eventually discovered that but not as quickly as they did without our work and to date that has generated 29M barrels of oil, 75M dollars in extraction tax. That is the kind of things we could potentially lose, if we don't have a person that is doing that kind of work. (49:29-50:23)

Lynn D. Helms: I have my homework assignments.

Senator Sorvaag: We're going to be doing are committee work on Thursday. If you could have it done by then. We are trying to bring in pieces of this budget. Our calendar is getting shorter every day.

Senator Hogue: One more question on your handout. Why do you think some of the states are modestly increasing their spending when they are in the same downturn as we are in respect to the industry?

Lynn D. Helms: With regard to Texas and Oklahoma activity is up significantly in those two states. He addressed the different states and reason why they are spending is increased. (51:57-53:54)

Senator Sorvaag: We will go over to the Lignite Research.

Karlene Fine: I am coming to you with a revision on the chart I handed to you the other day on the Lignite Research Program Funding. I realized I had overstated the amount that was going into the Lignite Research Program Funding. She explained the handout. Handed out **Revised Research Program Funding (2/7/2017)** – Testimony Attached # 5. (54:39-56:38)

Senator Sorvaag: Senator Hogue did you get together with the Bank of North Dakota on the amendment?

Senator Hogue: Yes, I have amendment that Adam Mathiak helped me prepare that relates to the Bank of North Dakota and Housing Incentive Fund as well. He went over the amendment. **Proposed Amendments to Senate Bill No. 2014** – Testimony Attached # 6. (57:39-59:56)

Senator Sorvaag: We want the Bank of North Dakota here before we approve this.

Senator Hogue: He continues with the Housing Incentive Fund part of the amendment. (1:00:21-1:01:40)

Senator Mathern: Housing finance also asked for authority to follow through with their present obligations. Is that in these amendments or would that take further amending?

Adam Mathiak: That is taken care of on the 1st page. (1:02:12-1:03:40)

Senator Mathern: Those projects where they have authorized funding but will not draw before July 1 would still be able to complete their draw based on what they were approved at?

Adam Mathiak: Since there is a continuing appropriation by continuing the fund, that will take care of it.

Senator Sorvaag: We are not going to act on the amendments today but we will take them into consideration. He went over the amendment and said the only thing left to discuss was how much they were going to transfer from their profits. Go over each one Adam. (1:05:30-1:08:25)

Adam Mathiak: Just as a reminder in general since these are transfers of the bank profits to these programs. Once the money is transferred it is over in those special funds. Any transfers that do go over would reduce the amount that would be available for the transfers to the general fund. If you were to reduce any of these, you would have money to increase that 140 if needed when you are balancing the budget. (1:08:30-1:09:44)

Senator Mathern: Is the industrial commission okay with these items as stated here as Adam noted?

Karlene Fine: The industrial commission did not take a vote on these but Mr. Hardmeyer had indicated to the commission that this is the amount that he had proposed to the OMB and the commission took no action. By not taking any action I think they were indicating that they were comfortable if this is what the bank felt they needed for the next two years.

Senator Mathern: Do you know if he department of commerce or anybody else that actually makes use of these has weighed in as far as these being sufficient?

Karlene Fine: I have not heard anything from those other parties.

Adam Mathiak: If I could make a comment on that school construction loan. In the section in the bill it has that money being transferred to the school construction loan fund. I am not sure that is the right place for the money to be transferred. I think some of this has to be coordinated with what is happening in 2272. That is something we could ask the bank on Thursday. (1:11:29-1:12:52)

Senator Sorvaag: This amount isn't going to change much but you are talking about the wording?

Adam Mathiak: Mainly the wording but I think there could be a reduction in SB 2272 provides $50M to buy out loans and there is about $120M. It seems to me the $6M would be high.

Senator Sorvaag: We'll get clarification on that. Otherwise we are pretty comfortable on everything else here?

Adam Mathiak: On the bank portion I don't think there is anything. (1:13:48-1:14:31)

Senator Sorvaag: A lot of this we are just getting close because there are a lot of steps to go yet. What are the feelings of committee on Mill?

Senator Mathern: They have a lot of staff management issues. I'd like them to have the ability to have that one FTE back in even if we aren't funding it.

Senator Sorvaag: If we took out the one FTE, he would make it up in overtime.

Senator Hogue: I want to think about it.

Senator Sorvaag: Let's take some time and think about it. The only other thing is there any feeling from the committee, I am leaning to letting him have 50% of profits.

Senator Hogue: I am not so hung up on percentages, but what is the principal reason for the amount of capital you need. Want to make sure the number they give us is based on being a competitor in the market place.

Senator Sorvaag: With his numbers we are talking about $4M, do we want it in the general fund or do we want them to keep investing it?

Senator Mathern: I'm supporting them keeping it in.

Senator Sorvaag: We will get some of the pieces done on Thursday. We will adjourn.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 sub-committee
2/9/2017
Job # 28104

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Pam Dever for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1 – 2.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the sub-committee to order on SB 2014. **Senator Hogue and Senator Mathern** were also present.

Karlene Fine,Executive Director, North Dakota State Industrial Commission
HFA, BND, DMR are all here.

Jolene Kline, Executive Director, North Dakota Housing Finance Agency
Testimony Attached # 1. (1.30-40.11)
(Gave a review of her agency) Got Native American Grant center. Putting more people into home ownership increases our expenses. It increases the servicing release premium. And it increases out staffing needs and all those associated costs with funding with additional mortgages. These are offsets by additional revenue. The revenue is used to benefit ND people. We are working with community land trusts to go out and purchase old homes, renovate and put dollars to work. By decreasing operating expenses, it is going to impact the number of mortgages that we can do.

Senator Mathern:(9:38) In light of the homeless grant funding, that's not in the Commerce budget. If it were possible to put some of that back, would your agency be the best place for that money? If that money was available?

Jolene: It certainly could be administered through our agency. We have permanent residential housing. In Commerce, that was for shelters and we typically don't get involved there. If that's the right place for it, we're not opposed to it. Thank you for the amendments. I like them and thank you for removing the sunset. That is helpful. The $5M in credits, if it comes out of legislature at that funding level; it's better than expected.

Eric Hardmeyer, President, Bank of North Dakota: I think the issues we had outstanding were put in Amendments – met with Senator Hogue; in terms of our collection costs. We are contemplating a change to the amendment that we proposed. It would reduce the % of collections costs that we could recoup; change some of collection methods.

Senator Hogue: When we met this morning, we tried to strike a balance on what is prudent and fair to student borrowers and what rights they should have. Maybe one more meeting.

Senator Sorvaag: PACE – committee is looking at $140M.

Eric: Requires change in language on the bill, it has to do with buy-down for school construction. It should come out of capital. It's not a fund. It's a buy down that the bank receives, but Adam has the language.

Chairman Holmberg: SB 2234 will be heard Monday.

Department of Mineral Resources -
Lynn D. Helms, Director, Department of Mineral Resources, ND Industrial Commission
FY 2019 Permanent Field Staff Model (previously requested) - Testimony Attached # 2. Explained the needs of the department for 101.5 FTEs. (15.00)

Brought workforce model for employees. 101.5 employees. Eliminate the 4 vacant field inspectors. This is based on anticipated forecast. The ideal would be 36 at the end of the biennium. Talked about the Bismarck office. (16.00)
Under the Production Auditing, we talked about the business analysis that we went through. The first thing that was identified by our analysts and ground water protection Council. We should get electronic filing in place for purchaser and transporter records. We currently are hand keying all that data. We think we can reduce manpower in that area. (17.45)

Senator Sorvaag: How many are vacant at this time?

Lynn: At this point in time, six of those are vacant. (18.37) He went on to explain page 3. I have second thoughts on the identified sources. Land and Minerals Trust Fund does not exist anymore. It was merged with the SIIF fund (Strategic Investment and Improvements Fund)

Senator Mathern: (21.07) I like the latest idea that we don't do it through a loan or take from the fund, but we leave this up to the Emergency Commission. I like option 2, with the change that we leave the contingency change to the emergency commission authorizing use of general funds.

Senator Hogue: (21.45) I was going to disagree with you. Looking at your spread sheet, I assumed if the activities are there, the revenues will follow, but there will be a lag. So I was not sure what you meant by, if the activities are there, but the revenue are not, why would we want the emergency commission to say, no?

Lynn: We should be talking about the 6 field inspectors, not 5 or 11. That is the difference between the 30 to reach the 101.5 and the ideal of 36. If the activity is there, we think that the then the revenue should be there through gross production tax or extraction tax. We haven't come to grips with sales tax. No one has unlocked the secret of what is happening with sales tax. For some reason, the sales tax did not come in, and the revenue is not there to justify adding the FTEs. We would safeguard ourselves against that possible sales tax shortfall.

Senator Sorvaag: Are we talking sales tax related to one industry?

Lynn: Yes, related to the one industry. We've tried to tie sales tax to rig count, unsuccessfully. We have tried to tie it to well count, unsuccessfully. And to completions and none have gotten us to an accurate prediction of the sales tax. I am working on some analysis. One thing that has not been considered and brought into that analysis is during boom time, when 218 rigs came in, they were required to pay sales tax. That money will not come back because those rigs are parked north of Dickinson and north of Williston. Even with the well count, we could have a sales tax problem. We have more work to de revenue forecasting. (25.05)

Senator Sorvaag: Does fracking creates more sales tax than drilling the well?

Lynn: Yes. At one point in time, 70% of the sales tax came in from the drilling portion of the well. That has now flipped. 30% of tax is during the drilling process and 70% is paid on the sand and chemicals that goes into fracturing. We missed, so far, is sales tax on those drilling rigs. Those rigs are already in the state. There was a big bubble of sales tax that won't be there anymore. (26.27)

Senator Sorvaag: Option two, really the emergency commission will have the discretion.

Lynn: Regardless, the emergency commission would have that decision. Look at general fund balance and look at activity coming into the general fund. I could redraft for 6 FTEs and for the general fund. If that's your wishes.

Senator Sorvaag: Let's draft that. (27.44)

Lynn: The second of that handout, deals with the fee structure. He talked about the Montana fee schedules. I drafted some language to create a new fund in NDCC38-08-04 to charge up to $300 per well. for fees. Montana does not use this fee to completely fund their agency. They have a mile levy on every barrel of oil in addition to this fee. In ND we use the gross production tax and oil extraction tax. We would be looking at a $110 per well fee in ND. Talked about the last page. (30.00-32.10) I will get back to you on the field contingent positions from the general fund.

Senator Sorvaag: It would be option 3. What would you look like if you go lower than 101?

Lynn: Then we use up all vacant positions, and we actually would be in a position to miss pipe line inspectors or engineering tech field inspectors, who are currently on the job. It's an environmental and safety risk. Basically, we would be reducing field inspectors in the field

and would have to change some of our rules. They have the high operating costs. 4-wheel drive pickup and laptop have more expensive operating costs. We'd have to reduce the field inspections.

Senator Sorvaag: The 101 was a number I picked. That was workable, if we built in contingency. Need to get amendment and see how it looks. Karlene, do you want to add anything?

Karlene: We have everything pretty much taken care of. I've been working with language.

Senator Sorvaag: Adam, you know what is happening with the BND? And the mill & elevator we are on the same track. Keep their spending & keep 50%.
HFA – still discussing.
Lignite Research –There is consensus on that.
DMR and Housing Finance are the two piece that we are still waiting from House and Finance.

Karlene – talking to lignite research fund. I did talk to the lignite folks. There was concern that what we had proposed in 2074 with dollar per dollar match, and that is more restrictive than what we had. The language should say "match" no dollar per dollar match.

Senator Sorvaag: I have no objection to that.

Karlene: Our policies say that there is always a match. The industrial commission can make a decision and when talking about new money. There is always match. This new language says dollar for dollar. The concern is that the DOE money may take a while to come in. They were asking to make it a little more fluid on the match because of timing. Gives flexibility. This is only for advanced technology area. Our dollars do it, but we need the timing. It would be consistent with other language and funding.

Senator Sorvaag: Closed the subcommittee hearing on SB 2014. (39.55)

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 sub-committee
2/13/2017
Job # 28294

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Eva Liebelt for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag: Called the sub-committee to order on the Industrial Commission Budget, SB 2014. We are going to walk through everything and there are a few points we need to talk about. We will meet again at 3:00 next Wednesday and complete the amendments. I am going to start first with the Bank of North Dakota, Base Level Funding Changes, Budget No. 471. He goes over part of the handout. Senator Hogue had amendment for doing collections, why don't we address that now. (0-1:41)

Senator Hogue: What we did was we had a little horse trading between BND on a couple of other policy issues. When the bank turns over a student loan that is in default for collection they want to be able to charge in addition to the outstanding principle and accrued interest, they want to charge a fee for the collection of the loan. Typically, they would hire a collection agency to collect the debt. It is typically between 10-12 %. What the amendment does is it authorizes them to impose that additional collection cost up to 13% of the outstanding principal and accrued interest. In return they are surrendering the right to go after the professional licenses of their student loan borrowers. They used it once against a physician. They go to 4 years' of college, 4 years' of medical school and they want to go after their license. This would say you can go after their assets but you can't go to the North Dakota Medical Board and say I want to take your medical license to practice medicine away. That amendment is banded together with the other amendments we talked about relative to Housing Finance. (1:46-3:57)

Senator Sorvaag: If no objection we will accept by consensus.

Senator Mathern: I did have a different item related to the bank. You know on those funds, the pace fund, bio-fuels pace, beginning farmers loan. I think we agreed to just keep that all

the same. I was wondering should we ask at least, is it possible that we have more authority there than we really need and can reduce that. Which would give less exposure to the bank profits.

Tim Porter, Chief Financial Officer, Bank of North Dakota: Last session we came in with $40M for the PACE. There is going to be some amount of that, that will be left over and transferred to this session. That is what allowed us to request less than $40M. Those monies are on an as needed bases so if we don't need them, we wouldn't transfer them and then more money would be left in our capital. We only transfer at the end of biennium if we have that need. (5:26-6:11)

Senator Mathern: You're fine with these amounts that are in the bill right now?

Tim Porter: Yes, we are fine with those.

Senator Sorvaag: I think the only other items on the bank is the reduction of operating expenses and the changes in the health insurance. I think we are done with the Mill and Elevator, Budget No. 475, he went over the changes. He asked them to go to Mineral Resources and asked Lynn Helms go over his handout. (6:26-8:24)

Lynn Helms, Director, DMR, State Industrial Commission: I asked my business manager to put together this sheet reflecting what the changes from SB 2014 would be to reflect that 101.5 FTE's and on the backside is the detail of where those plusses and minuses occur line item wise in the budget. He explained the attachment. SB 2014 vs. DMR 101.5 FTE Budget – Testimony Attached # 1.

Senator Mathern: Which position would be eliminated to the 101.5?

Lynn Helms: There would be two positions, one would be an Engineering Technician Field Inspector in Dickinson. The other would be Engineering Technician in Logs and Surveys in the Bismarck office. It would be 2 engineering technician positions.

Senator Sorvaag: So your configuration would be what is on the back of this sheet.

Lynn Helms: Yes, that is correct

Senator Sorvaag: How many wells are there now, 17,000?

Lynn Helms: There are roughly 17,000.

Senator Sorvaag: So up a thousand would kick in the first trigger?

Lynn Helms: Up one thousand two hundred would kick in the first trigger at 18,200 wells.

Senator Sorvaag: And then another thousand and two hundred would kick the second trigger. He said again to refresh, it was worded different and he continued going over the changes. And then asked the committee if there were any questions on option three. (12:28-13:41)

Adam Mathiak: What it would do is insert in SB 2014, a line called contingencies and then it would explain how that contingency was to work. A trigger based on well count and an approval by the emergency commission if they felt that the revenue was there in order to satisfy the contingency and it has the amounts written in there.

Senator Sorvaag: And the way it is written it would be general fund dollars

Senator Hogue: What is your thought on approval authority should be the budget section or emergency commission?

Lynn Helms: I haven't really considered that we have never used the budget section as an option before, but I am not opposed to it. It is a much broader spectrum of the legislature. We would make the presentation to the budget section and they could make that decision.

Senator Mathern: One of the things that we discussed was using fees. I am just wondering if you feel comfortable bringing forth a proposal at our next biennium to using fees for some of the financing for your functions in the department.

Lynn Helms: One of the things that I'm hesitant about bringing forward fees for funding our department from the standpoint that we are one of the higher tax states. If we compare our tax rate to the states that fund their regulatory agencies through fees, they have significantly lower tax rates and there would be opposition. It would be looked at as tax increase on the industry.

Senator Sorvaag: What is the feelings of the committee on changing emergency commission to the budget section?

Senator Hogue: I think it should be the budget section. I know there are some feelings that if you start adding FTEs, you should have a broader consensus than just the emergency commission. It's one-time funding that could ripen into FTE's for multiple biennium's.

Senator Mathern: I am fine with going to the budget section. I think sometimes having the emergency commission involved creates a vetting process for the budget section. Sometimes they don't have the proper amount of time to vet an idea so that would be another one that would go to the emergency commission and they pass it on.

Senator Sorvaag: Let's switch it to the budget section. Going to the Industrial Commission – Budget No. 405.

Karlene Fine, Executive Director, State Industrial Commission: Within the administration office there are 4 FTE's and 2.75 FTE's that are in our public finance agency. (20:32)

Senator Sorvaag: Health insurance is the same and reducing operating expenses by 2% which would be $66,700.

Karlene Fine: Governor Burgum did not take any reductions in this office. We're all special funds.

Senator Sorvaag: I think the rest is pretty standard.

Karlene Fine: For the bond payments there needs to be an amendment because SB 2014 doesn't reflect the reduction in the bond payments that will be taking place. There was a slight revision in the language for transfers for the agencies transfer money to the industrial commission administrative office. It will change to reflect the standard changes for the one percent in the health insurance.

Senator Sorvaag: Is there anything else with the administrative part.

Karlene Fine: The only other administrative part, we roll into the lignite research program.

Senator Sorvaag: We don't have to worry about last $3M on the sheet, that's on House side.

Adam Mathiak: Just to clarify you are looking to add into this bill an appropriation from SIF of $3M, as well as adding the necessary century code changes to provide for that fifteen percent coal severance tax allocation.

Senator Sorvaag: That is correct and that was in 2074, the language to do that.

Karlene Fine: The only change we had from the 2074 language was to take out 1-1 match. It will be a straight match.

Adam Mathiak: We have this other sheet that does this comparison between the base level and the new proposal at 101.5 FTEs. Looking at the long work sheets, I want to have the right amounts for the two additional FTE positions. (26:45-27:28)

Lynn Helms: I am not sure which two FTEs we talking about, the two engineering tech positions? You want to make sure for those positions you have the salaries and benefits and operating cost by line item.

Senator Sorvaag: The only thing we have left is the housing finance. Is there anything you want to address this morning?

Jolene Kline, Executive Director, North Dakota Housing Finance Agency: No, I hope I was clear that I think it's a good activity but my concern is if we are only dealing with a $5M housing incentive fund and now you are pulling $500,000 of it to this program it is going to be at a cost to the rental production. It's ultimately a decision you have to make. (29:48-30:17)

Senator Sorvaag: You would have to really have to develop the rules and guidelines. This is verily vague in a sense.

Senator Mathern: What does it cost to start a new program, just the overhead?

Jolene Kline: I am not sure what the costs might be. That all runs through the assistant AGs office. We could recoup $25,000 for our startup costs. I think the idea is this is a pilot program

so you are going to have higher upfront costs. The idea is if it is a successful program and it is meeting a need and the need is addressed with our 10 or 12 people we put into home ownership. Now you have laid the ground work and the costs aren't duplicated if there is additional HIV funding in further biennium's. I don't know what the costs might be and it concerns me. (31:05-32:55)

Senator Hogue: I am trying to figure out what might have inspired this bill. Can you tell us what happened in the last two sessions when we were increasing the number of patrol men and inspectors in the oil patch and what we did for them and was that found to be wanting and this is the alternative or is this unrelated to those efforts?

Jolene Kline: I think this is the next generation of helping those essential service workers. This is the next generation of housing opportunities. It is how do you make that policemen that is moving from Florida to take the job in Williston. How do you entice them to bring their family to Williston and keep them in that community long-term? This program was discussed during the previous session too and the bill died. (33:38-34:36)

Senator Mathern: There was discussion in full committee about Habitat for Humanity. In Fargo we have it and we use it to build new structures and the family puts in sweat equity. Does Habitat for Humanity actually have these features too?

Jolene Kline: I think the reference to the habitat that Senator Bekkedahl was making was getting people into affordable home ownership. I am not aware that Habitat has a program that provides down payment program.

Senator Sorvaag: I would like us to leave the $5M in Hogue's amendment for HIV and put this in another section and it is another $500,000 so we would make it $5,500,000. It would still be an amendment into the bill. At some point it is going to have to stand on its own as it goes through.

Senator Mathern: Are you suggesting that we take that bill and put it in here and then defeat that bill?

Senator Sorvaag: Yes, so it's not a standalone bill it would be an amendment.

Senator Hogue: I am okay with that approach. If this proposal has some legs in the house, it will require us to do some serious work. As I read the bill now I just don't think it is workable.

Senator Sorvaag: I think it is worth keeping alive in some manner to allow it to get through the process and to the other side.

Adam Mathiak: You would like two separate tax credits for this?

Senator Sorvaag: Yes, half million for this one and 5 replacing 2292.

Jolene Kline: It makes sense that it is in its own revolving loan fund.

Senator Mathern: Where is the greatest need for this? A lot of time there is an assumption that there is the greatest need in the west, is there?

Jolene Kline: I believe the greatest barrier for home ownership are still in the Williston and Watford City area where there has not been enough production of single family homes so the prices have dropped. They went up steeply at the start of the boom and they have not leveled off. They can't produce a new home that is affordable to a policeman and there isn't enough turn over on the older housing so their options are very limited in what they can afford to buy.

Karlene Fine: SB 2192 is being rolled into here in the form of Senator Hogue's amendment. There was one provision in SB 2192 that included a new subsection to the tax code that wasn't in the Hogue amendment. I didn't know if we needed to do this.

Adam Mathiak: In reviewing it, that section was kind of new and not previously provided. It seemed like it would have been an unnecessary to duplication because the credits had been provided previously without that section. I'll double check and make sure.

Jolene Kline: It was my understanding that the whole section had to be added back in because that credit expired December 31, 2016. It doesn't exist in century code today.

Adam Mathiak: Which section are you referring to?

Jolene Kline: That section four that talks about how the credits are going to work.

Senator Hogue: We're seemingly inconsistent because the educators want student loan forgiveness programs for new students to get them out into these areas where they are hard to hire and they do not want it for housing. They just want to give it for debt forgiveness and we have this bill now that says the key to get them to these areas, you have to enable them to buy a house to get roots. Why are teachers any different then police officers or inspectors, where are strategy is to try to root them in a community but we have two different approaches by two different interest groups.

Adam Mathiak: The DMR is a different proposal than any of the items we looked at regarding the base budget or either of the executive budgets. We had identified changes by change type. Not necessarily as single line item change as listed on here. It may create some challenges as we try to reconcile between the long work sheet we have been working off of and the proposal there. (46:41-48:52)

Senator Mathern: Do I hear your question correctly that there are a number of line items that will need reconciliation.

Adam Mathiak: Some of the items that are detailed on their sheets would be object codes within the line items. These are additional details for those line items.
Just making sure that if you're going with new proposed amounts in the DMR essential budget understanding and recognizing the differences between what is on the worksheet and on there and that you are okay with it. (49:54-51:01)

Senator Sorvaag: In the Burgum two percent was based on less employees. We'll have a chance to look at all this and if we need to make adjustments, we can.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 sub-committee
2/15/2017
Job # 28413

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Eva Liebelt for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes:

Testimony Attached # 1 – 5.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag: Called the sub-committee to order on SB 2014. **Senator Hogue** and **Senator Mathern** were present. Handed out the colored version of amendment 17.0522.01003. I believe there is a number change that has to happen.

Adam Mathiak: It would be up to you if you want to include it or not but what you talked about last time was to have the numbers match the amounts that the industrial commission had provided. There numbers did not include the $314,819 for health insurance. If you added back money, it would be about $577,000. Base Level Funding Changes Handouts:
Industrial Commission – Budget No. 405 – Testimony Attached # 1.
Bank of North Dakota – Budget No. 471 – Testimony Attached # 2.
Mill and Elevator Association – Budget No. 475 – Testimony Attached # 3.
Housing Finance Agency – Budget No. 473 – Testimony Attached # 4. (:40-2:05)

Senator Sorvaag: They'd have to come up with $300,000 somewhere. We are basically going lower than the numbers we discussed?

Adam Mathiak: It would be the salaries and wages line item that they would have to come up with it in.

Lynn Helms, Director, DMR, State Industrial Commission:
When we drafted up the amendment, we thought the health insurance increase was taken care of elsewhere, so we've submitted a revised proposal that would include that and it would come out of salaries and benefits. If we don't add that back in it would be necessary to reduce the FTE count in order to compensate for that. It would result in underfunded situation for the 101.5. (2:36-3:38)

Senator Sorvaag: We are already above the Burgum budget anyway because we are putting more bodies in then he had.

Lynn Helms: We're at 8.5 and he was at 13.5.

Senator Sorvaag: I think we should put it back in.

Senator Mathern: It's not a clear policy decision to cut FTEs, it's more of an under the radar way of doing it. I would encourage us to put that money back in.

Lynn Helms: Yes, we'll make the FTE cuts to make the budget work.

Karlene Fine, Executive Director, State Industrial Commission: Everything is fine. We got the changes we needed.

Senator Sorvaag: Adam, go ahead and make those changes. Let's go to the **Bank of North Dakota**. The bank wants to address some verbiage.

Tim Porter, Bank of North Dakota, State Industrial Commission: Only proposed change would be the words, "As needed". So the $140M, if the budget changes they could draw less if they wanted to. The wording would change to "or an amount as needed". (6:37-7:27)

Adam Mathiak: I would need to talk to with some of the other staff. During special session, the goal was to get to zero-dollar balance. This way we'd only know the amount that is needed unless there was some provision of where you are trying to get to. There will be an ending balance in the 17-19 biennium and unless we clearly spell out what that number is, it would make more sense to transfer the entire amount. (7:50-9:05)

Senator Sorvaag: Because of the special session, we were holding human services?

Adam Mathiak: For this special session I believe there was also additional language that said to provide a balanced budget or for a positive ending balance. (9:12-10:22)

Senator Mathern: Couldn't we use that wording in here, as needed if the ending fund balance goes below that dollar amount. We will set that dollar amount before we leave here.

Adam Mathiak: I think there could be a way to work that but the $140M is really part of the core of what is making the budget balance. It may be better to have a fixed dollar amount. (11:10-12:20)

Senator Sorvaag: We're looking at this like it's the last pot of money to go to. If we had that language, correct?

Adam Mathiak: Yes.

Senator Sorvaag: I would rather leave this language for now. There are a lot of other moving pieces. Better we leave it with the discussion going on here.

Senator Mathern: There is some latitude here. Do we cut the check after we leave here or after there is a $140M loss?

Tim Porter: The way it is worded right now. The amount would not be flexible but the timing of the draws would be flexible. You wouldn't have to draw the entire amount. Would you want to take the entire amount if we had a significant surplus? (14:26-14:55)

Senator Sorvaag: It says, "it must be transferred."

Adam Mathiak: Just to clarify because there is that flexibility with the timing, I think there is a similar issue with Foundation Aid Stabilization Fund payments. You will have another regular session scheduled before the end of the next biennium. If at that time it was unnecessary you could always amend and change what was done. There is a number of ways you could address it going forward. (15:15-16:30)

Senator Sorvaag: We'll leave as is and it will be part of the discussion as we go along.
Mill and Elevator: I think that is pretty cut and dried? We are allowing them to stay at 153 employees but we took the pool of money. It's at 50% of profits now, so we do nothing.
Housing Finance Agency: This 448,000, Jolene do you want to address any of that?

Jolene Kline, Executive Director, North Dakota Housing Finance Agency: No issue with amendments. Thank you.

Senator Sorvaag: We left it at 448,594 but they are spreading it through your whole operation instead of just off of the operating expense. I think everything read right as far as what we had talked about what we are doing with the lignite counsel. We moved 2192 and 2234 their language is now in here. I don't have any other issues. He asked Adam Mathiak if he can get it amendment done with the one number change.

Adam Mathiak: I can try to. I don't think it will take too long on my end but it will be a question of how backed up they are with other amendments upstairs.

Senator Sorvaag: Handed out the colored version of amendment 17.0522.01003 – Testimony Attached # 5.

Senator Sorvaag: Is there a motion by one of the committee members to accept the amendments?

Senator Hogue: Moved a Do Pass on 17.0522.01003 with number change.

Senator Mathern: Seconded the motion.

Roll Call Vote: Yes-3 No-0

Senator Sorvaag: Adjourned.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
2/15/2017
JOB # 28426 (0.01.00 -0.12.20)

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A DO PASS AS AMENDED for the Industrial Commission.

Minutes: 1.Proposed Amendment # 17.0522.01004

Chairman Holmberg: called the Committee to order on SB 2014. All committee members were present. Alex Cronquist, Legislative Council and Becky J. Keller, OMB were also present.

Senator Sorvaag: moved the amendment # 17.0522.01004. 2nd by Senator Grabinger. He explained the amendment. He had Senator Hogue explain about a bill earlier concerning that the Bank of North Dakota wanted to collect fees for default student loans. That bill got killed on the floor and he got to talk to the Bank of North Dakota about that and he will explain the amendment on what he did on that since it is replacing a bill that was killed on the floor.

Senator Hogue: The bill that Senator Sorvaag is referring to was a bill that the BND would of, they wanted to do a number of things for default student loans, and we did kill that bill. But one of the issues that they brought forward was a fiscal impact that arose from killing the bill of about $100,000. and it relates to certain collection fees and so we endeavored to make them whole in that so that's the amendment that allows them to assess 13% collection fee in addition to outstanding principle and interest on defaulted student loans.

(0.01.47- 0.10.03)Senator Sorvaag: continued his presentation of the amendments.

Chairman Holmberg: We have a motion and a second. Are there any questions?

Senator Erbele: Earlier when we heard the bill I believe it was through the industrial commission and the outdoor heritage fund and we brought up the subject of potential projects that the outdoor heritage fund could use to add dredging to that. Did you get into that at all?

Senator Sorvaag: Yes, I addressed it and It can be done. They are doing projects already with dredging.
Chairman Holmberg: call the roll on the amendment # 17.0522.01004.

A Roll Call vote was taken on the amendment. Yea:14; Nay: 0; Absent: 0.

Senator Sorvaag Moved a Do Pass as Amended. 2nd by Senator Mathern:.

Chairman Holmberg: Discussion? Call the roll on a Do Pass as Amended on SB 2014.

A Roll Call vote was taken. Yea: 14; Nay: 0; Absent: 0. Senator Sorvaag will carry the bill.

The hearing was closed on SB 2014.

On this job is the DO NOT PASS VOTES for both SB 2192 (0.12.21-0.13.38) and SB 2234 (0.13.39-0.15.16) as the funding regarding both of these bills was put into SB 2014.

17.0522.01004
Title.02000
Fiscal No. 2

Prepared by the Legislative Council staff for
Senator Sorvaag
February 15, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2014

Page 1, line 2, after the semicolon insert "to provide a continuing appropriation; to provide a contingent appropriation;"

Page 1, line 3, replace "and" with "to create and enact a new subsection to section 54-17-07.3, a new section to chapter 54-17, a new section to chapter 57-38, and two new subdivisions to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating the essential service worker home ownership program, housing incentive fund tax credits, and essential service worker home ownership fund tax credits; to amend and reenact sections 15-62.1-07, 28-25-11, 54-17-40, and 57-62-02 of the North Dakota Century Code, relating to loan guarantee fees, suspension of occupational or professional licenses, the housing incentive fund, and coal development trust fund allocations; to repeal section 54-17-41 of the North Dakota Century Code, relating to housing incentive fund reports;"

Page 1, line 3, replace "a statement" with "statements"

Page 1, line 3, after "intent" insert "; to provide exemptions; to provide an effective date; and to provide an expiration date"

Page 1, replace lines 15 through 21 with:

"Salaries and wages	$22,132,229	($93,883)	$22,038,346
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	1,254,462	1,254,462
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
Total general fund	$24,957,746	$1,506,776	$26,464,522
Full-time equivalent positions	116.75	(2.50)	114.25"

Page 2, replace lines 3 through 5 with:

"Bank of North Dakota operations	$58,542,301	($15,357)	$58,526,944
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$49,643	$59,336,944"

Page 2, replace lines 11 through 16 with:

"Salaries and wages	$36,278,898	$3,061,347	$39,340,245
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,929,347	$68,245,245
Full-time equivalent positions	147.00	6.00	153.00"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$7,745,034	$156,353	$7,901,387
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828

Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,019,481	$44,539,570"

Page 2, remove line 31

Page 3, replace lines 1 and 2 with:

"Grand total general fund	$24,957,746	$1,506,776	$26,464,522
Grand total special funds	178,117,735	10,348,682	188,466,417
Grand total all funds	$203,075,481	$11,855,458	$214,930,939"

Page 3, line 3, after "**FUNDING**" insert "**- EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SIXTH LEGISLATIVE ASSEMBLY**"

Page 3, line 4, after "biennium" insert "and the 2017-19 biennium one-time funding items included in the appropriation in section 1 of this Act"

Page 3, replace lines 6 through 17 with:

"Litigation	$2,500,000	$1,000,000
Lignite research council grant	4,672,500	0
Aerial photography	104,143	0
Contract analysis	125,000	0
Digital conversion	25,000	0
Migration to RBDMS.net	250,000	0
All-terrain vehicles	41,500	0
Core library expansion	13,625,322	0
Financial center project	17,000,000	0
Total all funds	$38,343,465	$1,000,000
Total special funds	30,625,322	1,000,000
Total general fund	$7,718,143	$0

The 2017-19 biennium one-time funding amounts are not a part of the entity's base budget for the 2019-21 biennium. The industrial commission shall report to the appropriations committees of the sixty-sixth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 3, line 18, replace "$15,040,829" with "$13,210,484"

Page 3, remove lines 22 through 31

Page 4, replace lines 1 through 3 with:

"North Dakota university system	$6,605,326
North Dakota university system - energy conservation projects	491,500
Department of corrections and rehabilitation	1,158,679
Department of corrections and rehabilitation - energy conservation projects	16,285
State department of health	636,877
Job service North Dakota	428,100
Office of management and budget	665,411
Attorney general's office	766,012
State historical society	1,392,629
Parks and recreation department	73,642
Research and extension service	571,520
Veterans' home	404,503
Total	$13,210,484"

ET
2-15-17
p. 3 of 20

Page 4, line 4, after "**APPROPRIATION**" insert "**- HOUSING FINANCE AGENCY - ADDITIONAL INCOME**"

Page 4, line 7, after the period insert "The housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency."

Page 4, line 8, after "**APPROPRIATION**" insert "**- ADDITIONAL FUNDS FROM BONDS**"

Page 4, after line 12, insert:

"**SECTION 6. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.** The amount of $1,254,462 from the general fund and six full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds the thresholds identified in this section. Of the $1,254,462 and the six full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. Subject to budget section approval, $418,154 from the contingencies line item and two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1 and subject to budget section approval, $836,308 from the contingencies line item and four full-time equivalent positions if the total number of wells capable of production and injection exceeds nineteen thousand four hundred wells."

Page 4, line 13, after "**TRANSFER**" insert "**- ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND**"

Page 4, line 13, replace "$930,000" with "$1,103,986"

Page 4, after line 19, insert:

"**SECTION 8. TRANSFER - BANK OF NORTH DAKOTA PROFITS TO GENERAL FUND.** The industrial commission shall transfer to the general fund $140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota during the biennium beginning July 1, 2017, and ending June 30, 2019. The moneys must be transferred in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $16,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from

the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $1,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - SCHOOL CONSTRUCTION LOAN INTEREST RATE BUYDOWNS. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits for interest rate buydowns on outstanding school construction loans under section 15.1-36-06 during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 14. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO LIGNITE RESEARCH FUND. The department of trust lands shall transfer the sum of $3,000,000 from the strategic investment and improvements fund to the lignite research fund during the biennium beginning July 1, 2017, and ending June 30, 2019. The funding must be used to provide grants for advanced energy technology research and development. Grant recipients must provide matching funds.

SECTION 15. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUNDS. The estimated income line item in section 1 of this Act includes $1,000,000 from the strategic investment and improvements fund for litigation expenses.

SECTION 16. AMENDMENT. Section 15-62.1-07 of the North Dakota Century Code is amended and reenacted as follows:

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter~~, and such fees~~. The agency may charge up to thirteen percent of accumulated principal and interest if the loans are in default under section 15-62.1-06. The fees collected under this section must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the reserve fund. The authority of the agency to charge reasonable fees under this section applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

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SECTION 17. AMENDMENT. Section 28-25-11 of the North Dakota Century Code is amended and reenacted as follows:

28-25-11. Property applied - Wages exempt ~~- Suspension of occupational or professional license for nonpayment of defaulted state guaranteed student loans.~~

~~1.~~ The judge may order any property of the judgment debtor not exempt from execution in the hands either of the judgment debtor or of any other person or due the judgment debtor to be applied toward the satisfaction of the judgment, except that the earnings of the debtor for the debtor's personal services at any time within sixty days next preceding the order cannot be so applied when it is made to appear, by the debtor's affidavit or otherwise, that the earnings are necessary for the use of a family supported wholly or partly by the debtor's labor.

~~2. If the debt for which a judgment is entered is for a guaranteed student loan, the court, after considering the factors in subsection 1, shall address and make specific findings on the issue of whether the judgment debtor has an occupational or a professional certificate license or permit issued by or on behalf of the state or any occupational or professional boards, which the judgment debtor is required to obtain before engaging in the judgment debtor's occupation or profession. The court, based on principles of fairness, including consideration of whether the judgment debtor has been unjustly enriched, may suspend a judgment debtor's certificate, license, or permit. Following a decision to suspend a judgment debtor's certificate, license, or permit, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the proper licensing authority of the court's decision to suspend a judgment debtor's certificate, license, or permit. A certificate, license, or permit suspended by an order issued under this section may be reissued only by order of the court. An appeal by a judgment debtor who has had a certificate, license, or permit suspended under this section is an appeal from the court's order and may not be appealed to the licensing authority.~~

SECTION 18. A new subsection to section 54-17-07.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive program. A program to provide assistance for the purchase of a primary residence by an essential service worker as provided in section 20 of this Act. The program may provide a secondary mortgage lien to assist in the acquisition of a single-family residential dwelling unit.

SECTION 19. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

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54-17-40. ~~(Effective through June 30, 2017)~~ Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.

2. a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage~~. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award~~.

   b. The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

   c. The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

~~The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.~~

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:

   a. New construction, rehabilitation, or acquisition of a multifamily housing project;

   b. Gap assistance, matching funds, and accessibility improvements;

c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and

d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.

5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

6. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.

7. The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers.

8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.

9. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. The report must include the following:

   a. The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and

   b. A listing of projects approved and the number of units within those projects that provide housing for essential service workers.

SECTION 20. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund - Continuing appropriation.

1. The essential service worker home ownership incentive fund is created as a special revolving fund at the Bank of North Dakota. The moneys in the fund are appropriated on a continuing basis to the housing finance agency to provide purchasing assistance on single-family residential mortgage

loans under the essential worker home ownership incentive program. The agency may deduct a reasonable administrative fee from the fund.

2. For purposes of this section, "essential service worker" means an individual employed by the state or a city, county, school district, medical or long-term care facility, or any other individual employed in providing an essential public service as determined by the housing finance agency.

3. Pursuant to housing finance agency underwriting and credit standards and guidelines adopted under subsection 4, the agency may provide a secondary loan to a qualified essential service worker in conjunction with a single-family residential mortgage loan originated by a lender under a housing finance agency home ownership program. If, at any time during the term of the loan, the borrower ceases to be employed as an essential service worker or if the borrower sells the home or refinances the mortgage loan, the borrower must repay the secondary loan in full or begin making amortized monthly payments on the secondary loan.

4. The agency shall adopt guidelines for the implementation and administration of the essential service worker home ownership incentive program. The guidelines must provide the moneys in the essential service worker home ownership incentive fund may be used only to assist in the acquisition of owner-occupied single-family residential housing that will serve as the primary residence of the essential service worker. The guidelines must establish income limits for eligibility to participate in the program and purchase price limitations as determined by the agency.

5. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing bases for the purposes of this section.

SECTION 21. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five million dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 22. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Essential service worker home ownership incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the essential service worker home ownership incentive fund under section 19 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five hundred thousand dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the essential service worker home ownership incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the essential service worker home ownership incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 23. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit under section 21 of this Act.

SECTION 24. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund tax credit under section 22 of this Act.

SECTION 25. AMENDMENT. Section 57-62-02 of the North Dakota Century Code is amended and reenacted as follows:

57-62-02. Allocation of moneys in coal development fund

Moneys deposited in the coal development fund shall be apportioned monthly by the state treasurer as follows:

1. ~~Thirty~~Fifteen percent must be deposited in a permanent trust fund in the state treasury, to be known as the coal development trust fund, pursuant to section 21 of article X of the Constitution of North Dakota. Those funds held in trust and administered by the board of university and school lands on March 5, 1981, pursuant to section 12, chapter 563, 1975 Session Laws; section 12, chapter 560, 1977 Session Laws; or section 13, chapter 626, 1979 Session Laws must also be deposited in the trust fund created pursuant to this subsection. The fund must be held in trust and administered by the board of university and school lands for loans to coal-impacted counties, cities, and school districts as provided in section 57-62-03 and for loans to school districts pursuant to chapter 15.1-36. The board of university and school lands may invest such funds as are not loaned out as provided in this chapter and may consult with the state investment board as provided by law. The income, including interest payments on loans, from the trust must be used first to replace uncollectible loans made from the fund and the balance must be deposited in the school construction assistance loan fund. Loan principal payments must be redeposited in the trust fund. The trust fund must be perpetual and held in trust as a replacement for depleted natural resources subject to the provisions of this chapter and chapter 15.1-36.

2. Fifteen percent must be deposited in the lignite research fund for the purpose of developing advanced energy technology.

3. Seventy percent must be allocated to the coal-producing counties and must be distributed among such counties in such proportion as the number of tons [metric tons] of coal severed at each mining operation bears to the total number of tons [metric tons] of coal severed in the state during such monthly period. Allocations under subdivisions a and b must be apportioned by the state treasurer as follows:

   a. If the tipple of the currently active coal mining operation in a county is not within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue apportioned according to this subdivision must be allocated as follows:

      (1) Thirty percent must be paid by the state treasurer to the incorporated cities of the county based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

      (2) Forty percent must be paid to the county treasurer who shall deposit it in the county general fund to be used for general governmental purposes.

      (3) Thirty percent must be apportioned by the state treasurer to school districts within the county on the average daily membership basis, as certified to the state treasurer by the county superintendent of schools.

   b. If the tipple of a currently active coal mining operation in a county is within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue from the production not exceeding the

production limitation in a calendar year which is apportioned from that coal mining operation according to this subsection must be allocated, subject to the definitions of terms and the requirements in paragraph 4, as provided in this subdivision. For purposes of this subdivision, the production limitation is three million eight hundred thousand tons [3447302.02 metric tons] through calendar year 1995, three million six hundred thousand tons [3265865.07 metric tons] in calendar years 1996 and 1997, and three million four hundred thousand tons [3084428.12 metric tons] in calendar years after 1997. Revenue from production exceeding the production limitation in a calendar year from that coal mining operation must be allocated only within the coal-producing county under subdivision a. Allocations under this subdivision must be made as follows:

(1) Thirty percent must be paid by the state treasurer to the incorporated cities of the coal-producing county and to any city of a non-coal-producing county when any portion of the city lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county, based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

(2) Forty percent must be divided by the state treasurer between the general fund of the coal-producing county and the general fund of any non-coal-producing county when any portion of the latter county lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county. The non-coal-producing county portion must be based upon the ratio which the assessed valuation of all quarter sections of land in that county, any portion of which lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation, bears to the combined assessed valuations of all land in the coal-producing county and the quarter sections of land in the non-coal-producing county within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation. The county director of tax equalization of the coal-producing county shall certify to the state treasurer the number of quarter sections of land in the non-coal-producing counties which lie at least in part within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation and their assessed valuations.

(3) Thirty percent must be apportioned by the state treasurer to school districts within the coal-producing county and to school districts in adjoining non-coal-producing counties when a portion of those school districts' land includes any of the quarter sections of land certified by the director of tax equalization to the state treasurer to be eligible to share county funds as provided for in paragraph 2. The county superintendent of the non-coal-producing counties shall certify to the state treasurer the number of students actually residing on these quarter sections lying outside the coal-producing county and each

school district in non-coal-producing counties shall receive a portion of the money under this paragraph based upon the ratio of the number of children residing on quarter sections of that school district within the fifteen-mile [24.14-kilometer] radius of the tipple of a currently active coal mining operation to the total number of schoolchildren from the coal-producing county combined with all the schoolchildren certified to be living on quarter sections within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county.

(4) For the purposes of this subdivision:

(a) The terms "currently active coal mining operation in a county", "currently active coal mining operation in the coal-producing county", and "currently active coal mining operation" mean a coal mining operation that produced more than one hundred fifty thousand tons [136077.71 metric tons] of coal in a coal-producing county during the prior quarterly period.

(b) The term "coal-producing county" means a county in which more than one hundred fifty thousand tons [136077.71 metric tons] of coal were mined in the prior quarterly period.

(c) The term "another county in which no coal is mined" means a county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(d) The terms "non-coal-producing county" and "non-coal-producing counties" mean any county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(e) In computing each amount to be paid as provided in paragraph 1, 2, or 3 for coal severance tax revenue from coal mined during a monthly period, the state treasurer shall deduct from the allocation the amount of coal severance tax revenue, if any, that the governmental body in the non-coal-producing county received from the coal mined in the non-coal-producing county during the same monthly period.

(5) The state treasurer shall allocate funds provided by legislative appropriation to cities, the county general fund, and school districts within a coal-producing county according to the allocation method provided in subdivision a in an amount to offset fifty percent of the loss of that county's share of coal severance tax revenue allocated to a non-coal-producing county under this subdivision in the previous calendar year. The state treasurer shall make the allocation and distribute the funds, within the limits of legislative appropriations, under this paragraph during the first month of each calendar year. The

state treasurer shall include in each biennial budget request the amounts estimated to be necessary for the biennium for purposes of this paragraph, based on the allocations under this subdivision in the most recent calendar years.

SECTION 26. REPEAL. Section 54-17-41 of the North Dakota Century Code is repealed.

SECTION 27. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 14 of the 2015 Session Laws and transferred pursuant to section 6 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 28. EXEMPTION - LIGNITE RESEARCH GRANTS. The amount appropriated to the industrial commission from the general fund for lignite research grants in the grants line item in section 1 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for lignite research grants during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 29. LEGISLATIVE INTENT - RENEWABLE ENERGY DEVELOPMENT FUND. It is the intent of the sixty-fifth legislative assembly that the industrial commission consider applications for funding from the renewable energy development fund for advanced energy technology development projects.

SECTION 30. LEGISLATIVE INTENT - ESSENTIAL SERVICE WORKER HOME OWNERSHIP INCENTIVE FUND. Of the contributions deposited in the essential service worker home ownership incentive fund during the biennium beginning July 1, 2017, and ending June 30, 2019, it is the intent of the sixty-fifth legislative assembly that the housing finance agency disburse fifty percent within planning regions one and eight and shall disburse the remaining fifty percent within the other planning regions."

Page 5, after line 5, insert:

"**SECTION 32. EFFECTIVE DATE - EXPIRATION DATE.** Sections 23 and 24 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Senate Action

	Base Budget	Senate Changes	Senate Version
Industrial Commission			
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
General fund	$24,957,746	$1,506,776	$26,464,522
Bank of North Dakota			
Total all funds	$59,287,301	$49,643	$59,336,944
Less estimated income	59,287,301	49,643	59,336,944
General fund	$0	$0	$0

Housing Finance Agency			
Total all funds	$37,520,089	$7,019,481	$44,539,570
Less estimated income	37,520,089	7,019,481	44,539,570
General fund	$0	$0	$0
Mill and Elevator			
Total all funds	$64,315,898	$3,929,347	$68,245,245
Less estimated income	64,315,898	3,929,347	68,245,245
General fund	$0	$0	$0
Bill total			
Total all funds	$203,075,481	$11,855,458	$214,930,939
Less estimated income	178,117,735	10,348,682	188,466,417
General fund	$24,957,746	$1,506,776	$26,464,522

Senate Bill No. 2014 - Industrial Commission - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	$22,132,229	($93,883)	$22,038,346
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - Bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies		1,254,462	1,254,462
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
General fund	$24,957,746	$1,506,776	$26,464,522
FTE	116.75	(2.50)	114.25

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Removes FTE Positions[3]	Adds Funding for Contingent FTE Positions[4]	Adds Funding for Operating Expenses[5]	Reduces Funding for Bond Payments[6]
Salaries and wages	$149,263	$334,853	($577,999)			
Operating expenses					526,753	
Grants - Bond payments						(1,830,345)
Contingencies				1,254,462		
Total all funds	$149,263	$334,853	($577,999)	$1,254,462	$526,753	($1,830,345)
Less estimated income	82,522	20,034	0	0	78,000	(1,830,345)
General fund	$66,741	$314,819	($577,999)	$1,254,462	$448,753	$0
FTE	0.00	0.00	(8.50)	6.00	0.00	0.00

	Adds One-Time Funding for Litigation[7]	Total Senate Changes
Salaries and wages		($93,883)
Operating expenses	1,000,000	1,526,753
Grants - Bond payments		(1,830,345)
Contingencies		1,254,462
Total all funds	$1,000,000	$856,987
Less estimated income	1,000,000	(649,789)
General fund	$0	$1,506,776
FTE	0.00	(2.50)

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is removed for 8.5 FTE positions, including 6.5 engineering technician positions and 2 administrative assistant positions. A portion of the funding for these positions may have been removed due to 2015-17 budget reductions.

[4] Contingent funding and authorization for 6 FTE positions is added. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds certain amounts as identified in Section 6 of the bill.

[5] Funding is added for operating expenses related to travel, information technology software and services, and professional services.

[6] Funding for bond payments is reduced by $1,830,345, from $15,040,829 to $13,210,484.

[7] One-time funding from the strategic investment and improvements fund is added for litigation costs.

This amendment also includes the following items related to the Industrial Commission:

- Provides legislative intent for bond payments and provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.
- Identifies $1,254,462 from the general fund and 6 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds certain amounts, subject to Budget Section approval.
- Allows the Industrial Commission to transfer up to $1,103,986 from special funds from the entities under the control of the Industrial Commission for administrative services and provides an exemption to allow any unspent 201517 biennium appropriations for administrative costs to continue in the 201719 biennium.
- Provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium, identifies the funding for advanced energy technology research and development, and provides matching requirements for grant recipients.
- Reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology.
- Provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.
- Identifies $1 million in the estimated income line from the strategic investment and improvements fund for litigation expenses.
- Provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium.
- Provides intent that $4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

	Base Budget	Senate Changes	Senate Version
Capital assets	$745,000	$65,000	$810,000
Bank of North Dakota operations	58,542,301	(15,357)	58,526,944
Total all funds	$59,287,301	$49,643	$59,336,944
Less estimated income	59,287,301	49,643	59,336,944
General fund	$0	$0	$0
FTE	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for Market Equity Salary Adjustments[3]	Reduces Funding for Operating Expenses[4]	Adds Funding for Information Technology Equipment[5]	Total Senate Changes
Capital assets					$65,000	$65,000
Bank of North Dakota operations	390,404	520,884	1,459,131	(2,385,776)		(15,357)
Total all funds	$390,404	$520,884	$1,459,131	($2,385,776)	$65,000	$49,643
Less estimated income	390,404	520,884	1,459,131	(2,385,776)	65,000	49,643
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is provided for additional salary increases related to higher starting salaries for new employees and higher than anticipated salary adjustments for market rate equity adjustments.

[4] Funding is reduced for operating expenses primarily related to marketing activities that were paid with a federal grant that expired in calendar year 2016 as well as cost savings from efficiencies.

[5] Funding is added for information technology equipment.

This amendment also includes the following items related to the Bank of North Dakota:

- Provides for a transfer of $140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.
- Provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.
- Provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.
- Provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.
- Provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.
- Provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the Bank of North Dakota for school construction loan interest rate buydowns for the 2017-19 biennium.
- Authorizes the Bank of North Dakota to charge reasonable fees for student loan guarantees and for collections on defaulted student loans.
- Removes the authority to suspend an occupational or professional license when the licensee's student loans are in default.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	$7,745,034	$156,353	$7,901,387
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
HFA contingencies	100,000		100,000
Total all funds	$37,520,089	$7,019,481	$44,539,570
Less estimated income	37,520,089	7,019,481	44,539,570
	$0	$0	$0

General fund			
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for Other Salary Adjustments[3]	Adds Funding for Federal Grants[4]	Adds Funding for Operating Expenses[5]	Adds Grant Funding for Program Outreach[6]
Salaries and wages	$92,182	$128,790	$257,425			
Operating expenses					1,015,630	
Grants				6,017,048		(43,000)
HFA contingencies						
Total all funds	$92,182	$128,790	$257,425	$6,017,048	$1,015,630	($43,000)
Less estimated income	92,182	128,790	257,425	6,017,048	1,015,630	(43,000)
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Reduces Budget Funding[7]	Total Senate Changes
Salaries and wages	($322,044)	$156,353
Operating expenses	(16,550)	999,080
Grants	(110,000)	5,864,048
HFA contingencies		
Total all funds	($448,594)	$7,019,481
Less estimated income	(448,594)	7,019,481
General fund	$0	$0
FTE	0.00	0.00

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is provided for additional salary increases related to salary adjustments for vacant positions and higher than anticipated 2015-17 biennium salary adjustments.

[4] Funding is added for federal Housing and Urban Development grants related to distributions from the federal housing trust fund.

[5] Funding is added for operating expenses, including $970,000 to continue additional expenses related to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of 2015 House Bill No. 1014.

[6] Funding is reduced for grants for program outreach related to assisting communities with housing development.

[7] Budget funding is reduced for the following:

- $322,044 for salaries and wages related to 3 vacant positions.
- $16,550 for operating expenses.
- $100,000 for grants related to the Helping Hand grant program reflecting a decrease from $250,000 to $150,000.
- $10,000 for grants related to technical assistance.

This amendment also adds the following sections related to the Housing Finance Agency:

- To provide appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium and to require the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.
- To continue the housing incentive fund for the 2017-19 biennium, to change the requirement for the Housing Finance Agency to report to the Budget Section from a quarterly report to a biennial report, and to require the Housing Finance Agency to report to the Industrial Commission upon request.
- To provide up to $5 million of income tax credits for contributions to the housing incentive fund reducing general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections.
- To repeal Housing Finance Agency reports to the Industrial Commission.
- To provide an effective date and expiration date related to the housing incentive fund tax credits.
- To create an essential service worker home ownership incentive program.
- To establish the essential service worker home ownership incentive fund and to identify the uses of the fund.
- To provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund reducing general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections.
- To identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions one and eight and the remaining contributions for the other planning areas.
- To provide an effective date and expiration date related to the essential service worker home ownership incentive fund tax credits.

Senate Bill No. 2014 - Mill and Elevator - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	$36,278,898	$3,061,347	$39,340,245
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000		500,000
Agriculture promotion	210,000		210,000
Total all funds	$64,315,898	$3,929,347	$68,245,245
Less estimated income	64,315,898	3,929,347	68,245,245
General fund	$0	$0	$0
FTE	147.00	6.00	153.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for FTE Positions[3]	Reduces Funding for Salaries and Wages[4]	Adds Funding for Operating Expenses[5]	Total Senate Changes
Salaries and wages	$2,539,491	$437,886	$768,893	($684,923)		$3,061,347
Operating expenses					868,000	868,000
Contingencies						
Agriculture promotion						
Total all funds	$2,539,491	$437,886	$768,893	($684,923)	$868,000	$3,929,347
Less estimated income	2,539,491	437,886	768,893	(684,923)	868,000	3,929,347
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	6.00	0.00	0.00	6.00

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is added for 6 FTE positions, including 2 grain handling positions, 2 food safety positions, 1 flour packer position, and 1 utility worker position.

[4] Funding is reduced for salaries and wages, primarily related to overtime.

[5] Funding is added for operating expenses related to utilities, supplies, and repairs.

No other sections were included by the Senate related to the Mill and Elevator Association.

Date: 2/15/2017

Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2014

Senate Appropriations Committee

☒ Subcommittee

Amendment LC# or Description: amendment 17.0522.01003 with a number change.

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Senator Hogue Seconded By Senator Mathern

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Mathern	Y	
Vice Chair Krebsbach			Senator Grabinger		
Vice Chair Bowman			Senator Robinson		
Senator Erbele					
Senator Wanzek					
Senator Kilzer					
Senator Lee					
Senator Dever					
Senator Sorvaag	Y				
Senator Oehlke					
Senator Hogue	Y				

Total (Yes) 3 No 0

Absent 0

Floor Assignment _____

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

Date: 2-15-17
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2014

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 17.0522.01004

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sorvaag Seconded By Grabinger

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Mathern	✓	
Vice Chair Krebsbach	✓		Senator Grabinger	✓	
Vice Chair Bowman	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Wanzek	✓				
Senator Kilzer	✓				
Senator Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment _____

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

Date: 2-15-17
Roll Call Vote #: 2

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2014

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sorvaag Seconded By Mathern

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Mathern	✓	
Vice Chair Krebsbach	✓		Senator Grabinger	✓	
Vice Chair Bowman	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Wanzek	✓				
Senator Kilzer	✓				
Senator Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 12 No 0

Absent 0

Floor Assignment Sorvaag

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

REPORT OF STANDING COMMITTEE

SB 2014: 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). SB 2014 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "to provide a continuing appropriation; to provide a contingent appropriation;"

Page 1, line 3, replace "and" with "to create and enact a new subsection to section 54-17-07.3, a new section to chapter 54-17, a new section to chapter 57-38, and two new subdivisions to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating the essential service worker home ownership program, housing incentive fund tax credits, and essential service worker home ownership fund tax credits; to amend and reenact sections 15-62.1-07, 28-25-11, 54-17-40, and 57-62-02 of the North Dakota Century Code, relating to loan guarantee fees, suspension of occupational or professional licenses, the housing incentive fund, and coal development trust fund allocations; to repeal section 54-17-41 of the North Dakota Century Code, relating to housing incentive fund reports;"

Page 1, line 3, replace "a statement" with "statements"

Page 1, line 3, after "intent" insert "; to provide exemptions; to provide an effective date; and to provide an expiration date"

Page 1, replace lines 15 through 21 with:

"Salaries and wages	$22,132,229	($93,883)	$22,038,346
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	1,254,462	1,254,462
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
Total general fund	$24,957,746	$1,506,776	$26,464,522
Full-time equivalent positions	116.75	(2.50)	114.25"

Page 2, replace lines 3 through 5 with:

"Bank of North Dakota operations	$58,542,301	($15,357)	$58,526,944
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$49,643	$59,336,944"

Page 2, replace lines 11 through 16 with:

"Salaries and wages	$36,278,898	$3,061,347	$39,340,245
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,929,347	$68,245,245
Full-time equivalent positions	147.00	6.00	153.00"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$7,745,034	$156,353	$7,901,387
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,019,481	$44,539,570"

Page 2, remove line 31

Page 3, replace lines 1 and 2 with:

"Grand total general fund	$24,957,746	$1,506,776	$26,464,522
Grand total special funds	178,117,735	10,348,682	188,466,417
Grand total all funds	$203,075,481	$11,855,458	$214,930,939"

Page 3, line 3, after "**FUNDING**" insert "**- EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SIXTH LEGISLATIVE ASSEMBLY**"

Page 3, line 4, after "biennium" insert "and the 2017-19 biennium one-time funding items included in the appropriation in section 1 of this Act"

Page 3, replace lines 6 through 17 with:

"Litigation	$2,500,000	$1,000,000
Lignite research council grant	4,672,500	0
Aerial photography	104,143	0
Contract analysis	125,000	0
Digital conversion	25,000	0
Migration to RBDMS.net	250,000	0
All-terrain vehicles	41,500	0
Core library expansion	13,625,322	0
Financial center project	17,000,000	0
Total all funds	$38,343,465	$1,000,000
Total special funds	30,625,322	1,000,000
Total general fund	$7,718,143	$0

The 2017-19 biennium one-time funding amounts are not a part of the entity's base budget for the 2019-21 biennium. The industrial commission shall report to the appropriations committees of the sixty-sixth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 3, line 18, replace "$15,040,829" with "$13,210,484"

Page 3, remove lines 22 through 31

Page 4, replace lines 1 through 3 with:

"North Dakota university system	$6,605,326
North Dakota university system - energy conservation projects	491,500
Department of corrections and rehabilitation	1,158,679
Department of corrections and rehabilitation - energy conservation projects	16,285
State department of health	636,877
Job service North Dakota	428,100
Office of management and budget	665,411
Attorney general's office	766,012
State historical society	1,392,629
Parks and recreation department	73,642
Research and extension service	571,520
Veterans' home	404,503
Total	$13,210,484"

Page 4, line 4, after "**APPROPRIATION**" insert "**- HOUSING FINANCE AGENCY - ADDITIONAL INCOME**"

Page 4, line 7, after the period insert "The housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency."

Page 4, line 8, after "**APPROPRIATION**" insert "**- ADDITIONAL FUNDS FROM BONDS**"

Page 4, after line 12, insert:

"**SECTION 6. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.** The amount of $1,254,462 from the general fund and six full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds the thresholds identified in this section. Of the $1,254,462 and the six full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. Subject to budget section approval, $418,154 from the contingencies line item and two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1 and subject to budget section approval, $836,308 from the contingencies line item and four full-time equivalent positions if the total number of wells capable of production and injection exceeds nineteen thousand four hundred wells."

Page 4, line 13, after "**TRANSFER**" insert "**- ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND**"

Page 4, line 13, replace "$930,000" with "$1,103,986"

Page 4, after line 19, insert:

"**SECTION 8. TRANSFER - BANK OF NORTH DAKOTA PROFITS TO GENERAL FUND.** The industrial commission shall transfer to the general fund $140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota during the biennium beginning July 1, 2017, and ending June 30, 2019. The moneys must be transferred in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $16,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $1,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the

sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - SCHOOL CONSTRUCTION LOAN INTEREST RATE BUYDOWNS. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits for interest rate buydowns on outstanding school construction loans under section 15.1-36-06 during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 14. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO LIGNITE RESEARCH FUND. The department of trust lands shall transfer the sum of $3,000,000 from the strategic investment and improvements fund to the lignite research fund during the biennium beginning July 1, 2017, and ending June 30, 2019. The funding must be used to provide grants for advanced energy technology research and development. Grant recipients must provide matching funds.

SECTION 15. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUNDS. The estimated income line item in section 1 of this Act includes $1,000,000 from the strategic investment and improvements fund for litigation expenses.

SECTION 16. AMENDMENT. Section 15-62.1-07 of the North Dakota Century Code is amended and reenacted as follows:

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter~~, and such fees~~. The agency may charge up to thirteen percent of accumulated principal and interest if the loans are in default under section 15-62.1-06. The fees collected under this section must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the reserve fund. The authority of the agency to charge reasonable fees under this section applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

SECTION 17. AMENDMENT. Section 28-25-11 of the North Dakota Century Code is amended and reenacted as follows:

28-25-11. Property applied - Wages exempt ~~- Suspension of occupational or professional license for nonpayment of defaulted state guaranteed student loans~~.

1. ~~1.~~ The judge may order any property of the judgment debtor not exempt from execution in the hands either of the judgment debtor or of any other person or due the judgment debtor to be applied toward the satisfaction of the judgment, except that the earnings of the debtor for the debtor's personal services at any time within sixty days next preceding the order cannot be so applied when it is made to appear, by the debtor's affidavit or otherwise, that the earnings are necessary for the use of a family supported wholly or partly by the debtor's labor.

2. ~~2. If the debt for which a judgment is entered is for a guaranteed student loan, the court, after considering the factors in subsection 1, shall address and make specific findings on the issue of whether the judgment debtor has an occupational or a professional certificate license or permit~~

~~issued by or on behalf of the state or any occupational or professional boards, which the judgment debtor is required to obtain before engaging in the judgment debtor's occupation or profession. The court, based on principles of fairness, including consideration of whether the judgment debtor has been unjustly enriched, may suspend a judgment debtor's certificate, license, or permit. Following a decision to suspend a judgment debtor's certificate, license, or permit, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the proper licensing authority of the court's decision to suspend a judgment debtor's certificate, license, or permit. A certificate, license, or permit suspended by an order issued under this section may be reissued only by order of the court. An appeal by a judgment debtor who has had a certificate, license, or permit suspended under this section is an appeal from the court's order and may not be appealed to the licensing authority.~~

SECTION 18. A new subsection to section 54-17-07.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive program. A program to provide assistance for the purchase of a primary residence by an essential service worker as provided in section 20 of this Act. The program may provide a secondary mortgage lien to assist in the acquisition of a single-family residential dwelling unit.

SECTION 19. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. ~~(Effective through June 30, 2017)~~ Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.

2. a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage~~. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award~~.

   b. The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

   c. The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit

households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

~~The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.~~

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:

   a. New construction, rehabilitation, or acquisition of a multifamily housing project;

   b. Gap assistance, matching funds, and accessibility improvements;

   c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and

   d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.

5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

6. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.

7. The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers.

8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.

9. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the

activities of the housing incentive fund. The report must include the following:

a. The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and

b. A listing of projects approved and the number of units within those projects that provide housing for essential service workers.

SECTION 20. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund - Continuing appropriation.

1. The essential service worker home ownership incentive fund is created as a special revolving fund at the Bank of North Dakota. The moneys in the fund are appropriated on a continuing basis to the housing finance agency to provide purchasing assistance on single-family residential mortgage loans under the essential worker home ownership incentive program. The agency may deduct a reasonable administrative fee from the fund.

2. For purposes of this section, "essential service worker" means an individual employed by the state or a city, county, school district, medical or long-term care facility, or any other individual employed in providing an essential public service as determined by the housing finance agency.

3. Pursuant to housing finance agency underwriting and credit standards and guidelines adopted under subsection 4, the agency may provide a secondary loan to a qualified essential service worker in conjunction with a single-family residential mortgage loan originated by a lender under a housing finance agency home ownership program. If, at any time during the term of the loan, the borrower ceases to be employed as an essential service worker or if the borrower sells the home or refinances the mortgage loan, the borrower must repay the secondary loan in full or begin making amortized monthly payments on the secondary loan.

4. The agency shall adopt guidelines for the implementation and administration of the essential service worker home ownership incentive program. The guidelines must provide the moneys in the essential service worker home ownership incentive fund may be used only to assist in the acquisition of owner-occupied single-family residential housing that will serve as the primary residence of the essential service worker. The guidelines must establish income limits for eligibility to participate in the program and purchase price limitations as determined by the agency.

5. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing bases for the purposes of this section.

SECTION 21. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for

contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five million dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 22. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Essential service worker home ownership incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the essential service worker home ownership incentive fund under section 19 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five hundred thousand dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the essential service worker home ownership incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the essential service worker home ownership incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 23. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit under section 21 of this Act.

SECTION 24. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund tax credit under section 22 of this Act.

SECTION 25. AMENDMENT. Section 57-62-02 of the North Dakota Century Code is amended and reenacted as follows:

57-62-02. Allocation of moneys in coal development fund

Moneys deposited in the coal development fund shall be apportioned monthly by the state treasurer as follows:

1. ~~Thirty~~Fifteen percent must be deposited in a permanent trust fund in the state treasury, to be known as the coal development trust fund, pursuant to section 21 of article X of the Constitution of North Dakota. Those funds held in trust and administered by the board of university and school lands on March 5, 1981, pursuant to section 12, chapter 563, 1975 Session Laws; section 12, chapter 560, 1977 Session Laws; or section 13, chapter 626, 1979 Session Laws must also be deposited in the trust fund created pursuant to this subsection. The fund must be held in trust and administered by the board of university and school lands for loans to coal-impacted counties, cities, and school districts as provided in section 57-62-03 and for loans to school districts pursuant to chapter 15.1-36. The board of university and school lands may invest such funds as are not loaned out as provided in this chapter and may consult with the state investment board as provided by law. The income, including interest payments on loans, from the trust must be used first to replace uncollectible loans made from the fund and the balance must be deposited in the school construction assistance loan fund. Loan principal payments must be redeposited in the trust fund. The trust fund must be perpetual and held in trust as a replacement for depleted natural resources subject to the provisions of this chapter and chapter 15.1-36.

2. Fifteen percent must be deposited in the lignite research fund for the purpose of developing advanced energy technology.

3. Seventy percent must be allocated to the coal-producing counties and must be distributed among such counties in such proportion as the number of tons [metric tons] of coal severed at each mining operation bears to the total number of tons [metric tons] of coal severed in the state during such monthly period. Allocations under subdivisions a and b must be apportioned by the state treasurer as follows:

   a. If the tipple of the currently active coal mining operation in a county is not within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue apportioned according to this subdivision must be allocated as follows:

      (1) Thirty percent must be paid by the state treasurer to the incorporated cities of the county based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

      (2) Forty percent must be paid to the county treasurer who shall deposit it in the county general fund to be used for general governmental purposes.

      (3) Thirty percent must be apportioned by the state treasurer to school districts within the county on the average daily membership basis, as certified to the state treasurer by the county superintendent of schools.

   b. If the tipple of a currently active coal mining operation in a county is within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue from the production not exceeding the production limitation in a calendar year which is apportioned from

that coal mining operation according to this subsection must be allocated, subject to the definitions of terms and the requirements in paragraph 4, as provided in this subdivision. For purposes of this subdivision, the production limitation is three million eight hundred thousand tons [3447302.02 metric tons] through calendar year 1995, three million six hundred thousand tons [3265865.07 metric tons] in calendar years 1996 and 1997, and three million four hundred thousand tons [3084428.12 metric tons] in calendar years after 1997. Revenue from production exceeding the production limitation in a calendar year from that coal mining operation must be allocated only within the coal-producing county under subdivision a. Allocations under this subdivision must be made as follows:

(1) Thirty percent must be paid by the state treasurer to the incorporated cities of the coal-producing county and to any city of a non-coal-producing county when any portion of the city lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county, based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

(2) Forty percent must be divided by the state treasurer between the general fund of the coal-producing county and the general fund of any non-coal-producing county when any portion of the latter county lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county. The non-coal-producing county portion must be based upon the ratio which the assessed valuation of all quarter sections of land in that county, any portion of which lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation, bears to the combined assessed valuations of all land in the coal-producing county and the quarter sections of land in the non-coal-producing county within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation. The county director of tax equalization of the coal-producing county shall certify to the state treasurer the number of quarter sections of land in the non-coal-producing counties which lie at least in part within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation and their assessed valuations.

(3) Thirty percent must be apportioned by the state treasurer to school districts within the coal-producing county and to school districts in adjoining non-coal-producing counties when a portion of those school districts' land includes any of the quarter sections of land certified by the director of tax equalization to the state treasurer to be eligible to share county funds as provided for in paragraph 2. The county superintendent of the non-coal-producing counties shall certify to the state treasurer the number of students actually residing on these quarter sections lying outside the coal-producing county and each school district in non-coal-producing counties shall receive a portion of the money under this paragraph based upon the ratio of the number of children residing on quarter sections of that school district within the fifteen-mile [24.14-kilometer] radius of the tipple of a currently active coal mining operation to the total number of schoolchildren from the coal-producing county combined with all the schoolchildren

certified to be living on quarter sections within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county.

(4) For the purposes of this subdivision:

(a) The terms "currently active coal mining operation in a county", "currently active coal mining operation in the coal-producing county", and "currently active coal mining operation" mean a coal mining operation that produced more than one hundred fifty thousand tons [136077.71 metric tons] of coal in a coal-producing county during the prior quarterly period.

(b) The term "coal-producing county" means a county in which more than one hundred fifty thousand tons [136077.71 metric tons] of coal were mined in the prior quarterly period.

(c) The term "another county in which no coal is mined" means a county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(d) The terms "non-coal-producing county" and "non-coal-producing counties" mean any county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(e) In computing each amount to be paid as provided in paragraph 1, 2, or 3 for coal severance tax revenue from coal mined during a monthly period, the state treasurer shall deduct from the allocation the amount of coal severance tax revenue, if any, that the governmental body in the non-coal-producing county received from the coal mined in the non-coal-producing county during the same monthly period.

(5) The state treasurer shall allocate funds provided by legislative appropriation to cities, the county general fund, and school districts within a coal-producing county according to the allocation method provided in subdivision a in an amount to offset fifty percent of the loss of that county's share of coal severance tax revenue allocated to a non-coal-producing county under this subdivision in the previous calendar year. The state treasurer shall make the allocation and distribute the funds, within the limits of legislative appropriations, under this paragraph during the first month of each calendar year. The state treasurer shall include in each biennial budget request the amounts estimated to be necessary for the biennium for purposes of this paragraph, based on the allocations under this subdivision in the most recent calendar years.

SECTION 26. REPEAL. Section 54-17-41 of the North Dakota Century Code is repealed.

SECTION 27. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 14 of the 2015 Session Laws and transferred pursuant to section 6 of chapter 14 of the 2015 Session Laws is not subject to the

provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 28. EXEMPTION - LIGNITE RESEARCH GRANTS. The amount appropriated to the industrial commission from the general fund for lignite research grants in the grants line item in section 1 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for lignite research grants during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 29. LEGISLATIVE INTENT - RENEWABLE ENERGY DEVELOPMENT FUND. It is the intent of the sixty-fifth legislative assembly that the industrial commission consider applications for funding from the renewable energy development fund for advanced energy technology development projects.

SECTION 30. LEGISLATIVE INTENT - ESSENTIAL SERVICE WORKER HOME OWNERSHIP INCENTIVE FUND. Of the contributions deposited in the essential service worker home ownership incentive fund during the biennium beginning July 1, 2017, and ending June 30, 2019, it is the intent of the sixty-fifth legislative assembly that the housing finance agency disburse fifty percent within planning regions one and eight and shall disburse the remaining fifty percent within the other planning regions."

Page 5, after line 5, insert:

"**SECTION 32. EFFECTIVE DATE - EXPIRATION DATE.** Sections 23 and 24 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Senate Action

	Base Budget	Senate Changes	Senate Version
Industrial Commission			
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
General fund	$24,957,746	$1,506,776	$26,464,522
Bank of North Dakota			
Total all funds	$59,287,301	$49,643	$59,336,944
Less estimated income	59,287,301	49,643	59,336,944
General fund	$0	$0	$0
Housing Finance Agency			
Total all funds	$37,520,089	$7,019,481	$44,539,570
Less estimated income	37,520,089	7,019,481	44,539,570
General fund	$0	$0	$0
Mill and Elevator			
Total all funds	$64,315,898	$3,929,347	$68,245,245
Less estimated income	64,315,898	3,929,347	68,245,245
General fund	$0	$0	$0
Bill total			
Total all funds	$203,075,481	$11,855,458	$214,930,939
Less estimated income	178,117,735	10,348,682	188,466,417
General fund	$24,957,746	$1,506,776	$26,464,522

Senate Bill No. 2014 - Industrial Commission - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	$22,132,229	($93,883)	$22,038,346

Operating expenses	4,779,135	1,526,753	6,305,888
Grants - Bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies		1,254,462	1,254,462
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
General fund	$24,957,746	$1,506,776	$26,464,522
FTE	116.75	(2.50)	114.25

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Removes FTE Positions[3]	Adds Funding for Contingent FTE Positions[4]	Adds Funding for Operating Expenses[5]	Reduces Funding for Bond Payments[6]
Salaries and wages	$149,263	$334,853	($577,999)			
Operating expenses					526,753	
Grants - Bond payments						(1,830,345)
Contingencies				1,254,462		
Total all funds	$149,263	$334,853	($577,999)	$1,254,462	$526,753	($1,830,345)
Less estimated income	82,522	20,034	0	0	78,000	(1,830,345)
General fund	$66,741	$314,819	($577,999)	$1,254,462	$448,753	$0
FTE	0.00	0.00	(8.50)	6.00	0.00	0.00

	Adds One-Time Funding for Litigation[7]	Total Senate Changes
Salaries and wages		($93,883)
Operating expenses	1,000,000	1,526,753
Grants - Bond payments		(1,830,345)
Contingencies		1,254,462
Total all funds	$1,000,000	$856,987
Less estimated income	1,000,000	(649,789)
General fund	$0	$1,506,776
FTE	0.00	(2.50)

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is removed for 8.5 FTE positions, including 6.5 engineering technician positions and 2 administrative assistant positions. A portion of the funding for these positions may have been removed due to 2015-17 budget reductions.

[4] Contingent funding and authorization for 6 FTE positions is added. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds certain amounts as identified in Section 6 of the bill.

[5] Funding is added for operating expenses related to travel, information technology software and services, and professional services.

[6] Funding for bond payments is reduced by $1,830,345, from $15,040,829 to $13,210,484.

[7] One-time funding from the strategic investment and improvements fund is added for litigation costs.

This amendment also includes the following items related to the Industrial Commission:

- Provides legislative intent for bond payments and provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.
- Identifies $1,254,462 from the general fund and 6 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds certain amounts, subject to Budget Section approval.
- Allows the Industrial Commission to transfer up to $1,103,986 from special funds from the entities under the control of the Industrial Commission for administrative services and provides an exemption to allow any unspent 201517 biennium appropriations for administrative costs to continue in the 201719 biennium.
- Provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium, identifies the funding for advanced energy technology research and development, and provides matching requirements for grant recipients.
- Reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology.
- Provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.
- Identifies $1 million in the estimated income line from the strategic investment and improvements fund for litigation expenses.
- Provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium.
- Provides intent that $4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

	Base Budget	Senate Changes	Senate Version
Capital assets	$745,000	$65,000	$810,000
Bank of North Dakota operations	58,542,301	(15,357)	58,526,944
Total all funds	$59,287,301	$49,643	$59,336,944
Less estimated income	59,287,301	49,643	59,336,944
General fund	$0	$0	$0
FTE	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for Market Equity Salary Adjustments[3]	Reduces Funding for Operating Expenses[4]	Adds Funding for Information Technology Equipment[5]	Total Senate Changes
Capital assets					$65,000	$65,000
Bank of North Dakota operations	390,404	520,884	1,459,131	(2,385,776)		(15,357)
Total all funds	$390,404	$520,884	$1,459,131	($2,385,776)	$65,000	$49,643
Less estimated income	390,404	520,884	1,459,131	(2,385,776)	65,000	49,643
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and

for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is provided for additional salary increases related to higher starting salaries for new employees and higher than anticipated salary adjustments for market rate equity adjustments.

[4] Funding is reduced for operating expenses primarily related to marketing activities that were paid with a federal grant that expired in calendar year 2016 as well as cost savings from efficiencies.

[5] Funding is added for information technology equipment.

This amendment also includes the following items related to the Bank of North Dakota:

- Provides for a transfer of $140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.
- Provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.
- Provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.
- Provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.
- Provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.
- Provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the Bank of North Dakota for school construction loan interest rate buydowns for the 2017-19 biennium.
- Authorizes the Bank of North Dakota to charge reasonable fees for student loan guarantees and for collections on defaulted student loans.
- Removes the authority to suspend an occupational or professional license when the licensee's student loans are in default.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	$7,745,034	$156,353	$7,901,387
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
HFA contingencies	100,000		100,000
Total all funds	$37,520,089	$7,019,481	$44,539,570
Less estimated income	37,520,089	7,019,481	44,539,570
General fund	$0	$0	$0
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for Other Salary Adjustments[3]	Adds Funding for Federal Grants[4]	Adds Funding for Operating Expenses[5]	Adds Grant Funding for Program Outreach[6]
Salaries and wages	$92,182	$128,790	$257,425			
Operating expenses					1,015,630	
Grants				6,017,048		(43,000)
HFA contingencies						
	$92,182	$128,790	$257,425	$6,017,048	$1,015,630	($43,000)

Total all funds						
Less estimated income	92,182	128,790	257,425	6,017,048	1,015,630	(43,000)
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Reduces Budget Funding[7]	Total Senate Changes
Salaries and wages	($322,044)	$156,353
Operating expenses	(16,550)	999,080
Grants	(110,000)	5,864,048
HFA contingencies		
Total all funds	($448,594)	$7,019,481
Less estimated income	(448,594)	7,019,481
General fund	$0	$0
FTE	0.00	0.00

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[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is provided for additional salary increases related to salary adjustments for vacant positions and higher than anticipated 2015-17 biennium salary adjustments.

[4] Funding is added for federal Housing and Urban Development grants related to distributions from the federal housing trust fund.

[5] Funding is added for operating expenses, including $970,000 to continue additional expenses related to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of 2015 House Bill No. 1014.

[6] Funding is reduced for grants for program outreach related to assisting communities with housing development.

[7] Budget funding is reduced for the following:

- $322,044 for salaries and wages related to 3 vacant positions.
- $16,550 for operating expenses.
- $100,000 for grants related to the Helping Hand grant program reflecting a decrease from $250,000 to $150,000.
- $10,000 for grants related to technical assistance.

This amendment also adds the following sections related to the Housing Finance Agency:

- To provide appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium and to require the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.
- To continue the housing incentive fund for the 2017-19 biennium, to change the requirement for the Housing Finance Agency to report to the Budget Section from a quarterly report to a biennial report, and to require the Housing Finance Agency to report to the Industrial Commission upon request.

- To provide up to $5 million of income tax credits for contributions to the housing incentive fund reducing general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections.
- To repeal Housing Finance Agency reports to the Industrial Commission.
- To provide an effective date and expiration date related to the housing incentive fund tax credits.
- To create an essential service worker home ownership incentive program.
- To establish the essential service worker home ownership incentive fund and to identify the uses of the fund.
- To provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund reducing general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections.
- To identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions one and eight and the remaining contributions for the other planning areas.
- To provide an effective date and expiration date related to the essential service worker home ownership incentive fund tax credits.

Senate Bill No. 2014 - Mill and Elevator - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	$36,278,898	$3,061,347	$39,340,245
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000		500,000
Agriculture promotion	210,000		210,000
Total all funds	$64,315,898	$3,929,347	$68,245,245
Less estimated income	64,315,898	3,929,347	68,245,245
General fund	$0	$0	$0
FTE	147.00	6.00	153.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for FTE Positions[3]	Reduces Funding for Salaries and Wages[4]	Adds Funding for Operating Expenses[5]	Total Senate Changes
Salaries and wages	$2,539,491	$437,886	$768,893	($684,923)		$3,061,347
Operating expenses					868,000	868,000
Contingencies						
Agriculture promotion						
Total all funds	$2,539,491	$437,886	$768,893	($684,923)	$868,000	$3,929,347
Less estimated income	2,539,491	437,886	768,893	(684,923)	868,000	3,929,347
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	6.00	0.00	0.00	6.00

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is added for 6 FTE positions, including 2 grain handling positions, 2 food safety positions, 1 flour packer position, and 1 utility worker position.

[4] Funding is reduced for salaries and wages, primarily related to overtime.

[5] Funding is added for operating expenses related to utilities, supplies, and repairs.

No other sections were included by the Senate related to the Mill and Elevator Association.

2017 HOUSE APPROPRIATIONS

SB 2014

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2014
3/1/2017
Recording Job# 28535

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes: See attachments A and B

Chairman Brandenburg: Opened the hearing on SB2014.

Karlene Fine, Executive Director, ND Industrial Commission: See testimony attachment A.

Chairman Brandenburg: How much are the dues that you pay?

Karlene Fine: It's $35,000.00 per year.

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

Representative Delmore: I don't see a lot in here with the college loan process. Some of us have been following what's happened with students; (A) not being able to consolidate and (B) not getting the loan rate we'd to see them get. Have you worked on those two issues with colleges and universities to help make school more affordable?

Eric Hardmeyer: Continuously. Where you would see that is the with the student loan department.

Eric Hardmeyer continued with his testimony.

Representative Delmore: I'm glad that you're going in that direction.

Eric Hardmeyer continued with his testimony.

Chairman Brandenburg: Is there a catch up later on?

Eric Hardmeyer: We don't see a huge drop off because of our ability to track debt from other places to use that to keep the bank at this kind of size.

Eric Hardmeyer continued with his testimony.

Chairman Brandenburg: That's the school construction money isn't it?

Eric Hardmeyer: No, that's a separate program.

Eric Hardmeyer continued with his testimony.

Chairman Brandenburg: That should work out if we have $136 million of income?

Eric Hardmeyer: Yes. We feel comfortable that $137 million is doable. At this point, we don't see an issue with it.

Eric Hardmeyer continued with his testimony.

Representative Nathe: In regards to the school construction loan fund and SB2272 aside, we have $250 million for this biennium; and you've only $123 million. Do you see any other loans or school construction loans coming in the future? How is that tracking? Do we need $250 million, is that

Eric Hardmeyer: That $250 million is just a one biennium shot. It sunsets at the end of this year. We won't be loaning anymore of that $250 million out of the bank.

Representative Nathe: What's the amount on that?

Eric Hardmeyer: Today it was $220 million. The idea is that it's going to take a $75 million appropriation over the next 3 or 4 biennia; eventually that school construction fund builds to $400 billion to $500 billion. The idea of that particular program is to make $60 million per biennium available in new construction. The idea is to make it a self-perpetuating fund and by the year 2025 it does that.

Chairman Brandenburg: On that $75 million, isn't $40 million new money and $35 million goes to pay on the debt?

Eric Hardmeyer: Yes.

Eric Hardmeyer continued with his testimony.

Representative Nathe: We've had a lot of discussion on credit card fees. We need to discuss that; it's been a big topic of conversation in this committee.

Eric Hardmeyer: Yes.

Vance Taylor, President, ND Mill and Elevator: See testimony attachment A.

Chairman Brandenburg: The unloading project and the storage; you need both to make it all work?

Vance Taylor: Phase 1 which is already under construction that's the $9.5 million; and that will give us the capacity to unload at the 40,000 bushels per hour, in addition to what we already have. For us to bring in the full shuttle trains, that would be the $9.5 million for the track and $10 million for the storage; and that would be for phase 2.

Chairman Brandenburg: So you're tying the new unloading system with the track system so you can unload a shuttle train the same place as you're unloading the trucks.

Vance Taylor: That's correct.

Vance Taylor continued with his testimony.

Chairman Brandenburg: How long have you been going at full production?

Vance Taylor: We dedicated that mill in September and we've been running it pretty hard ever since.

Chairman Brandenburg: So it's been about 5 or 6 months into it?

Vance Taylor: Yes.

Chairman Brandenburg: You really don't have a full year projection yet.

Vance Taylor: So far this year we're just under 10% additional production versus last year. We're running the entire plant just over 6 days per week.

Vance Taylor continued with his testimony.

Representative Nathe: What is the gross sales that the mill does in a year?

Vance Taylor: We're right at $300 million and that varies some with the price of wheat. With the G mill and a potential 30% increase in profits, we think we'll soon be at $400 million per year.

Representative Nathe: When will you see that?

Vance Taylor: I think we'll be about half way there at the end of this fiscal year. By the end of the next fiscal year, I think we'll be at $400 million.

Representative Nathe: On the gross sales, what's you profit margin?

Vance Taylor: It's a percent of gross sales and that's about 10% to 15%.

Vance Taylor continued with his testimony.

Vice Chairman Boehning: I see that we're doing a pay increase, that's kind of an unusual thing that we've seen this session. What's the increase?

Vance Taylor: That increase is a 3.25%; and that is due to a union contract that we have. It's a 5 year agreement and there's 2 years left on that agreement.

Vice Chairman Boehning: That's 3.25% for each year?

Vance Taylor: Yes.

Vance Taylor continued with his testimony.

Chairman Brandenburg: What kind of profit are you looking at this year?

Vance Taylor: We're looking at slightly better than what we did last year. We're estimating right now about $10 million to $10.5 million.

Vance Taylor continued with his testimony.

Representative Nathe: What is the balance in your account of the carry over going into the next biennium?

Vance Taylor: We're approaching $100 million total net equity. Because of the large projects we've done recently, the $38 million for the new mill and the $10 million for the high speed re-unloading project, we have a total line debt of $36 million right now.

Chairman Brandenburg: Recessed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2014
3/1/2017
Recording Job# 28542

☐ Subcommittee
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Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes: See attachments A through K

Chairman Brandenburg: Brought the committee to order on SB2014.

Jolene Kline, Executive Director, Housing Finance Agency: See testimony attachment A. Recording job# 28535.

Representative Nathe: On your operating expenses, I see in the previous biennium operating fees and services were $1.6 million. It looks like the request was almost doubled to a little over $3 million. Why was there such a big jump?

Jolene Kline: Service release premiums went up substantially. All of those expenses are offset with the mortgage fee income. It's not a cost to the agency, they're paid for by additional bond proceeds.

Chairman Brandenburg: You have the upfront cost of the premium and then you have the payments coming in over a number of years; which offsets that as income.

Jolene Kline: That's correct.

Jolene Kline continued with her testimony.

Vice Chairman Boehning: What is the maximum amount of the loan that can be given out?

Jolene Kline: That has not been defined; with $250,000.00 I would say between $20,000.00 and $40,000.00 cap.

Jolene Kline continued with her testimony.

Representative Nathe: Why reduce the times you report to the budget section to once per biennium?

Jolene Kline: I reported on a quarterly basis to the budget section during the previous biennium. Our last survey is not showing a lot of difference. The remaining units that are still owned by political jurisdictions are owned by school districts. School districts have indicated to us that they have no intention of ever getting rid of that housing stock. It gets to a point where you're surveying the same political jurisdictions on a regular basis and the information isn't changing.

Jolene Kline continued with her testimony.

Representative Nathe: On the $15.4 million that's in HIF account now, has all that been spoken for? Will all of that be dedicated to projects already?

Jolene Kline: There is $1.2 million that has come back; that has not formally been awarded. The rest has all been committed to projects. The reason that it was not awarded is because it was given as GAF financing for projects that anticipated getting federal funding to make them whole. They weren't selected for the federal programs in the September funding round; so those projects are on hold.

Dan Madler, Chief Executive Officer, Beyond Shelter Inc: See testimony attachment B.

Representative Nathe: I see in Governor Dalrymple's budget he had zeroed this out. Have you or anyone else talked to him and asked him why he took all the money out?

Dan Madler: I'm not sure why he did that; other than speculating that it was tight budget times and that's how he presented his budget.

Rick Clayburg, President & CEO, ND Bankers Association: Testified in support of SB2014.

Mike Schulze, Director, AARP: Testified in support of SB2014.

Attachments C through J were submitted but were not discussed.

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

Vice Chairman Boehning: What is the American Iron and Steel?

DeAnn Ament: With the state revolving fund program, we do receive federal grant from the Environmental Protection Agency. In 2009 as part of the American Recovery and Reinvestment Act, they required that projects have certified American Iron and Steel in the various components. Our office deals with the financial side, the health department is the recipient of the grant and they deal with the actual projects. There are different items that have to have American Iron and Steel.

Chairman Brandenburg: How much money are we getting from the EPA?

DeAnn Ament: The money that we receive from the EPA is considered a capitalization grant. Every state gets a grant. North Dakota is one of the states that get the minimum grant amount each year. We receive approximately $15 million from the EPA on an annual basis. About $8 million to $9 million goes to our drinking water program and around $6 million goes into our clean water program.

Chairman Brandenburg: Are there any requirements of the money?

DeAnn Ament: With that grant money the state of North Dakota is required to provide 20% match; which we've always just issued bonds for that match. Other states do it differently; some states use general funds. The requirements are the American Iron and Steel and the environmental assessments that have to be done. As the project progresses there are different federal requirements.

DeAnn Ament continued with her testimony.

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

Vice Chairman Boehning: At one time you were talking about 60,000 wells. Has that number changed significantly?

Lynn Helms: We are now projecting 65,000 wells. Industry now has a standard in the core area of 17 to 24 wells in the spacing unit and 2 or 3 in between the spacing unit.

Lynn Helms continued with his testimony.

Chairman Brandenburg: Where are we siting with wells that need to be fracked?

Lynn Helms: For most of the year we were at a little over 900. We decreased that to where we're at 810 wells that need to be fracked. Continental Resources has 190 of those and they plan to complete 150 this year. Oasis has 90 wells and they plan to go through all of those this year. Industry's plans that after Mother Day, to triple the number of frack crews.

Vice Chairman Boehning: How many people are on a fracking crew?

Lynn Helms: It takes between 60 and 100 people; there are 60 people specifically dedicated to the frack crew and then there are another 40 that are involved with delivering fuel to the frack site during the time that the frack is going on.

Representative Nathe: With the increase in fracking, do you see the production increasing?

Lynn Helms: Production is anticipated to continue dropping until about June or July and then we should see a pick-up in hydraulic fracturing that will flatten that. By the fourth quarter it should start back up again.

Representative Nathe: That increase will be a result of the increased fracking crews?

Lynn Helms: Yes.

Lynn Helms continued with his testimony.

Representative Delmore: When the rig numbers go down from 218 to 110, is there an economic impact that we can expect from that?

Lynn Helms: Very definitely. Each one of those drilling rigs involves 120 people. There are about 2 dozen that work specifically for the rig owner/operator. There are also others that are involved and that's an enormous impact. We've discovered that those drilling rigs were being taxed when they came into the state at $25 million per piece. When we brought those 218 in, they all paid tax; and every one of those was replaced by a walking rig and they were also taxed. That surge in sales tax is not coming back; so we revised the sales tax laws to take that out of the base and not anticipate as we pick up activity that that is coming back. We're going to project sales tax based on the cost to construct the well and the cost to frack.

Chairman Brandenburg: Is the fracking that's starting to increase directed toward the pipeline? With this pipeline will it encourage the fracking?

Lynn Helms: There's a couple of reasons. One of those is the Dakota Access Pipeline. Prior to that approval, every bale of increased production had to get to market by rail. For the steady state of 1 million to 1.1 million per day, a person could save about $4.00 to $5.00 per barrel rail versus Dakota Access. For an increased barrel, incrementally if you shipped them by rail, those will cost $15.00 to $20.00 per barrel to ship; and the difference would be $10.00 to $12.00 per barrel.

Lynn Helms continued with his testimony.

Representative Nathe: How many rigs do we have going this morning?

Lynn Helms: We have 41.

Lynn Helms continued with his testimony.

Chairman Brandenburg: How many work-over rigs do you have?

Lynn Helms: I don't have a current number.

Lynn Helms continued with his testimony.

Representative Delmore: How are we doing with the firing in western North Dakota with the wells? Are we meeting the standards that we try to set with controlling that?

Lynn Helms: Industry is exceeding the goals or the targets that the industrial commission set.

Lynn Helms continued with his testimony.

Vice Chairman Boehning: Going to Min-Kota Power Cooperatives, is the closed loop system for a building that they're going to try to heat and cool?

Lynn Helms: That's correct. They drill wells 120 to 150 feet deep, they circulate a mixture of water and propylene glycol and it extracts heat from the sub-surface and use it to heat the building.

Representative Nathe: In the past there were discussions about potash. What's the status on that?

Lynn Helms: We lost out to England on the potash project. We found out our potash contains magnesium chloride. In Russia they produce that and sell the byproduct. We've shifted our promotion of potash resources to talk about the fact that we use magnesium chloride for dust control and road clearing in the winter. There's a market for the byproduct; we just have to find a company that wants to produce potash in the way that they produce it in Russia.

Lynn Helms continued with his testimony.

Vice Chairman Boehning: In those 0 to 3 years of service, how much turnover is in that portion?

Lynn Helms: That's where most of the turnover occurs.

Vice Chairman Boehning: What kind of turnover rate is it? Is it 50%?

Lynn Helms: I don't have that number.

Lynn Helms continued with his testimony.

Vice Chairman Boehning: Of that 30 plus years of service, how many are close to retirement and do you have any retirements coming up that are pending?

Lynn Helms: They all have qualified for the rule of 85. What is keeping them around is the health insurance.

Vice Chairman Boehning: Of that 30 plus, how many are close to picking up Medicaid or Medicare?

Lynn Helms: Most of them are 3 to 5 years out.

Vice Chairman Boehning: Next biennium there's going to be a bigger transition.

Lynn Helms continued with his testimony.

Vice Chairman Boehning: You currently appropriate 110 FTE's plus the 5 contingency, how many of those are filled?

Lynn Helms: Currently 103 are filled. We have 7 vacant FTE's right now.

Lynn Helms continued with his testimony.

Vice Chairman Boehning: How often do you visit the existing wells in a year?

Lynn Helms: We visit 12 times a year; for an existing UIC well or for an existing producing well. Under the Senate version, there would be some reduction over time, but the contingency positions would put us back at 12. Under the Burgum budget, we'd have to cut that in half; it'd be every 2 months that we would get there.

Lynn Helms continued with his testimony.

Jason Bohrer, President, ND Lignite Council: See testimony attachment A.

Mike Holmes, Director, ND Lignite Council: See testimony attachment A.

Chairman Brandenburg: How much time are we looking at to get to the bigger project on the ALLAM Cycle?

Mike Holmes: To get to the bigger project, we'd would be in the mid-2020's. We may have bought some time with the administrative changes; but we still have CO2 on the docket of things to tackle. We now have about the right amount of time if we keep schedule at the forefront.

Chairman Brandenburg: Dealing with the clean coal lawsuit and the new coal lawsuit, do you have some money set aside for that portion? Is that in the health department or where is that at?

Jason Bohrer: The state of North Dakota is funding their own lawsuit. We are partnering with other industry groups to support those efforts. We're trying to focus on North Dakota specific arguments. There is the new plant lawsuit; but we're also part of the 111D lawsuit.

Randy Schneider, North Dakota Ethanol Producers Association: See testimony attachment K.

Vice Chairman Boehning: There might be an executive order saying that the refineries don't have to blend the ethanol into the gasoline. If that happens, what are the contingencies and how do we do it?

Randy Schneider: My understanding that that wasn't correct. The introduction of ethanol is still going to stay at the refining level. Our industry has to continue to look at developing revenue streams from the things that we produce.

Chairman Brandenburg: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2014
3/8/2017
Recording Job# 28847

☐ Subcommittee
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Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachments A through D

Chairman Brandenburg: Re-opened the hearing on SB2014.

Jolene Kline, Executive Director, ND Housing Finance Agency: See testimony from attachment A recording# 28542.

Vice Chairman Boehning: Can you explain the additional $257,000.00 salary increase?

Jolene Kline: There are no salary adjustments included in this budget whatsoever.

Chairman Brandenburg: The FTE's stay the same.

Jolene Kline: The FTE's stay the same, we gave up the $344,000.00 is what we pulled out of our salary line item to meet the budget cut.

Vice Chairman Boehning: We have the base payroll changes and $92,000.00 is the cost to continue, we have the health increase of $128,000.00; and then we have additional salary increases.

Representative Vigesaa: Do you have more than three vacant FTE's?

Jolene Kline: We have five vacant FTE's right now. We have given up the salary for three of those. We intend to fill one if they lift the hiring freeze and that's because of the increase in mortgage activity. We're servicing more than 300 additional loans than we were servicing last year at this time. We have remaining budget authority for one person for the biennium; we believe we will have salary authority to fill one of those positions at the beginning of the second year of the biennium.

Representative Vigesaa: Could you tell me which positions you have vacant?

Jolene Kline: They were positions in our home ownership and our planning and housing development division. There was one assigned for our HUD contract administration division; we do not believe that we will need to fill that because the number of units under HUD contract are going down.

Jolene Kline continued with her testimony.

Representative Kempenich: You're getting rid of the 66 month, the 43 month and the 21 month one that you have been open on it? You have a 15 month administrator II position that are open. You have one listed as a housing program specialist I; but that one is on a freeze?

Jolene Kline: We're removing funding for a housing program specialist, a planning and housing development administrator and housing program rep within the contract administration department. We are hoping to fill by July 1 a housing program specialist in our home ownership division. That remaining position in our planning development division; the housing program administrator is the one that would be subject to filling a year from now if it's needed.

Lynn Fundingsland, Executive Director, Fargo HRA: See testimony attachment A.

Representative Nathe: Governor Dalrymple zeroed out the HIF Fund and the Senate put it back in. Do you know why Governor Dalrymple took it out in his budget?

Lynn Fundingsland: I can't explain that to you.

Vice Chairman Boehning: The Laschkewitsch Housing is 45 years old. How much maintenance and upkeep has been done to the building?

Lynn Fundingsland: It's fairly well preserved considering its age. It has cast iron plumbing that's corroded away and because of the building design, we'll pretty much have to gut the building. It has asbestos in it and it's pretty expensive. It's federal public housing; the feds give us some operating cost to help subsidize operations. The difference between what we get in rent and what it costs to operate, they pay. They also provide a capital improvement fund; but it's been declining every year.

Vice Chairman Boehning: At one time instead of 248 units you were looking at having less units in that building. Have you looked at that issue? Where are we at with that.

Lynn Fundingsland: We've looked at the average unit size and there's about 340 square feet. We would bring in private investors as part of the financing. We've looked at collapsing five units down to three; in the end we'd have 205 units versus 248 units.

Vice Chairman Boehning: You said you've been 100% occupied since you've been open; and marketability doesn't seem to be an issue. We're going to lose 43 units. How are we going to make those up in the Fargo market?

Lynn Fundingsland: We've been adding 40 units to the market per year.

Vice Chairman Boehning: It seems that it's 100% rented, why wouldn't we leave it at the 248 and provide more units? Size doesn't seem to matter; it should be to get a roof over someone's head.

Lynn Fundingsland: That's a discussion we've had with the investors. The biggest influence in cost is per square foot.

Vice Chairman Boehning: To remodel this, if you're going to reconfigure 5 units and make them into 3 units, your costs are going to go way higher on the remodeling issue. If you rehab the units as they are, your costs are going to stay lower.

Lynn Fundingsland: You're correct.

Vice Chairman Boehning: If we were to lose 40 units, that's a lot of units in Fargo.

Lynn Fundingsland: I agree.

John Galupsuvad, Real Estate Development Director, Lutheran Social Services Housing: Testified in support of SB2014.

Representative Kempenich: What is the dollar amounts for your deferred maintenance?

John Galupsuvad: It varies with the individual stock that we do.

Representative Kempenich: Nothing really gets set aside for maintenance when you're doing the rents on them?

John Galupsuvad: That's exactly right. Some of these units are pretty dated.

Dan Madler, Chief Executive Officer, Beyond Shelter Inc: See testimony attachments B through D.

Representative Kempenich: What kind of policies do you have in these houses? What kind of policies do you have to incentivize these people to clean up or do something?

Dan Madler: Those projects are partnership projects with stakeholders that currently support of services to those population, ie., the WYCA. The policies related to what they can and cannot do and turn their lives around; we leave that up to the specialist that provides those services.

Dan Madler continued with his testimony.

Representative Kempenich: Safety is one of the key elements of doing any of this.

Dan Madler continued with his testimony.

Chairman Brandenburg: With the facilities you have now, are they staying together or are they falling apart?

Dan Madler: I would be pleased to give anyone a tour of our facilities. They're well maintained. For capital improvements, we set aside on an annual basis $350.00 per unit per year to help with those capital improvements.

Chairman Brandenburg: Do you have some funds set aside or are you getting some funds for the people that are fixing it?

Dan Madler: We develop the projects but Beyond Shelter doesn't manage. We hire companies that come with a full staff and/or they contract out with local vendors for the needs. We have an operating budget for maintenance and repair items to cover for maintenance salaries and building repairs that are not capital improvements.

Chairman Brandenburg: Recessed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

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Medora Room, State Capitol

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☐ Subcommittee
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Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachments A through C

Chairman Brandenburg: Brought the committee to order.

Jennifer Greuel, Executive Director, Economic Development Association of ND: See testimony attachment A.

Mike Chaussee, AARP ND: See testimony attachment B. (Recording problem-not recorded)

Chairman Brandenburg: Dealing with the PACE and the Flex Pace Program, what's happening with the Bank of North Dakota to buy the interest rate down? Is it working? How's it going?

Jennifer Greuel: I would probably refer questions about usage to the Bank of North Dakota; but Flex Pace and PACE are two of the most popular programs.

Chairman Brandenburg: Are you working through your local bank to go to the Bank of North Dakota or are you going directly to the Bank of North Dakota? How is that connection made?

Jennifer Greuel: I would also refer that question to the Bank of North Dakota,

Jaci Hall, Executive Director, Ruth Meiers Hospitality House: See testimony attachment C.

Vice Chairman Boehning: What is the demographics of that 60%? Do have a breakdown? Is it certain population or is it across the whole population?

Jaci Hall: For our specific program, you have to be homeless when you apply. That demographic is that individual who is homeless. They are either in our shelters, they may be in another facility working with another program, they may be coming out of incarceration or they may be working through Heartview. They can't have any other place to live or be evicted.

Vice Chairman Boehning: You said that 60% of your tenants have failed in the first six months. Is that a certain demographic or is it across the board? Are there certain ones that are failing more than others?

Jaci Hall: It's across the board. A lot of the ones that are failing are ones coming out of addiction or incarceration and getting back into the community. We try to transition them through in 90 to 120 days.

Vice Chairman Boehning: If it was certain demographics, it's easy to help in that direction. If it's across the board, it's a lot harder. The 30% , the one that's at $300.00; who makes up the difference? Where is that money coming from? Is it coming from the feds or the states?

Jaci Hall: For us if they do not have a community based voucher, we eat that as an organization.

Vice Chairman Boehning: If I moved in and I only have the $300.00; you have to find a way to make it work?

Jaci Hall: Yes.

Representative Delmore: What percentage of homeless that you provide housing for are veterans?

Jaci Hall: It's probably around 10%. In 2016 we served 75 veterans in our shelter program. Right now I have about 10 in my affordable housing units. The HUD vouchers for veterans are community based; so they don't have to stay in our facility.

Vice Chairman Boehning: Why is it when they move into your housing units they get their support services dropped? Is it mostly the county, state or here that don't fund it?

Jaci Hall: When they're in the shelter system, we do have projects; we have federal funding and different things that provide for case management services when you're homeless. Once you transition into affordable housing, unless you're sitting on a designated housing voucher; which would be a shelter plus care voucher, that requires case management on a monthly basis, we don't have a means to be able to provide that. We cover all utilities and a lot of additional services.

Vice Chairman Boehning: Is that rent with utilities as well?

Jaci Hall: Yes.

Chairman Brandenburg: If they fail in the housing, where do they go?

Jaci Hall: They go straight back into the emergency shelter.

Chairman Brandenburg: So they kind of circle back around?

Jaci Hall: They start back at homelessness and we work at building them back up into being qualified for affordable housing. If they come out of another housing program, they may have a balance due; so they have to work on paying that balance off to be able to qualify to live in other apartments. They may judgements against them or sometimes they end up back in incarceration.

Chairman Brandenburg: Where's the disconnect? It almost sounds like they have to end up back in jail to go to Ruth Meier's.

Jaci Hall: They can come in off the street.

Chairman Brandenburg: What are the other housing units getting that you're not getting? Are you dealing with a different class of people that has a very hard time to find a place to go?

Jaci Hall: I think that's the better statement. We have a lot of individuals that have been homeless for a very long time.

Representative Vigesaa: While they're in the shelters, are they exposed to what programs that are available to our human service centers? Are they educated as to what's available to them?

Jaci Hall: Yes. West Central Human Services comes in and does an outreach. We do a lot of referrals to the human service centers and to our local healthcare organizations. We refer to addiction treatment, behavioral health and across the community to any of the services that are available for them.

Jaci Hall continued with her testimony.

Vice Chairman Boehning: What kind of dollar amount would you be looking at to have some of the services?

Jaci Hall: We talked about that in house when I was preparing my testimony. If we could dedicate two case managers, I think that would truly make a difference. A job coach would be somewhere around $100,000.00 a year for two case managers.

Vice Chairman Boehning: So around $200,000.00 for the biennium?

Jaci Hall: Just for our project alone.

Jolene Kline continued with her testimony.

Chairman Brandenburg: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2014
3/8/2017
Recording Job# 28913

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachment A

Chairman Brandenburg: Re-opened the hearing on SB2014.

Eric Hardmeyer, President, Bank of North Dakota: Referenced testimony attachment A from March 1, 2017 recording # 28542.

Chairman Brandenburg: You're talking about the fees for insurance and other reasonable costs? They crossed out "in such fees"? Is that what you're referring to?

Eric Hardmeyer: I'm talking about the deal we inevitably cut with the Senate. This allows the Bank of North Dakota to recoup 13% of our costs.

Chairman Brandenburg: You can charge what for an interest rate?

Eric Hardmeyer: This isn't interest rate, this is a percentage of costs. It's 20% to 25% percent. The federal government allows you to recoup up to 40% of that.

Eric Hardmeyer continued with his testimony.

Chairman Brandenburg: If they don't pay their bills then they would lose their license.

Eric Hardmeyer: Yes.

Chairman Brandenburg: So they're taking your hammer away.

Eric Hardmeyer: Yes, that's exactly what they're doing.

Chairman Brandenburg: Why would they be against 13% when other cases are 20% to 40%?

Eric Hardmeyer: They agreed on 13%. We originally had in the bill up to 25%; they took it down to 13%.

Chairman Brandenburg: That was the issue?

Eric Hardmeyer: Yes.

Chairman Brandenburg: If you had a bill for $20,000.00; you only got to pay $5,000.00 of it, why do you get by with $1,250.00?

Eric Hardmeyer: It seemed to us a little arbitrary.

Vice Chairman Boehning: Are you able to strip their hunting license away from any of them?

Eric Hardmeyer: This is professional license.

Vice Chairman Boehning: We do that in some other instances when we're trying to collect child support. We can go and take their hunting license among other things.

Eric Hardmeyer: It says occupational or professional license.

Representative Nathe: What is the industry average for something like this?

Eric Hardmeyer: It's 25% to 40% and this is only on defaulted student loans.

Eric Hardmeyer continued with his testimony.

Vice Chairman Boehning: Made a motion to re-instate the 25% and also the ability to strip their hunting privileges and so forth.

Eric Hardmeyer: Does that mean you would put back the ability to take the license?

Vice Chairman Boehning: Not the working license; but you're hunting privileges. Sometimes we take away driving licenses also; but it doesn't allow them any money to pay their things back.

Representative Nathe: Seconded the motion.

Vice Chairman Boehning: Revised his motion to add 30% and take away the hunting and fishing licenses.

Representative Nathe: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Brandenburg: Is there a bunch of them like that that they don't pay or is it just a few?

Eric Hardmeyer: This is the accumulation of all of our student loans. We probably have 60,000 to 70,000 borrowers that we're dealing with now. The number that we're trying to recoup are 500 to 600.

Representative Vigesaa: What is the approximate dollar value of those loans that are in default?

Eric Hardmeyer: It's about $13 million.

Representative Vigesaa: You said the industry average is 25%; so we would be slightly higher?

Eric Hardmeyer: The federal government allowed us to go up to 40%.

Vice Chairman Boehning: So if you have a $10,000.00 default, the collection agency collects 30% of it; so you would only get 30% of 30%?

Eric Hardmeyer: If you collect a $1,000.00 payment. They get to keep 12% and the rest gets remitted to us.

Vice Chairman Boehning: This 30% is up and above the 12% that you pay?

Eric Hardmeyer: Yes.

Joe Herslip, Senior Vice President, Bank of North Dakota: See testimony attachment A.

Representative Nathe: On the interchange fees, is that like a flat fee for an agency?

Joe Herslip: I wish.

Representative Nathe: Do they base it on activity?

Joe Herslip: We work with JP Morgan Chase on this. That interchange fee starts with volumes. Then it goes to the issuing bank. There are differing rates of whether it's swiped, keyed in, you can call and get an authorization.

Representative Nathe: It's higher if you key it in versus swiped.

Joe Herslip: Correct.

Joe Herslip continued with his testimony.

Representative Nathe: The reason this came up is that it seems like other agencies use credit card payments; it's a pretty expensive line item. Rather than the state paying this transaction fees, the agencies would be better off saying it's a $10.00 transaction and covering that cost. We're not going to know what it is until you swipe the card. Correct?

Joe Herslip: Correct.

Joe Herslip continued with his testimony.

Vice Chairman Boehning: This was provided yesterday by DOT; section 54-06-08.2 subsection 3.

Vice Chairman Boehning read the above section in Century Code.

Vice Chairman Boehning: We haven't adopted rules or where are we at?

Joe Herslip: We have the rules; administrative code has been adopted and is available. Our code says that agencies are able to charge the fees according to the network rules. Governor Dalrymple had given direction to his executive branch agencies that he wasn't going to let him charge the fees. It's simply a matter of the agencies now going through the process to start charging the fees.

Vice Chairman Boehning: How are we going to get the agencies to adopt it? Are we going to have to tack this language on to all of our budgets?

Representative Nathe: We could come up with an amendment to mandate that the agencies have to come up with a conveniency to cover these fees.

Vice Chairman Boehning: Would it be easier to do a set fee or transaction? Is everyone going to be a little different and it has to be calculated out before they swipe the card?

Joe Herslip: Generally the credit card networks don't like set fees. They prohibit you from saying this is the standard fees; they want the fees set to be in relation to the transaction size. What we would need to do is make sure each agency is following the network rule on how we establish the service fee.

Vice Chairman Boehning: We could call it an administrative fee. The credit card company doesn't need to know what those fees are.

Joe Herslip: Maybe that's true.

Chairman Brandenburg: Since it's been set up there must have been a plan in place to do it. Is there a plan in place to do this? Do you have something that you think will work?

Joe Herslip: We have been working with a couple of agencies to set up the process. I think that DOT is one of the ones we have been working with. What we don't want to have happen is if our processor would find out we charged an administrative fee and then they decided

that they were not going to continue processing; we could have a lapse where we find a new processor.

Representative Nathe: I just talked to the highway patrol this morning and there's $328,000.00 in fees. We talked this morning about trying to get two more troopers; that would pay for two more troopers. This isn't any different than what they do in the private sector.

Representative Vigesaa: The agencies you've been working with are they talking about a percentage; like a 5% administrative fee. That would be the fairest way because the largest transactions pay their fair share.

Joe Herslip: Yes. I would want to talk with our government representative; which is Morgan Chase. What's the fairest way to determine that fee?

Representative Vigesaa: We have to think as a body that that is equivalent to 5% tax on the transaction; so we're raising another 5% on the citizen. I get a call every month from a processor that claims they can do it cheaper than the people that I'm currently with and there's no way for a merchant to figure that out. Is there a way that I could call you and find out who you would recommend for a processor?

Joe Herslip: We were with a processor called FIS since the 1990's. We changed in 2015. It was almost impossible to compare their proposals. It came down to what additional services they were providing.

Representative Nathe: When you talked to J P Morgan, do you envision that they would have a tier system; anything over a certain dollar amount is this percentage?

Joe Herslip: They did provide some information as to how government could charge those fees. It was talking kind of on a tier system. We would have that discussion.

Representative Nathe: How soon do you think you could get us all this information?

Joe Herslip: I will contact JP Morgan Chase immediately. They'll need probably about a week to put some information together.

Representative Vigesaa: What is your cost on a credit card? Is it a little less than 3%?

Joe Herslip: The processor charges .04% and $.04 per transaction.

Representative Vigesaa: I don't think our processor allows us to add a surcharge to cover the cost of the fee. So I can't add $1,500.00 even if the person wants me to do it so he can earn the miles, I don't think I'm allowed to do that.

Joe Herslip: No, there are very rare instances where you can charge a surcharge. You have to qualify to the convenience fee or the service fee. As a government entity, the government services allows us to do that.

Representative Kempenich: It looks like the university system and two; it looks like most of the fees are special funded. The department of human services must not use this much at all.

Joe Herslip: Child support services is an area where they have a special program; and the tax department as well, where if you pay your taxes online, as an example, they send you over to a separate third party called linktogov. Linktogov for federal tax payments and child support are special programs where linktogov collects the fee and the state gets back the full amount of taxes and the full amount of child support. The North Dakota lottery has an exemption from using this processing. When you get into gambling funds, you get into anti-money laundering. When the lottery started accepting credit cards for their subscriptions, they're working with Wells Fargo who is well versed in how to manage those gambling funds. They're processing through Wells Fargo because we didn't have the expertise on anti-money laundering and working with those funds.

Vice Chairman Boehning: Has the bank ever thought about getting into the credit card business? We'd have to change the law in order to allow that?

Eric Hardmeyer: We're not interested in doing this. Other legislators in the past have had legislation proposed that we would get into the credit card business. We fought it pretty hard.

Representative Nathe: When somebody buys a license or does something on the internet, how does that factor into the fee?

Joe Herslip: It can be more or less. It's typically cheaper than keying it or swiping it. It depends on how the agency's IT system works.

Representative Nathe: They could figure that in if they do an administrative fee.

Joe Herslip: That's correct.

Vice Chairman Boehning: Is it cheaper to use your debit card versus your credit card?

Joe Herslip: It depends. It is cheaper if you're running it as a debit transaction. If you run it where you're using the signature, it's still running over the credit card network.

Joe Herslip continued with his testimony.

Vice Chairman Boehning: You can use your debit card to purchase lottery tickets.

Joe Herslip: That's correct.

Representative Vigesaa: Has the bank ever considered being a processor?

Joe Herslip: I would say that we're not equipped to do it.

Chairman Brandenburg: Recessed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

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☐ Subcommittee
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Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachment A

Chairman Brandenburg: Brought the committee to order.

Eric Hardmeyer, President, Bank of North Dakota: See testimony attachment A from 3/1/17 recording job# 28535.

Representative Kempenich: What are you looking for in employees? What do you look for and what do you get?

Eric Hardmeyer: It depends on what particular field or area of the bank they're working for. If it's collections, you want people with collection experience.

Eric Hardmeyer continued with his testimony.

Representative Kempenich: What is the mix of your employees? Do you do any type of internships?

Eric Hardmeyer: Our turnover rate has become higher with increased competition. We do have a rather aggressive succession in process. A lot of the number of internships have been higher than new recruits.

Eric Hardmeyer continued with his testimony.

Representative Brabandt: A kid out of college, 25 years old and no experience, has a degree in banking and finance; what do you start them out at?

Eric Hardmeyer: Probably in that $40,000.00 per year range.

Vice Chairman Boehning: That line item 2, the $1.4 million, is that all salaries or are there any bonuses in that?

Eric Hardmeyer: It's salaries and bonuses.

Eric Hardmeyer continued with his testimony.

Vice Chairman Boehning: Didn't we do something with bonuses in one bill?

Chairman Brandenburg: The $1,000.00 isn't the issue.

Representative Vigesaa: What's your current vacant FTE count?

Eric Hardmeyer: We're authorized at 181.5; we are at 178.5. There's three that are vacant. The big are we see for need is for economic development in the government area. The government area is the programs you give us to administer.

Eric Hardmeyer continued with his testimony.

Chairman Brandenburg: We have to transfer $140 million; but what have you done in the last couple of bienniums to lead into that. You have the school construction; I think there's $130 million there. Is that what you're handing out.

Eric Hardmeyer: See testimony attachment A.

Chairman Brandenburg: Where is that infrastructure? Is it in western North Dakota?

Eric Hardmeyer: It's statewide.

Eric Hardmeyer continued with his testimony.

Representative Kempenich: How much money is in school construction?

Eric Hardmeyer: There's $273 million.

Eric Hardmeyer continued with his testimony.

Representative Kempenich: Will that free up some money from your $223 million?

Eric Hardmeyer: Yes, in time. Maybe $20 million will come out. It will also leave enough money for new construction also.

Chairman Brandenburg: There's a total of $75 million; and $30 million going to the bank and $40 is going for new construction. There's some more in there for rapid enrollment and declining enrollment.

Eric Hardmeyer: You set the criteria, we didn't.

Representative Kempenich: This is a revolving loan fund. Does it need to be that big?

Eric Hardmeyer: The idea is that that $273 million grows to $400 million or $500 million over time. I think they're forecasting $75 million per biennium to make this a self-perpetuating fund.

Chairman Brandenburg: There's $31 million for the buy down program. Is that the payment for the school construction?

Eric Hardmeyer continued with his testimony.

Vice Chairman Boehning: That $260 million, if our interest rates go up, that's going to increase that number quite a bit?

Eric Hardmeyer: It doesn't quite work that way just because interest rates go up. Your variable rate loans go up, you're fixed rates don't change; but you also have your deposit costs that are going to go up. We are not projecting a big increase income because of that.

Eric Hardmeyer continued with his testimony.

Representative Kempenich: I never dreamed we'd go through $600 million and be borrowing $100 million from the bank last fall.

Eric Hardmeyer continued with his testimony.

Vice Chairman Boehning: Does the federal government have other restrictions with what we tell you what to do? Are we sitting pretty good with that?

Eric Hardmeyer: We've tried to limit our involvement with the federal government. We're not federally regulated; FDIC or OCC doesn't touch us. The CFPD which came out with the Dodd Frank bill, they do catch us. The other entity that does look at us is the rating agencies. We are rated separately from the state by S&P; we carry an A+ rating.

Eric Hardmeyer continued with his testimony.

Vice Chairman Boehning: Why aren't we regulated by FDIC? How do you get away from that?

Eric Hardmeyer: There are customer deposits. Are deposits are backed by the full faith and credit of the state of North Dakota. We have felt we don't need FDIC insurance; because those insurance limits are $250 million. It gives us flexibility and gives you latitude with dealing with the bank.

Representative Kempenich: How are you covering the $25 million that we've committed? I don't think we've voted on the other $8 million did we?

Eric Hardmeyer: That's in SB1024.

Vice Chairman Boehning: I see the DEAL is going up yet in student loans.

Eric Hardmeyer: We'll always continue to.

Vice Chairman Boehning: You're writing new student loans?

Eric Hardmeyer continued with his testimony.

Vice Chairman Boehning: With the DEAL loan, if you're able to get a loan from the feds, you're able to get a loan from the bank?

Eric Hardmeyer: Yes.

Vice Chairman Boehning: Once you have their loan, you're able to get extra limits?

Eric Hardmeyer: From the federal side you can get the loan. From our side you get the loan, but you may have to get a co-signer.

Vice Chairman Boehning: So to get the DEAL loan you still have to have a better credit rating or better than for a traditional loan?

Eric Hardmeyer: Yes.

Eric Hardmeyer continued with his testimony.

Representative Kempenich: How do you start dealing, do they have to start justifying those amounts at some point when they get to that upper limit?

Eric Hardmeyer: You can get up to $50,000.00 for undergrad school. There are some exceptions. If you go to grad school you get another $50,000.00. There is not presently a limit on the DEAL One loan.

Representative Kempenich: I'm guessing they have MD after their names.

Eric Hardmeyer: Yes. These are income tested; anything over $100,000.00 is income tested.

Eric Hardmeyer continued with his testimony.

Chairman Brandenburg: The Senate didn't do much with your budget other than some operating expenses of $2.3 million. What was that?

Eric Hardmeyer: We did reduce our budget. To offset that, we did reduce our contingency line item from $4 million down to $2.5 million.

Representative Kempenich: Did you just put that back into the base again?

Eric Hardmeyer: It's just authority to spend.

Eric Hardmeyer referenced page 9 of previous testimony.

Chairman Brandenburg: Do you feel ok with what's in the PACE Program?

Eric Hardmeyer: What we don't spend in the PACE Programs this biennium, we have a continuing appropriation. We continue to have that authority to spend them the next biennium. Of the $58 million that was allocated, taking out school construction and others, we estimate that there's probably going to be about $10 million to $12 million of PACE buy down money not spent. The way that statute is written, we can use that $12 million and continue to appropriate that into the next biennium.

Chairman Brandenburg: That money should be able to take care of everything?

Eric Hardmeyer: The nice thing is you've given us authority to move moneys around in these funds.

Rick Clayburg, President and CEO, ND Bankers Association: Testified in support of HB2014 for the Bank of North Dakota portion.

Chairman Brandenburg: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

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☐ Subcommittee
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Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Chairman Brandenburg: Opened the hearing on SB2014.

Vance Taylor, Director, ND Mill and Elevator: Referenced testimony attachment A recording # 28535.

Vice Chairman Boehning: With all of these expansions, are you funding that through your profits or are you borrowing money to do all of these?

Vance Taylor: It's both. When we're spending $3.8 million on the mill, we have to borrow some of that from the Bank of North Dakota. We're also paying it with profits.

Vice Chairman Boehning: How much do you have borrowed? How long is it going to take to pay these off?

Vance Taylor: Right now it's $35 million that we've borrowed from the Bank of North Dakota and with the current budget, we're projecting to pay that back in 4 to 5 years provided that prices stay the same.

Chairman Brandenburg: Looking at your budget, there's no general fund dollars. The Senate took out one FTE. They kept the FTE but took out the funding. What did the Senate do with your budget?

Vance Taylor: They gave us back that FTE but they took out the funding. They did take our transfers from the 90% level back to the 50% to allow us to pay for the projects that we already have.

Chairman Brandenburg: Governor Dalrymple's budget plan was to take 90% of the profits and the Senate moved it back to 50%. This last biennium you gave $466,000.00 to the APOC and $4.4 million to the general fund.

Representative Nathe: You said profits are tracking a little more than $10 million?

Vance Taylor: I think it's going to be about $10.5 million.

Representative Kempenich: What's the $453 million of secondary economic activity?

Vance Taylor: For a number of years we've used a multiplier developed by NDSU for ag based business; that's where that comes from.

Representative Kempenich: What is your total gross for the year?

Vance Taylor: We're at $300 million total sales for the year. With the new G mill, we're expecting that to grow to $400 million during this year or the next fiscal year.

Representative Kempenich: Are you number one in the nation?

Vance Taylor: Right now we're the largest mill in the western hemisphere; North and South America.

Representative Kempenich: Would you say that 90% goes out on rails? What comes in and what goes out?

Vance Taylor: It's something less than 90%. We do direct rail shipments to the largest customers that can take a direct rail car. We do a lot of rail truck transfer; where it's bulk rail cars shipped out and we transfer to trucks. I think we have about 20 rail/truck transfer sites now where we serve a lot of medium size customer. We get a lot of bag business with our large distributors with box cars.

Representative Kempenich: Do you own facilities in other states?

Vance Taylor: There's no ownership. In some cases we lease them and in some cases in a rail/truck transfer site, that's owned by a railroad, through agreement they let us use. In some cases we lease the track.

Vice Chairman Boehning: Whose land are you putting the rail line spur on?

Vance Taylor: Our rail project has been in two phases and we're just nearing completion of the first phase. That track was mostly on our land, as part of that project we also lease some track from the BN on a long term lease. There was a small land swap of some land we picked up when we bought the Bronze Food property. The new track was about 4,000 feet long and we leased another 7,000 feet on the east side of the facility. Phase 2 will require a land purchase and we're still looking at a couple of different options.

Vice Chairman Boehning: Do you have a locomotive that you need to cart around with or does BN come and do that for you?

Vance Taylor: At present we have two track mobiles that can move around about 20 cars ahead of time. With this new project, we'll either lease a small engine to push the full train back and forth or use an outside contractor to come in and move those cars. For normal operations for shuttle unloading, the BN will bring the 110 car train in, drop the cars and take the engines out; and come back 15 hours later to pick those cars up.

Vice Chairman Boehning: You said your union contract is up in the next 2 years?

Vance Taylor: That expires June 30 of 2019.

Vice Chairman Boehning: Are they underneath our health plan or the union health plan?

Vance Taylor: They're under the state's health program.

Vice Chairman Boehning: Is the retirement plan through PERS or is that a separate one through the union?

Vance Taylor: It's through PERS.

Chairman Brandenburg: You're looking at $68 million and you're going from 147 to153 FTE's? Help me explain the 153 FTE's.

Vance Taylor: They're critical positions. We're trying to generate profits and we only add people when we absolutely have to. Two of the people are required to run that new $10 million unloading pit. With the new food safety rules, there's a lot more work that needs to be done in that area. Those two people are absolutely necessary and now that we have the new G mill in operation, we are able to have more flour available to be packed. The other two are for the packing.

Chairman Brandenburg: You did pull one FTE so you're going to make it work with six?

Vance Taylor: We started with six and that funding remains out.

Vance Taylor continued with his testimony.

Representative Nathe: The profits of the mill that go into the state, has that been higher or lower? What's the history of that?

Vance Taylor: There was a time that the transfer to the general fund was just set as a number for the biennium. In 2005 or 2006 it was converted over to a percentage. Fifty percent has worked well.

Vice Chairman Boehning: There's a large amount in there for travel.

Vance Taylor: The point is that only 90% percent of our customers are in our local area. Most of our customers are up and down the East coast. It requires a bit of travel to service those customers profitably.

Jason Bohrer, ND Lignite Research: Referenced testimony attachment A from recording # 28542.

Vice Chairman Boehning: Why is CO2 so good to use? What's different between that and pumping air in?

Jason Bohrer: I'm not sure. I think it has to do with uniformity of the CO2 versus the composition of air.

Vice Chairman Boehning: I always hear "tons of CO2". What is a ton of CO2 and how do you measure it?

Jason Bohrer: A ton of CO2 is derived from the chemical makeup of the CO2 in the combustion process. You don't necessarily weigh it; you look at the coal and the composition, and applying principles of chemical engineering you basically say if you combust that, what's going to be formed. You calculate up to full combustion how much CO2 is going to be produced. So you're not weighing it, you're calculating it.

Jason Bohrer continued with his testimony.

Vice Chairman Boehning: How much power are the scrubbers taking from the power plant to take care of that part of it?

Jason Bohrer: It's a parasitic load of 30% to 50%. That's why it has never become economical.

Representative Nathe: The $3 million from SIIF. Were you appropriated that last session also?

Jason Bohrer: We were not. The $5 million that we appropriated last session was general funds.

Representative Nathe: Are there any other dollars going toward this ALLAM process?

Jason Bohrer: Yes. Other dollars are flowing there from the lignite research fund.

Representative Nathe: Do you have a total?

Jason Bohrer: It's about $8 million per biennium.

Representative Nathe: There's an ongoing research on ALLAM right now. If we were to pull this funding, the research on ALLAM would still go on.

Jason Bohrer: I can't guarantee that it would go on unimpeded. We're approaching the steps that require significant sums of money. We're getting to the point where we might need a single $15 million appropriation that's matched. One of our concerns is to be able to do the work that we do on criteria pollutants; we'd hate to get into a spot where we allocate 100% of that research fund to ALLAM and we neglect the other elements that we're supposed to do.

Representative Nathe: Where are those matching funds coming from?

Jason Bohrer: It is the responsibility of our members to round those up. In the ALLAM Cycle Project, Basin Electric and Elite Clean Power are responsible for those matching funds. They provide matching funds out of their own operational budgets as well as look for partners.

Representative Nathe: Is that a 1:1 match?

Jason Bohrer: The state statute is 1:1 matches are preferred. It is the policy of the industrial commission to assume a 1:1 match. It's not necessarily required by statute.

Chairman Brandenburg: You have $1 million in here estimated for litigation with new coal lawsuit and the clean coal lawsuit.

Jason Bohrer: North Dakota and Virginia are leading those new coal and existing coal lawsuits. The lignite research fund can contribute to those lawsuits.

Jason Bohrer continued with his testimony.

Chairman Brandenburg: With the new administration, are they talking about getting more time?

Jason Bohrer: It's my hope that we're given more time.

Jason Bohrer continued with his testimony.

Vice Chairman Boehning: How much coal do we have left in the state? How many years at our current rate of use will we run out?

Jason Bohrer: The number ranges around 600 to 800 year's supply. We're taking 30 million tons per year.

Vice Chairman Boehning: Are there more layers down below?

Jason Bohrer: The 600 to 800 year refers to commercially recoverable using today's technology. So there's deeper layers that are there for the taking, technology just needs to figure out how to reach them.

Chairman Brandenburg: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

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Medora Room, State Capitol

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Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachment A

Chairman Brandenburg: Brought the committee to order.

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

Representative Kempenich: Representative Nelson wants to do a performance audit on you. He had some different numbers than what's on your website.

Lynn Helms: I'll get you a hard number in the terms of the number of corrections we require in a typical month. We've looked into Representative Nelson's and Paul Sorum's allegations and we can't find any basis for them.

Lynn Helms continued with his testimony.

Vice Chairman Boehning: How is the meter when it goes directly into a pipeline?

Lynn Helms: It goes through a special meter.

Vice Chairman Boehning: Once it goes into the pipeline is there another meter when it goes through the gathering tanks?

Lynn Helms: Correct.

Lynn Helms continued with his testimony.

Chairman Brandenburg: Was the funding there in the last biennium?

Lynn Helms: The funding was provided in full and there was no requirement to go to the budget section.

Lynn Helms continued with his testimony.

Chairman Brandenburg: You're estimating 50 rigs sometime in June of 2018?

Lynn Helms: The revenue forecast has us at 50 rigs for all of fiscal 2018.

Chairman Brandenburg: Where are we now?

Lynn Helms: We're at 44.

Lynn Helms continued with his testimony.

Chairman Brandenburg: So you're looking at $468,794.00?

Lynn Helms: Yes instead of $1.2 million.

Chairman Brandenburg: Looking at new FTE's is going to difficult.

Lynn Helms: We think we really need them; but if you felt you needed additional comfort you could put some kind of timing limit on it to say they can't trigger before fiscal 2018.

Representative Kempenich: In the past we usually triggered things after the fact and not before the fact. Any FTE's are going to have to be justified.

Lynn Helms continued with his testimony.

Vice Chairman Boehning: Is that completed wells or wells drilled?

Lynn Helms: Those are completed wells. Those are wells capable of production or injection. If they temporarily abandon it, it comes off that list. If they drilled it but didn't complete it, it wouldn't show up until the well could flow to a tank.

Vice Chairman Boehning: What's the number of completed wells?

Lynn Helms: I think it was at 17,100.

Representative Nathe: What in your opinion would be a good trigger well count wise?

Lynn Helms: Those numbers come from the workforce models in my original testimony.

Representative Nathe: So 18,000 would be the tipping point for you?

Lynn Helms: Yes.

Representative Brabandt: What were the lowest points of the rig and well count in 2016?

Lynn Helms: The low point in the rig count was 26. For the well count, we started the biennium with 16,000.

Representative Kempenich: Are they bringing fracking crews back in?

Lynn Helms: We got down to 4 or 5 frack crews at the low point. They are at 15 today and they're planning by June to be at 25.

Chairman Brandenburg: Your total FTE's are 108?

Lynn Helms: My current FTE count is 103. I'm authorized to have 110. I currently have seven vacant positions that would make it 103.

Representative Brabandt: What do you start inspectors out at?

Lynn Helms: The current starting salary is right around $46,000.00 for a petroleum engineer. For the engineering technicians, it's $40,000.00 to $41,000.00.

Vice Chairman Boehning: Being that you're short a few people, how much overtime are people putting in currently?

Lynn Helms: Everyone is working 45 hour weeks.

Vice Chairman Boehning: You said they have to get out to the site on their own.

Lynn Helms: That's including that five hours. We give them five hours of time to stop in the office, talk to the boss, the other inspectors and then get to their site.

Chairman Brandenburg: You're looking at 2 FTE's possibly in June 2018. You're looking at another 4 possibly in December 2018. Have you thought about if the fracking crews start lightening up and all of sudden you have a lot of work to fill that gap?

Lynn Helms: We have and this is built around the revenue forecast which says that 700 wells get completed in fiscal 2017; but 1,000 wells get completed in fiscal 2018. We've been doing a lot of cross training.

Lynn Helms continued with his testimony.

Vice Chairman Boehning: When it comes to overtime what are the guys comfortable working? What's your trigger on that if you're running 45 hour weeks; what's your cutoff point to hire some more people?

Lynn Helms: I can get 50+ hours out of these 17 FTE's that have 25 years or more of experience. They don't have young children at home. The millennials really insist on having a home life; so if we try to push them beyond 45 hours, we lose them.

Representative Kempenich: You have 8.75 that are unfunded on the executive budget.

Lynn Helms: We can't fill them at this point. We have a sub-surface petroleum geology position that's open for field inspector positions. Karlene has 2 positions that are vacant.

Lynn Helms continued with his testimony.

Representative Kempenich: There's been some talk about re-fracking some of these old wells. Where are we at with that?

Lynn Helms: This is a lot of industry interest and effort in re-fracking. We have an oil and gas research council project that's studying with Whiting Petroleum. They have reported on one well; they plan to do nine more.

Vice Chairman Boehning: On page 18, is that approximately where the rigs are drilled at currently?

Lynn Helms: Those little green towers are where the rigs are.

Vice Chairman Boehning: In that corner area, what kind of production do they get out of a well in that area?

Lynn Helms: If they get 100 barrels a day in initial production, they're really excited. Those are 3,000 to 4,000 foot wells. There is a huge amount of oil potential in Bottineau, Renville, Ward and McHenry if they figure out how to use this new technology in the Mission Canyon.

Vice Chairman Boehning: Aren't they doing the horizontal up there at all?

Lynn Helms: In McHenry, not yet; but yes they are. Everything new we've seen proposed in Bottineau, Renville, Ward and Burke is now horizontal.

Vice Chairman Boehning: Even with that it still has that low of volume rate?

Lynn Helms: Yes, at this point.

Vice Chairman Boehning: What is the average well producing when they first tap and then after 6 months?

Lynn Helms: The average Bakken/Three Forks well, which is 98% of the drilling is for that and another 1% is a disposal well, today that average well is IPing for about 1,500 barrels per day. Six months later, it's down to about 1,000 and in another six months it's down to about 700 barrel per day range. Then it steadies out and declines much slower.

Vice Chairman Boehning: What about in the Permian Basin?

Lynn Helms: In the Permian Basin the results are almost identical. However, they don't have the transportation costs, they're able to work 12 months out of the year and were able to take the newest and latest technology that we developed here.

Vice Chairman Boehning: When we're talk with the infrastructure, you said they have about half the amount of trucks that it takes. Is that because they have a better infrastructure there?

Lynn Helms: For starters, 75% to 80% of the oil moves by pipeline now. We're still at 40% of the water moving by pipeline; 60% is still moving by truck. With multi-well pads, they move one time to bring the rig in and it drills 5 or 6 wells before it moves again.

Representative Brabandt: Supremacy and primacy, can you give us a little background as it relates to that battle with the EPA?

Lynn Helms: The programs we work with under EPA are under their safe drinking water act programs. Our class II program is what they call a 1425; which means that we have to show our rules are equally protective of the environment. Our new rule, the Class 6 for geologic storage, is more like a hazardous waste well. It's under 1422 rules and we have to be as stringent or more stringent than the federal rules.

Representative Brabandt: Both supremacy and primacy laws are forever aren't they?

Lynn Helms: They are supposed to be. If they can come into the state and prove that you're not complying or equally protective, they can withdraw your primacy.

Representative Brabandt: There's a possibility they could do it then legally?

Lynn Helms: Correct.

Lynn Helms continued with his testimony.

Representative Kempenich: How many companies do we have today?

Lynn Helms: We're in the mid-150's now.

Vice Chairman Boehning: I heard on the news that down on the Permian Basin they're paying $65,000.00 an acre. Is that for the lease for the minerals rights or do they do that different down there than we do up here?

Lynn Helms: It's my understanding that that was the flip cost for the minerals. It was the working mineral interest that sold for that amount.

Vice Chairman Boehning: When they do their leases, is it the same way we do them here?

Lynn Helms: Yes.

Vice Chairman Boehning: So the mineral owners have more rights than the property owner on top?

Lynn Helms: Yes. Texas does not have statutory unitization or statutory pooling. Everything is voluntarily pooled down there and that's another reason why the drilling is so active.

Troy Coons, Chairman, Northwest Landowners Association: Testified in support SB2014.

Chairman Brandenburg: A few sessions back we had a big fallout between the mineral owners and the surface owners. Has that been resolved?

Troy Coons: Our organization represents both surface owners and mineral owners; and folks that have both. There's always ongoing discussions; but everyone is trying to work closer

Chairman Brandenburg: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2014
3/15/2017
Recording Job# 29208

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachments A and B

Chairman Brandenburg: Opened the hearing on SB2014.

Eric Hardmeyer, President, Bank of North Dakota: Made introductions.

Joe Herslip, Senior Vice President, Bank of North Dakota: See testimony attachments A and B

Chairman Brandenburg: Dining halls and what doesn't qualify in this surcharge?

Joe Herslip: Book stores.

Representative Nathe: Are the colleges currently taking credit card payments for tuition?

Joe Herslip: Yes.

Representative Nathe: When I look at the list of agencies, most of them are probably students or parents paying their tuition through their credit card?

Joe Herslip: Yes, that would be a correct assumption. Some of the dining halls, book stores and ticket sales use a different merchant that handles the payment form.

Representative Delmore: I think they are charging more if you pay with a credit card for certain things.

Joe Herslip: You're correct. When it comes to the universities, there is so much going on. I don't know the detail of that.

Chairman Brandenburg: So a part of it is being done and a part is not?

Joe Herslip: Correct.

Joe Herslip continued with his testimony.

Representative Delmore: The fees also will vary by credit card. There are some places that won't accept American Express because it's a higher rate that they charge. Could some of the charges also be cut by asking agencies to only accept certain cards?

Joe Herslip: We have the ability through contracts that we have to do Visa, Mastercard, Discover and American Express. There aren't many agencies that are doing the American Express. I know the secretary of state's office does accept American Express. It's up to the agencies to decide if they want to take American Express or not.

Joe Herslip continued with his testimony.

Vice Chairman Boehning: Are there any other states that are doing this currently? Have they given you any of that information?

Joe Herslip: We're under Chase's payment tech platform; we would be moving to the pay connection platform. That was built specifically for the state of New York. In the state of New York they are doing this same thing. This has moved to additional states, cities and the IRS using it for collecting tax payments.

Joe Herslip continued with is testimony.

Vice Chairman Boehning: I think it would be up to the discretion of each one of the agencies to do this.

Representative Nathe: There are 42 agencies. If we do this, I'm assuming it will affect all of these.

Vice Chairman Boehning: Would they all have to go to that system if we switched over? Could we have two systems?

Joe Herslip: You're correct. We can have two systems. Agencies can stay under the current platform and we can move one or many to the pay connection platform. We could start with one or two now and over time move them as well.

Representative Nathe: The 42 on here with the range that Joe gave us; from $21,000.00 to $36,000.00 would be $882,000.00 to $1.5 million.

Joe Herslip continued with his testimony.

Vice Chairman Boehning: Do all the new terminals have the new sophisticated chip in them already or are we still transitioning over like businesses?

Joe Herslip: In 2015 the Bank of North Dakota went and upgraded the terminals for agencies who didn't have those chip terminals. We spent about $50,000.00 of our money at the bank to get the agencies to those chip reader terminals. They all have the chip reader terminals now; but these new terminals are designed to handle need to charge the dual fee to collect the service. We can't reuse them.

Vice Chairman Boehning: Can we resell them?

Joe Herslip: We would typically wipe them and send them to surplus property.

Vice Chairman Boehning: There are a lot of businesses that haven't gone to it because it can get quite expensive.

Joe Herslip: When we purchased them in October 2015 we got a pretty good deal on them. I think we paid $500.00 a piece.

Representative Nathe: Is the negotiable at all with Chase? Would they come down on that price?

Joe Herslip: I believe they will. The rep felt that they would work with us on the price. There may be a portion or number of terminals that they would give to the state.

Representative Nathe: It will still be negotiated out before we get to that point.

Joe Herslip: Correct.

Joe Herslip continued with his testimony.

Vice Chairman Boehning: Is that similar to what Walmart does then? They hand your check back to you after it's been cleared.

Joe Herslip: Yes.

Representative Delmore: You can also do that if you owe.

Joe Herslip: Correct.

Joe Herslip continued with his testimony.

Chairman Brandenburg: As I look at them, there's probably about 12 that need it.

Representative Nathe: I think if we go down this road, we could prioritize. Could they convert these agencies within a year?

Joe Herslip: I believe that Chase would have no problem doing that; I can't speak to the workload of ITD.

Joe Herslip continued with his testimony.

Chairman Brandenburg: You're giving up $100,000.00 when we do this? Why?

Joe Herslip: Under our current program we had the interchange fee, the network fee and the processor fee. In the processor fee, there's a portion that goes to Chase and a very small portion that comes to the bank for bringing the customer to Chase. If we move to the pay connection where Chase is charging the fee and keeping it and the agencies are getting the 100% of their cost, we no longer get a cut.

Representative Brabandt: Realistically, how much money would we save? What's the bottom line?

Joe Herslip: Realistically, you would want to look at those agencies that are the high dollar numbers; game and fish, DOT and highway patrol. The smaller ones it's probably going to be too expensive or doesn't make sense. If highway patrol would implement this, they would get their whole amount of their fines instead of losing that $300,000.00 each year.

Representative Brabandt: Is it worth the effort?

Joe Herslip: Yes. The philosophical question is moving to have the customer pay the fee instead of the state agency. Initially, you're going to save 1/3 of the $3.5 million.

Representative Nathe: I think it's definitely worth it. We're looking at $3.5 million per year; $7 million per biennium. The cost is $800,000.00 to $1.5 million; in the long term it's well worth it. We may not recoup all $7 million in a biennium; but maybe we'll recoup $5 million to $6 million.

Chairman Brandenburg: I think we can do it right now.

Representative Nathe: In a biennium it's almost $700,000.00 for the highway patrol and that's troopers they desperately need.

Vice Chairman Boehning: The way I look at it is, you have it in law; you already have the administrative rules. All it is is a matter of you pulling the trigger. Correct?

Joe Herslip: That's correct. Typically, we would look to an agency to pull the trigger. Our staff at the bank would bring Chase in and we'd go through the process to get them set up and implemented.

Eric Hardmeyer: When you talk about amendments, one thing you have to think about is do they have money in their budgets to spend for this ITD conversion.

Representative Nathe: We'd have to appropriate money through ITD. If we do this, we'd have to have money for these agencies.

Chairman Brandenburg: Some of these agencies can't afford it but may want to do it.

Representative Nathe: I would like us to see this for all the agencies; the other option is we could pick six agencies and see how it goes. If we're going to mandate these agencies, we're going to have to come up with an appropriation for ITD to do it. Do we need an amendment to make them do this?

Vice Chairman Boehning: I think we could make a blanket amendment that authorize them to do that.

Representative Delmore: We don't need to do every one because they're not all equal. We could add people on board if we see it's cost effective.

Vice Chairman Boehning: We already have it in statute, we don't need a pilot project. It's just a matter of us putting a blanket amendment on ITD's budget and if they want to do it, I think we leave it up to each agency.

Chairman Brandenburg: Maybe we could say if it's more than $40,000.00 then you have to have that type of income back; so it offsets the cost of doing it.

Joe Herslip: The way we start this is to do a pilot project.

Representative Nathe: Outside of the higher education schools we could easily come up with 5 pretty easily with anybody over $100,000.00 in a biennium. That would be highway patrol, WSI, DOT, game and fish, secretary of state and the fair. Those are all in excess of $100,000.00 credit card fees in a biennium.

Vice Chairman Boehning: I'm just looking at the administrative rules and it's basically spelled out. If they can do it, we don't need to tell them how to do it. We can put some language in there that allows them to do it.

Joe Herslip: It would be implementation cost.

Vice Chairman Boehning: It will probably be up to the governor's office to allow them to do it.

Representative Nathe: With a pilot program, you can show a fiscal note.

Vice Chairman Boehning: It wouldn't be a large fiscal note; it would be $21,000.00 to $36,000.00 fiscal note for each agency.

Representative Delmore: There not going to see this money, I would assume that money would go back into the general fund. So, $21,000.00 to $36,000.00 for some agencies with the cuts that we're making, might be a very significant amount of money.

Vice Chairman Boehning: Their losing the fees to the Bank of North Dakota, who gets the money? It wouldn't go to the general fund; I think it would go into the agency.

Joe Herslip: We don't get the fees. I can't speak to each agency as to what they do with the fees.

Vice Chairman Boehning: The DOT is a special funded agency, they're spending $800,000.00 fees; I would assume that would all go into theirs.

Representative Nathe: This is what it's costing them to run those credit cards. If we go the way we're talking about, we're saving DOT $866,000.00 per year. It's not like they're collecting this money and banking it.

Chairman Brandenburg: It's a combination of you and the agency and the bank. Is that a fair statement?

Dan Sipes, Interim CIO, ND Information Technology Department: Yes. It is a combination of us and the bank. The logic would be is if we're going to ask people to spend money to change it, I would agree that to start with we should pilot it and make sure we have agencies that are having a lot of fees around it. We'll find out if our estimate is high or low.

Chairman Brandenburg: Do you and the bank have conversations where you can advise the agency that the agency should or shouldn't do it?

Dan Sipes: I believe what we're saying is it's costing the agency to do that; so we're trying to save them money. I think between the two of us and the agency, we could decide if they were a good candidate to try this.

Representative Nathe: The six agencies I mentioned earlier, you add those up and their total credit card charges are a little over $2.1 million. The range that ITD gave us to do this, the fiscal note would be $126,000.00 to $216,000.00. That's an investment well worth trying.

Dan Sipes: The estimate that we gave was per application. It would depend if they have a single application or eight applications. That could be the difference when we look at it.

Representative Nathe: If we gave you the five or six agencies for a pilot program, could you give us a pretty close number on each one?

Dan Sipes: Yes. I think if you tell us the agencies that you want, we could engage them in a quick conversation.

Representative Nathe: Each of the six?

Dan Sipes: I don't know that we could get to a price will quick, but we could say how many applications and if they're similar in size.

Chairman Brandenburg: Recessed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2014
3/15/2017
Recording Job# 29219

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Shay Lewis

Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachments A through E

Chairman Brandenburg: Brought the committee to order.

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

Representative Delmore: I've always advocated that student loans be as low as we can possibly do. I think a majority of students make an effort to return those. If you set it that high, all you're doing is adding more of a burden that's going to make more people decide to file for something else. It seems excessively high to me.

Eric Hardmeyer: Just keep in mind that this is recouping cost that we have incurred trying to collect these. These are loans that we have worked for 270 to 300+ days with the borrower and have exhausted all remedies. We do have an obligation to collect on behalf of the state. In a lot of cases on these defaulted student loans, we're going to hire a collection agency to help us with that. The federal government allows you to charge up to 40%.

Representative Delmore: I understand that, but how many people are we talking about? I've worked on the judiciary committee for a long time and we listened to lenders; anyone in this room is one medical emergency away from being in that position. I could go to 20%; but the 30% just seems high.

Eric Hardmeyer: The number I threw out was 600 or so. There are things to deal with if there are medical emergencies; there's benefits that we deal with. There are some cases where we believe strongly they have the ability to pay, should pay and are not.

Vice Chairman Boehning: What would be the average amount you would collect?

Eric Hardmeyer: That would be hard to tell you. I could get some information for you on what our collection success has been.

Vice Chairman Boehning: How many dollar amounts do you write off a year of student loan debt?

Eric Hardmeyer: Our program alone is about $1.5 million to $2 million; out of a $1 billion portfolio.

Representative Brabandt: You want to recover 30% of your costs on defaults. What is the percentage now?

Eric Hardmeyer: In the promisary note it says that we will collect up to 20%. The authority given to us by the federal government was up to 40%. This says up to 30%; that doesn't mean that we would go that high.

Representative Brabandt: You'd be half way between where you are now and what the feds say you can charge?

Eric Hardmeyer: Yes.

Representative Delmore: What dollar amount are you collecting now on interest on student loans for the Bank of North Dakota?

Eric Hardmeyer: Total interest income on a $1 billion you have a net interest margin of 1.5%; that would be $10 million plus. Our net income off the student loan portfolio is about 16% to 17% of our total profits.

Representative Brabandt: What are the excuses most people are in default are giving you?

Eric Hardmeyer: Keep in mind that the state has a death benefit; so if someone dies, the debt it forgiven, we don't go after the estate. If there's a proven disability, this debt is discharged.

Eric Hardmeyer: See testimony attachment B.

Chairman Brandenburg: There's $100 million for transfer, $100 million for infrastructure, $10 million for housing, and $7 million for school construction.

Eric Hardmeyer: $40 million was for our buy down programs. So $430 million is coming out of the bank to support the state.

Chairman Brandenburg: Between last biennium and this biennium.

Eric Hardmeyer: Right.

Eric Hardmeyer continued with his testimony.

Representative Nathe: Has the hiring freeze been signed?

Eric Hardmeyer: No it has not. We're operating as if it's been passed.

Representative Nathe: I know of another agency that just hired within the last week.

Eric Hardmeyer: If the Senate passes it, it's an emergency provision.

Eric Hardmeyer continued with his testimony.

Representative Nathe: This $902 million does that include the transfers of SIIF and the foundation stabilization fund? Is the $275 million in the $902 million?

Eric Hardmeyer: Some of that is.

Representative Nathe: There's some in SB 2272?

Eric Hardmeyer: Yes.

Eric Hardmeyer continued with his testimony.

Chairman Brandenburg: You mentioned FTE's. How many do you have now that aren't filled?

Eric Hardmeyer: Three.

Vice Chairman Boehning: How much money are you able to lend the state?

Eric Hardmeyer: The bank has about $7 billion in assets. There's about $5 billion we have in loans. There's $2 billion left.

Eric Hardmeyer continued with his testimony,

Vice Chairman Boehning: How much cash can we pull out of the bank?

Eric Hardmeyer: It's $140 million.

Eric Hardmeyer continued with his testimony,

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

Representative Nathe: This is something I suggest you give to the chairman of LAFRC.

Lynn Helms: It was referred to your committee.

Chairman Brandenburg: Looking at this report that you requested to be turned in, it's pretty hard.

Representative Nathe: It's not apples to apples and it's not. This kind of clears up in my mind how the audit process works.

Lynn Helms: I will provide a copy of this to the chairman of LAFRC.

Lynn Helms continued with his testimony.

Vice Chairman Boehning: How many vacant FTE's do you currently have?

Lynn Helms: We have seven.

Vice Chairman Boehning: If I'm out in the field, can I use an IPad to do my reporting?

Lynn Helms: Absolutely.

Representative Nathe: How has this been tracking in years past?

Lynn Helms: It's increased pretty significantly with the down turn and reduction in staffing on the part of the oil companies.

Representative Nathe: How does that compare with other states? Is there an industry standard along with these?

Lynn Helms: I can't compare that. We are the only state who requires monthly information by well. Other states require it by lease or by some aggregate. Utah is trending our direction.

Vice Chairman Boehning: Have you put a cost together of what it's costing producers to fill all this paperwork out on a monthly basis?

Lynn Helms: We have not.

Vice Chairman Boehning: What does it cost the industry?

Lynn Helms: I don't have the answer to that. They submit it as a batch file.

Chairman Brandenburg: You're authorized for 110 FTE's. How many are not filled right now?

Lynn Helms: Seven are vacant.

Chairman Brandenburg: With the industrial commission there's 114.25 FTE's; so I'm thinking another 4.25 is for you?

Lynn Helms: The administrative office and public finance authority are the other.

Chairman Brandenburg: You also have two if we hit the targets.

Lynn Helms: Correct.

Chairman Brandenburg: One is in May 2018 and the other is December 2018.

Lynn Helms: Coming over from the Senate bill we had two batches of contingency positions triggered; one at 18,200 wells capable of production injection and we expect that in May 2018. The second was at 19,400 wells; that we didn't anticipate until December 2018.

Chairman Brandenburg: We were talking six. Are we going to end up at 106 or 112?

Lynn Helms: If you take the Senate bill and add two back to it, we will end up at 103.5 FTE for our agency and there are another 6.75 that go on to that.

Chairman Brandenburg: At the end of the day, 103.5 FTE with those two contingency positions?

Lynn Helms: Correct.

Karlene Fine, Executive Director, ND Industrial Commission: See attachments D and E.

Vice Chairman Boehning: When will the state mill start to negotiate their next contract?

Karlene Fine: We will expect to start those negotiations in about 1 ½ years.

Chairman Brandenburg: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2014
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☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachment A

Chairman Brandenburg: Opened the hearing on SB2014.

Karlene Fine, Executive Director, ND Industrial Commission: Discussed the bill and attachment A.

Vice Chairman Boehning: On the 50% coal severance tax that's dedicated. How did we come up with the $3.37 million? Where does the other half of that come from?

Karlene Fine: The other portion is coming from the funds that would have remained in the coal tax fund that's been re-allocated to this. There's a higher percentage that's going to be coming in total to the lignite research program; for our old standard lignite research program and the new advanced energy technology.

Vice Chairman Boehning: Where does the other $1.6 million come from? Is that a percentage of something?

Karlene Fine: Right. We're taking a portion of the monies we've already been getting in the lignite research fund and re-allocating them to this advanced energy technology funding. We reduce the amount on top and then we add an additional percentage of the coal tax fund to get the amount of money that we have for the advanced energy technology funding.

Vice Chairman Boehning: That original 15% is what's on the bottom of this page?

Karlene Fine: Right.

Karlene Fine continued with her testimony.

Chairman BrandenBurg: As it is right now, it's $2,025,000.00 and it's going to be 2,362,500.00 at the end of the day. Right?

Karlene Fine: Previously it was $2,025,000.00 and what will remain now is $1,012,500.00. The total amount that remains for the lignite research fund; between the advanced energy technology and the lignite research fund, we're seeing an increase.

Chairman Brandenburg: That's because 30% stayed in the fund.

Karlene Fine: Right.

Chairman Brandenburg: You went from $2,025,000.00 per biennium to $506,250.00. Am I reading my numbers right?

Karlene Fine: For the biennium, we're going from $2 million to $1 million.

Vice Chairman Boehning: Do we actually have a coal trust fund or is it basically just money in and out?

Karlene Fine: There is a coal trust fund and it's used for school construction loans.

Karlene Fine continued with her testimony.

Vice Chairman Boehning: So we're going to deposit just over $1 million into the trust fund for this biennium?

Karlene Fine: That's right.

Vice Chairman Boehning: The trust fund is constitutional; but the amount we put in is legislative?

Karlene Fine: It's a certain percentage of the taxes that goes with that trust fund. The percentage is how you disburse it; and we've been keeping the counties whole at 70%. The other percentages we have been adjusting.

Vice Chairman Boehning: Those we're able to adjust in law?

Karlene Fine: Yes.

Representative Delmore: How soon can we get some real money back into that coal trust fund if we take it down to $1 million?

Karlene Fine: That trust fund just continues to revolve. The state land board administers that fund.

Chairman Brandenburg: The coal trust fund has over $200 million in it.

Adam Mathiak, Fiscal Analyst, ND Legislative Council: You won't directly see the impact that's being discussed on that trust fund. There's $68 million of assets; $43 million is in school construction loans, $13 million is for coal impact loans and about $11.6 million available to be loaned out as of September 30, 2016. Since that time, they had already recommitted a portion of that $11.6 million to new loans. As far as the reduction going into the coal development trust fund; it's the pace at how the fund grows to issue new loans, but you also have those loan repayments coming in. SB2272 also has an impact as it would be the primary vehicle for bigger school construction loans.

Chairman Brandenburg: This $70 million is going to be used more for repair type situation for buildings?

Adam Mathiak: That was the intent. It wouldn't be the full $70 million; they capped it at $60 million. There's a limit in statute that says up to $50 million is available for those school constructions loans. The other parts would be available for the coal impact loans. The changes in SB2272 would increase that limit from $50 million to $60 million to be available for school construction loans. They were also changing the provision. The current school construction loans are a little different from the new construction loans that can be made. If SB2272 is approved, they would just be for emergency purposes and they'd be limited to $2 million.

Chairman Brandenburg: There would be about $40 million available. In current law now, there was $2 million going into the coal development trust fund. At the end of the day, we're going to be putting in 1,012,000.00?

Adam Mathiak: The easiest way to look at is that the 70% going to the counties is unchanged; and current law provides for 30% to go to the coal development trust fund. The new proposal is splitting that 30% into two separate allocations.

Vice Chairman Boehning: How much is going to be in that carry over line?

Karlene Fine: We're expecting carryover of general fund dollars to be $1,162,500.00. We've committed it, we've signed a contract with the EERC; but they won't be able to complete all the work before July 1.

Vice Chairman Boehning: All of that money is committed with that project?

Karlene Fine: Correct.

Chairman Brandenburg: At the end of the day you have the 15% of the coal severance tax which is $3.3 million, you have $3 million for advance energy technology; a one-time appropriation. We also have another $3 million which is tied to the formula and needs the trigger to get that; so we have a total of $9.3 million.

Adam Mathiak: That would be the new money specifically designated for it.

Karlene Fine continued with her testimony.

Vice Chairman Boehning: One of our concerns with the state mill is with their contract renegotiations coming up within the next year and a half; so that they would not be able to offer bonus. The bonuses would be off the table in the contract discussions.

Karlene Fine: The gain sharing program we have with the mill is not part of the contract negotiations; that's set by the industrial commission and separate.

Representative Nathe: Aren't we talking about taking an increase in profits with the mill?

Karlene Fine: I would like to suggest that if you do that, it would have a sunset for this one biennium.

Representative Nathe: I think they're tracking $22 million for the biennium aren't they?

Chairman Brandenburg: The $5 million is going to come out of the housing.

Karlene Fine: There were two pieces there was the $5 million for the housing incentive and the $500,000.00 for the single family. Are you looking at taking out both pieces?

Chairman Brandenburg: I think just the $5 million. What does the $500,000.00 do?

Karlene Fine: The $500,000.00 was the new essential service worker home ownership incentive program. Half of that would be available to the western part of the state and half for the rest of the state.

Chairman Brandenburg: It helps make a payment?

Karlene Fine: It's a second mortgage.

Chairman Brandenburg: It takes up that portion that's unsecured?

Karelene Fine: Right.

Vice Chairman Boehning: They have currently 46 FTE's. Are these all currently filled?

Karlene Fine: They have three that are vacant.

Representative Nathe: In regards to the HIF, they have $1.2 million that had not been awarded yet. Would that be turned back or is that waiting for a project to be given to?

Karlene Fine: That is funding that has come back to us for some projects that didn't move forward. We plan to have that re-allocated before June 1.

Vice Chairman Boehning: Those 3 FTE's that are vacant, how long have they been vacant?

Karlene Fine: I can't remember.

Chairman Brandenburg: That deals with that consolidation of banks to do home mortgages?

Karlene Fine: I'm talking about the first time home buyer program; where we're able to offer for middle income individuals to be able to get a home.

Karlene Fine continued with her testimony.

Chairman Brandenburg: That's the $500,000.00?

Karlene Fine: No. This is the program that started the housing finance agency. The HIF essential worker single program is totally new. It was in another bill and rolled into this one.

Chairman Brandenburg: That was last session?

Karlene Fine: That was this session. This is a brand new program this session.

Chairman Brandenburg: Do you know the bill number?

Vice Chairman Boehning: I would recommend that we remove two FTE's being that they have one for 66 and one for 43 months.

Representative Vigesaa: That amendment included the removal of the essential service home program; the new one for $500,000.00?

Karlene Fine continued with her testimony.

Vice Chairman Boehning: Do we have a number of what we're currently subsidizing?

Karlene Fine: I can get you that number.

Karlene Fine continued discussing the bill.

Chairman Brandenburg: These are for existing projects that are half done?

Karlene Fine: That's right.

Vice Chairman Boehning: These should all be done by the next biennium. Correct?

Karlene Fine: That's right.

Vice Chairman Boehning: If we put a sunset clause, there shouldn't be a consternation out there.

Chairman Brandenburg: When we get to that point, will they ever have the funds? Will they ever have the matching funds to do it? How does that work?

Karlene Fine: If they are not able to raise all the financing they have along with ours, at some point they do return the funds to us and we either make a recommitment for another project.

Chairman Brandenburg: You have other projects?

Karlene Fine: We have a waiting list.

Karlene Fine continued discussing the bill.

Chairman Brandenburg: They have 2 FTE's?

Karlene Fine: Yes.

Chairman Brandenburg: They don't have a green sheet. Where do they fall into?

Karlene Fine: It's the green sheet that's tied to the department of mineral resources; those are all rolled together.

Chairman Brandenburg: Out of that 110 FTE's, how many belong to miner resources?

Karlene Fine: Out of the 114.25 FTE's, you take away the 6 contingency and take away the 6.75 that are for my office and the for the public finance authority.

Karlene Fine continued discussing the bill.

Representative Vigesaa: On the two positions for housing finance, did we identify which positions so that Adam can appropriately reduce wages and operating for those?

Vice Chairman Boehning: For those three positions, what would be the starting wage for those three positions?

Adam Mathiak: The position that was open for 66 months was a housing program administrator II and the funding was special funds of $93,206.00. The position that was vacant for 43 months was a housing program representative and the funding was special funds of $148,078.00.

Representative Vigesaa: Looking at Ms. Kline's testimony, it looks like they removed the funding for those positions but probably retained the FTE authority?

Adam Mathiak: I believe that is essentially correct. As part of the Burgum reduction to get down an additional 1%, initially that was all taken from operating expenses; but the housing finance agency had come in and requested that it be distributed between salaries and wages and grants as well as operating expenses.

Karlene Fine: That's correct. We already took some of those cuts when we were trying to get to the Burgum budget.

Representative Vigesaa: That was the funding, not the authority for the FTE's?

Karlene Fine: We left in the authority.

Vice Chairman Boehning: Should we be removing the 66 month and the 43 month; for a total of about $250,000.00. That would include salaries and benefits in that line item?

Adam Mathiak: We could do it that way, but that funding has already technically been removed. Unless you wanted to make an additional reduction on top.

Vice Chairman Boehning: I think we'll stick with where we're at with the funding, but just remove those two FTE's.

Chairman Brandenburg: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

SB2014
3/23/2017
Recording Job# 29607

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachments A through E

Chairman Brandenburg: Opened the hearing on SB2014.

Chairman Brandenburg: Explained amendment 17.0522.02001. See attachment A.

Representative Nathe: Weren't we talking about adding some FTE's?

Chairman Brandenburg: They were added in by the Senate and we just agreed with them.

Representative Delmore: Are we basically gutting that program that we heard all the people testifying about in the housing incentive fund; including my people in Grand Forks? Do we have any money left in that program at all that they stressed the significance of it; to continue to support a population with nowhere else to go?

Chairman Brandenburg: The $5 million and the $500,000.00 are taken out of the bill. That was a discussion that we had to do.

Representative Delmore: I understand but of all the testimony we heard on the whole industrial commission bill; that was the one the public thought really needed some continuance. Right now, we'll zero that out so that there will be no money available?

Chairman Brandenburg: I think there is about $14 million there.

Karlene Fine, Executive Director, ND Industrial Commission: There will be no new money for the housing incentive fund that's available. We have made commitments of all the money; some has come back but there's a very small amount that we will be re-allocating

before July 1. Everything we have had previously provided for the housing incentive fund will be used up.

Representative Nathe: I have in my notes that there is about $15.4 million but those funds are expected to be disbursed by the sunset. There will another $1.2 million that will not be awarded?

Karlene Fine: There is $1.2 million that we had committed, it's come back to us. We have put out a request for more proposals for that; so it will be committed.

Karlene Fine: See testimony attachments B and C.

Representative Nathe: Have you had any discussions with Representative Sandford?

Karlene Fine: Our staff was not brought in at all.

Representative Nathe: I would suggest before we do anything with this amendment is to talk to people on the E and E section. There is a study that they looked at.

Representative Vigesaa: The $5 million and the $500,000.00 were both added in the Senate and not included in the governor's recommendation?

Karlene Fine: The Senate combined two other bills and brought them into SB2014. Those bills had requests for funding of $40 million plus $5 million. The two governor's budgets did not include any funding for HIF.

Chairman Brandenburg: The money from the HIF came from the Senate?

Karlene Fine: Correct. They took that one bill that had requested $40 million and dropped it to $5 million.

Jolene Kline, Director, ND Housing Finance Agency: The housing incentive fund has been extremely valuable. One of the real concerns I have is when you read in the news with what's happening on the federal level; that they're looking to eliminate the home program, the community development block grant program, low income housing for low income heating assistance.

Jolene Kline continued with her testimony.

Representative Delmore: It's my understanding that the federal dollars have been cut very deep to this same programming? Is that correct?

Jolene Kline: The housing authorities are struggling to serve the needs of the low income. As those rents went up, the housing authorities have had to assist fewer and fewer households.

Chairman Brandenburg: The base budget was at $37 million and we're going to end up being at $44 million. Where is the base budget differential?

Adam Mathiak, Fiscal Analyst, ND Legislative Council: The increase is federal grants that is coming in.

Chairman Brandenburg: There's federal money of about $8 million?

Jolene Kline: There was additional grant income of $5.8 million.

Representative Brabandt: You said if the heating assistance is eliminated where do these people go?

Jolene Kline: They are probably going to be in a rental situation where they are going to be rent burdened. Where they're paying more than 30% of their income towards their rental costs. They may have to leave the community and look for communities where there is lower cost housing. They may end up leaving the state.

Vice Chairman Boehning: What is that $5.8 million in extra grants going to be used for?

Jolene Kline: The $5.4 million of that is the housing trust fund; which is a new program created with profits from the GSE's. That came to us for the first time in 2016; those funds were awarded for three permanent supportive housing projects to augment housing incentive fund and federal low income housing tax credits. Those projects are in Grand Forks, Mandan and Fargo.

Vice Chairman Boehning: How many units is that?

Jolene Kline: It's about 100 units.

Vice Chairman Boehning: What kind of cost match is that?

Jolene Kline: There is no cost match on that federal money.

Vice Chairman Boehning: It's a grant to the builder and to the city to build them and then they receive the rest of the money through borrowing or through their own funds?

Jolene Kline: It's a piece of the upfront dollars that are to build the buildings.

Jolene Kline continued with her testimony.

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

Vice Chairman Boehning: I thought it was going to cost a lot more than it did. It was a very good report.

Lynn Helms continued with his testimony.

Karlene Fine continued with her testimony.

Representative Nathe: Why is the gain share program being repealed?

Karlene Fine: We've had the gain sharing program in place for over 10 years. It's based on meeting certain criteria of all safety, the cost per unit. It's a tier, you have to achieve at least a certain level of profits before it kicks in. We think it's a very good program and has encouraged the employees to work together as a team.

Vice Chairman Boehning: How much money is distributed to the employees? Can you give us a breakout of that?

Karlene Fine: Over the last 10 years the gain sharing payments have averaged about 13.2% of employee's salary. When employees look at this and what they are getting paid, if this is eliminated, they will consider it a cut in their pay.

Vice Chairman Boehning: Wages up there at 13.2% is a pretty good cost share.

Karlene Fine: I can get you the numbers. It varies and is based on the number of hours.

Representative Nathe: What is disbursed in that gain sharing program?

Adam Mathiak: Between the years 1999 and 2014, the average payout was $572,141.00. In fiscal year 2014, the payout to employees was $1.38 million.

Chairman Brandenburg: What would that average to each employee?

Adam Mathiak: The gain sharing percentage of employee's W-2 wages for 2014 would have been about 18% that's related to that $1.38 million.

Chairman Brandenburg: There's $221,000.00 in the market up bill. I'm not seeing this in the bill.

Lynn Helms: Based on the drilling pace, we're still on track for the timeline we handed out.

Chairman Brandenburg: The one in June and in December?

Lynn Helms: Correct. The one in December 2018 has been eliminated because you will be back in 2019.

Chairman Brandenburg continued with his explanation of the budget.

Chairman Brandenburg: When you add them all up, you're about $16 million for the lignite research fund?

Karlene Fine: There is $3 million coming in from the SIIF.

Chairman Brandenburg: Where is that?

Karlene Fine: Section 14.

Representative Delmore: Can you tell me why when the mill and elevator has some needs with their new additions that we're asking them to move from 50% to 75% from what they're putting into the general fund?

Chairman Brandenburg: It looks like their profits are about $22 million. They've survived in the past on the profit share of 50% which was $5 million or less. We are giving them the 6 FTE's. They're still going to be around $6 million.

Representative Nathe: They're projecting gross sales this year of $300 million. They're projecting gross sales in 2018 of $400 million; and they're profit margin is 10% to 15%. I think there is plenty of cushion there.

Vice Chairman Boehning: There is a sunset of June 2019 so we can revisit it again.

Representative Nathe: They are tracking to make about $22 million in this upcoming year.

Representative Vigesaa: We're in a situation where we're looking in every budget for more money. This is a way for us for one biennium to take a little more of the profits to help us balance our budget.

Chairman Brandenburg: Closed the hearing.

Attachment E was handed out but not specifically discussed.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

SB2014
3/27/2017
Recording Job# 29726

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachments A and B

Chairman Brandenburg: Opened the hearing on SB2014.

Chairman Brandenburg: Explained attachment A.

Ed Murphy, State Geologist, ND Mineral Resources: To use the maximum amount of $50,000.00, that would involve us doing some drilling. If we just go out and meet with the different agencies, the first thing we would do is meet with game and fish, the state water commission and health department and go through what their jurisdictions are. We would meet with the local political subdivisions and look at what their responsibilities are. We would end up bringing everyone together at some point to discuss this.

Vice Chairman Boehning: Can't you go to the heritage fund and ask them for this money? I think this is the wrong way to go about this. I don't think we should be taking money out of heritage fund since they already have their own people.

Karlene Fine, Executive Director, ND Industrial Commission: We have a 12 person advisory board that does look at that. We've had several applications coming to the outdoor heritage fund and request funding for dredging. Some have been awarded funding and some have not; it depends on the applications and how they're matching. The focus for the outdoor heritage fund is strictly for the wildlife and conservation.

Vice Chairman Boehning: I would really be opposed to doing it this way. The projects that should be funded won't get funded because it's all going to be going to state agencies of some sort or other.

Karlene Fine: If it's of legislative intent that this is the kind of study you would like, you could put that language in and we could look at either game and fish or the industrial commission to preparing an application and taking it to the outdoor heritage fund.

Chairman Brandenburg: If we took the money out would you be ok with it?

Vice Chairman Boehning: If we took the money out and they had to go to the advisory board, I have no problem with this.

Chairman Brandenburg: Explained the amendment. See attachment B.

Representative Nathe: Why was that put in there? Who's salaries?

Chairman Brandenburg: It was recommended that we take $500,000.00 out of the salaries from the bank.

Representative Delmore: Are we telling the Bank of North Dakota that they have to get rid of more people?

Representative Vigesaa: Were there some vacant FTE's with the Bank of North Dakota?

Chairman Brandenburg: There is three vacant FTE's but there are no FTE's taken out; just salaries.

Representative Vigesaa: This is just underfunding their salaries by $500,000.00?

Chairman Brandenburg: Yes.

Representative Vigesaa: Made a motion to reduce salaries to the Bank of North Dakota by $500,000.00

Vice Chairman Boehning: Seconded the motion.

Representative Vigesaa: There were other divisions and agencies that have taken reductions. This amendment may be to have the Bank of North Dakota share in some of the reductions that are being taken by many other agencies and divisions of the industrial commission. I will support the amendment knowing everyone should share in the action that we're taking in trying to reduce our budgets and find more money for operating.

Representative Nathe: I'll oppose it. I understand that everyone needs to pull their weight; but the Bank of North Dakota is making money. Who would the $500,000.00 reduction of wages apply to? Where does it go? Who makes those decisions and what is it based on?

Representative Delmore: Can you tell me how much was originally in the housing finance?

Chairman Brandenburg: There's $5 million in the housing incentive fund and $250,000.00 was on individual tax credits, $250,000 .00 was on corporate tax credit, there was another

$500,000.00 for the essential housing funding; $250,000.00 of that was general fund and $250,000.00 was income tax credits.

Jolene Kline, Director, ND Housing Finance Agency: The Senate passed out $5 million in credits for the housing incentive fund and $500,000.00 housing incentive fund home ownership program; all were in the form of credits, either individual or corporate credits.

Adam Mathiak, Fiscal Analyst, ND Legislative Council: For the $5 million program, it was $2.5 million of individual income tax credits and $2.5 million of corporate. On the $500,000.00 it was $250,000.00 and $250,000.00. Those are just the estimated tax credits; there's nothing in law that restricts either one of those types of credits.

Representative Delmore: Were any of those matching funds that could also increase that amount; but was a possibility of getting additional monies?

Jolene Kline: No, there is no matching associated with the housing incentive fund.

Chairman Brandenburg: There is $5.8 million of federal money that's coming; but it's very explicit on how you have to use it.

Jolene Kline: That's correct. That's not a given at this time.

Representative Nathe: In the Burgum and Dalrymple budget, this was zeroed out and the $5 million was put in on the Senate side. Correct?

Jolene Kline: That's correct.

Roll Call Vote: 1 Yea 5 Nay 1 Absent.

Motion Failed.

Vice Chairman Boehning: Made a motion to take $50,000.00 out of the study for lake beds.

Representative Delmore: It's a very slippery slope to go where this amendment goes and I really think all of the departments should share in the pain. If this is really necessary, all of them should come up with some funds.

Representative Brabandt: Seconded the motion.

Representative Delmore: I was wondering why we need the amendment without the money in it. It seems like it's something they can easily handle and take care of.

Roll Call Vote: 6 Yeas 0 Nays 1 Absent.

Motion Carried.

Vice Chairman Boehning: Made a motion to move amendment 17.0522.02002.

Representative Nathe: Seconded the motion.

Representative Vigesaa: The amendment .02002 includes the reduction for the Bank of North Dakota or does it not?

Chairman Brandenburg: It does not.

Adam Mathiak: There will be an .02003 version.

Representative Nathe: Withdrew his second.

Vice Chairman Boehning: Withdrew his motion.

Vice Chairman Boehning: Made a motion to further amendment 17.0522.02001 with the lake bed.

Representative Nathe: Seconded the motion.

Roll Call Vote: 5 Yeas 1 Nay 1 Absent.

Motion Carried.

Representative Nathe: Made a motion for a "Do Pass as Amended".

No second was made.

Roll Call Vote:

Motion Carried.

Chairman Brandenburg: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

SB2014
3/29/2017
Recording Job# 29775

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Chairman Brandenburg: Opened the hearing on SB2014.

Vice Chairman Boehning: Made a motion to reconsider their actions.

Representative Vigesaa: Seconded the motion.

Voice Vote.

Motion Carried.

Representative Kempenich: Made a motion to take $200,000.00 out of salaries and wages for the Bank of North Dakota.

Representative Vigesaa: Seconded the motion.

Representative Nathe: I am going to oppose this motion just as I did when we had it at $500,000.00. I understand we're trying to find money where we can. This committee had a chance to find $4.5 million in the DOT budget and we killed that.

Roll Call Vote: 4 Yeas 3 Nays 0 Absent.

Motion Carried.

Vice Chairman Boehning: Made a motion for a "Do Pass as Amended."

Representative Kempench: Seconded the motion.

Roll Call Vote: 6 Yeas 1 Nay 0 Absent.

Motion Carried.

Chairman Brandenburg: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2014
March 30, 2017
Job #29846

☐ Subcommittee
☐ Conference Committee

Pe Mae Kuehn

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; relating to the essential service worker home ownership program, housing incentive fund tax credits, and essential service worker home ownership fund tax credits; relating to loan guarantee fees, suspension of occupational or professional licenses, the housing incentive fund, and coal development trust fund allocations; relating to housing incentive fund reports;

Minutes:

Representative Brandenburg: Goes over amendment #17.0522.02004 (
This budget deals with $25 million of general fund dollars and $188 million of special funds.

Industrial Commission--On page 4 with the Statement of Purpose:
Funding for the employee health insurance is adjusted. Contingency funding authorized for two FTEs of $221,000. Originally we had six FTEs in the Department of Mineral Resources. We took out four of those positions. We tagged them to the well count. Now we are at 17,100 wells. If they get to 18,200 wells, they can hire one of them. They anticipate that happening in June of 2018. The other position they may need in November or December of 2018. We can deal with it again in January of 2019.

Chairman Delzer: It looks like they could hire two of them as soon as they hit 18,200 wells.

Brady Larson, Legislative Council: Based on the language on page 2 of the amendments. Page 5 of the bill, replace lines 10 through 18, "Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds 18,200."

Chairman Delzer: We need to adjust that number.

Representative Brandenburg: Senate had left in 6 FTEs. We also allowed $1,103,000 from special funds for entities under the control of the industrial commission for administrative services.

We added a section requiring the industrial commission to conduct a study in consultation with the game and fish department, the state department of health, and the state water commission to study lake bed sediments and report the results to legislative management. Right now there is nobody in charge of lake beds.

Bank of North Dakota:
We adjusted the health insurance and reduced the salaries and wages by $200,000. The Senate added in that they could charge 13% for defaulted student loans. We raised that up to 30% for the cost to recover those loans.

Chairman Delzer: In the current biennium we had language in there that they could build a building if they had a certain amount. They have been told not to do that. Did we take that language away?

Representative Brandenburg: There is no building in here.

Chairman Delzer: We should consider putting in a section that takes that authority away for the rest of this biennium.

(5:57)
Representative Brandenburg:
Housing Finance Agency:
The base budget is $37,520,089. In the Senate it was $44,539,570. The House version is $44,550,239. The increase is because there is $5.8 million in federal funds. We took care of the health insurance and removed two FTEs. We also took out the $5 million for tax credits for the housing incentive fund. $2.5 million of that was income tax credits and $2.5 million was corporate income tax credits. We also took out the essential service worker home ownership incentive fund of $500,000. That was again $250,000 of income tax credits and $250,000 of corporate tax. We removed $5.5 million out of that. We also removed the section added by the Senate of the 50% contribution to essential worker because that money is gone. We removed the section added by the Senate for an effective date and expiration date related to the housing incentive fund and the essential worker home ownership fund because it was removed.

Chairman Delzer: I don't see the correction on your numbers.

Brady Larson: Those are income tax credits and the housing incentive fund has a continuing appropriation. So it is just a separate fund. They wouldn't be part of the agency's appropriation.

Chairman Delzer: What did the Senate do to go from $37 million to $44 million?

Brady Larson: Those are related to federal grants from the federal housing trust fund.

Chairman Delzer: That was not part of the budget from Dalrymple and Burgum?

Brady Larson: That was part of the executive budgets.

Representative Streyle: Did we remove everything from code related to these programs?

Adam Mathiak, Legislative Council: The only language that would remain would be for the housing incentive fund. That was extended for two years. The awards have been awarded but they haven't been paid out.

Chairman Delzer: It is extended for two full years?

Adam Mathiak: Until the 2017-19 biennium.

Chairman Delzer: If we did not want to have this before us, do we need to move that date to December 1, 2018?

Representative Streyle: We need to make a motion that we take it out. As far as the employees, as of January they had four unfilled for 15 months or greater. Did we eliminate all of them or just two of them?

Representative Brandenburg: Two of them.

Representative Streyle: I would think we could take two more.

Representative Delmore: One of the things that upsets me are the housing incentive funds. We had lots of testimony from across the state of how important that money is. In Grand Forks this year we had three homeless people die over the winter. People are using this money creatively.

Chairman Delzer: This started after the 2011 flood and it grew quite a bit. It is going to where public entities are building housing. The issue on some of the veterans is valid.

Representative Streyle: Minot has 50% vacancies in hotels and 25-30% in apartments with rents down to where they were 12-15 years ago. Yet they approved a project in Minot with this to expand more housing along with city and federal money. The private sector has figured this out. There is plenty of affordable housing in the communities in western North Dakota.

Chairman Delzer: There is some federal issue available with this. I would hope emphasis would be placed on where it is needed more.

Representative Brabandt: You can get a hotel room in Minot for $39/night.

(14:45)
Representative Brandenburg:
State Mill and Elevator:
We took care of the health insurance. We also amended the profits to go from 50% to 75%. That brings in another $6 million. The Mill and Elevator have been working off of the $5 million or $6 million in profits. Governor Dalrymple's budget originally had it at 90%. The Senate put it at 50% and we put it at 75%.

We removed the gain-share profit program. We did add six FTEs because they have the new mill going. They went from making $6 to 10 million up to $20 million.

Chairman Delzer: The 75%, is that a two-year switch or does that stay in code?

Representative Brandenburg: We made it two. There is a sunset back to 50% in two years.

Representative Delmore: One of the other sections addresses the credits we have given to essential service workers who are at home as caretakers. Is this in the end result going to cost us when that can't be taken and they move them to assisted living or somewhere else?

Chairman Delzer: I think it is meant more for police, firemen, certain teachers.

Adam Mathiak, Legislative Council: In the bill the essential service workers were defined as an individual employed by the state or a city, county, school district, medical or long-term care facility, or any other individual employed in providing an essential public service.

Chairman Delzer: That is pretty broad.

Representative Brandenburg: The industrial commission also takes care of lignite, oil and gas, and renewable energy, research programs, the outdoor heritage fund, the pipeline authority, and the transmission authority, the North Dakota building authority, and the Western Area Water System.

(18:20)
With public finance, the state revolving loan fund takes care of projects. Lignite research program—this past session we moved $3 million through SIIF and another $3 million through the REAP??? Target. We took the coal development fund and reallocated the 30%. We put 15% to the research fund and left 15% in the coal development fund which has about $75 million. That brought about $15.4 million into the lignite research fund.

If students end up in collections from not paying their student loans, we will take away their hunting license.

Representative Delmore: How long has the State Mill and Elevator been doing the gain-sharing program with their employees?

Chairman Delzer: It has been for a long time. They are the only one in the state that is a union shop. I like this amendment on the gain-share. It doesn't affect the current contract. This is a good move because it does give the state a chance for more money

Representative Delmore: Some employees are pretty high skilled.

Representative Streyle: When did we allow then to unionize in our own mill?

Chairman Delzer: It probably happened when we started the mill and elevator.

Representative Brandenburg: Moved amendment #17.0522.02004 with the change to hire one employee in June and one in December if they are at 18,200 wells and the section that allows the bank building is repealed.

Representative Boehning: Second.

Representative Vigesaa: In the current language, the bank has the authority to suspend an occupational or professional license if they are in default. The Senate removed that. We reinstated at least the recreational license as a penalty. If we remove the professional license, they won't have a job to repay the loan.

Representative Meier: How many defaults do we have with the State Bank.

Representative Boehning: It's about 600.

Chairman Delzer: By federal law you can't bankruptcy student loans.

Voice vote. All in favor. Motion carries.

Representative Streyle: Moved to further amend that we repeal anything related to the state funding of the (HIF) Housing Incentive Fund effective 12-31-18 and remove two more FTEs from Housing Incentive.

Representative Schatz: Second.

Representative Boehning: Along with those two FTEs, what are the dollars involved?

Representative Streyle: Their salaries vary. I am not sure which ones would be removed.

Representative Boehning: My intent was to remove the two longest ones which would be the 66 and 44 month.

Representative Streyle: My motion would be for the one with the 15-month vacancy and the 21-month vacancy.

Chairman Delzer: Along with associated salary and operating costs.

Voice vote. All in favor. Motion carries.

Representative Brandenburg: Moved Do Pass as Amended

Representative Boehning: Second.

A Roll Call vote was taken. Yea: 16 Nay: 4 Absent: 1

Representative Brandenburg will carry the bill.

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations Division Committee
March 22, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 3, remove the third "to"

Page 1, remove lines 4 through 7

Page 1, line 8, remove "tax credits;"

Page 1, line 8, after the third comma insert "54-18-19"

Page 1, line 9, remove "occupational or"

Page 1, line 10, replace "professional" with "recreational"

Page 1, line 10, after the second comma insert "North Dakota mill and elevator profits,"

Page 1, line 11, replace "section" with "sections"

Page 1, line 11, after "54-17-41" insert "and 54-18-20"

Page 1, line 12, after "reports" insert "and a gain-sharing program"

Page 2, replace lines 1 through 8 with:

"Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25"

Page 2, replace lines 13 through 15 with:

"Bank of North Dakota operations	$58,542,301	($53,097)	$58,489,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$11,903	$59,299,204"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,745,034	$147,022	$7,892,056
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828

Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,010,150	$44,530,239
Full-time equivalent positions	46.00	(2.00)	44.00"

Page 3, replace lines 10 through 12 with:

"Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	10,268,433	188,386,168
Grand total all funds	$203,075,481	$10,719,674	$213,795,155

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month."

Page 5, line 5, replace "$1,254,462" with "$221,737"

Page 5, line 5, replace "six" with "two"

Page 5, line 9, remove "the thresholds identified in this section. Of the $1,254,462 and the six full-time"

Page 5, replace lines 10 through 18 with "eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred."

Page 5, line 20, replace "$1,103,986" with "$1,103,779"

Page 7, line 11, replace "thirteen" with "thirty"

Page 7, line 20, remove the overstrike over "~~**- Suspension of**~~ "

Page 7, line 21, after "~~**license**~~" insert "**recreational licenses**"

Page 7, line 21, remove the overstrike over "~~**for nonpayment of defaulted state guaranteed student loans**~~"

Page 7, line 22, remove the overstrike over "~~1.~~"

Page 7, line 29, remove the overstrike over "~~2.~~"

Page 8, line 15, after the overstruck period insert "The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department, which the judgment debtor is required to obtain prior to engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department."

Page 8, remove lines 16 through 21

Page 8, line 24, remove the overstrike over "~~**(Effective through June 30,**~~ "

Page 8, line 24, after "~~**2017**~~" insert "**2019**"

Page 8, line 24, remove the overstrike over the second boldfaced parenthesis

Page 10, remove lines 30 and 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 31

Page 14, replace lines 1 through 22 with:

"**SECTION 20. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. (Effective through June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

(Effective after June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 19, line 3, replace "Section" with "Sections"

Page 19, line 3, after "54-17-41" insert "and 54-18-20"

Page 19, line 3, replace "is" with "are"

Page 19, remove lines 21 through 26

Page 20, remove lines 13 through 15

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Base Budget	Senate Version	House Changes	House Version
Industrial Commission				
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193

Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
Bank of North Dakota				
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204
General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$203,075,481	$214,930,939	($1,135,784)	$213,795,155
Less estimated income	178,117,735	188,466,417	(80,249)	188,386,168
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987

Senate Bill No. 2014 - Industrial Commission - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$22,132,229	$22,038,346	($24,262)	$22,014,084
Operating expenses	4,779,135	6,305,888		6,305,888
Grants - Bond payments	15,040,829	13,210,484		13,210,484
Contingencies		1,254,462	(1,032,725)	221,737
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
FTE	116.75	114.25	(4.00)	110.25

Department No. 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Adjusts Contingent FTE Positions[2]	Total House Changes
Salaries and wages	($24,262)		($24,262)
Operating expenses			
Grants - Bond payments			
Contingencies		(1,032,725)	(1,032,725)
Total all funds	($24,262)	($1,032,725)	($1,056,987)
Less estimated income	(1,452)	0	(1,452)
General fund	($22,810)	($1,032,725)	($1,055,535)
FTE	0.00	(4.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Contingent funding and authorization for FTE positions are adjusted to provide $221,737 from the general fund and 2 FTE positions. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells as identified in Section 7 of the bill.

This amendment also includes the following changes related to the Industrial Commission:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells. The Senate provided $1,254,462 from the general fund and 6 FTE positions.
- Allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services. The transfer was adjusted for the health insurance adjustment compared to the transfer of $1,103,986 provided by the Senate.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Base Budget	Senate Version	House Changes	House Version
Capital assets	$745,000	$810,000		$810,000
Bank of North Dakota operations	58,542,301	58,526,944	(37,740)	58,489,204
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204
General fund	$0	$0	$0	$0
FTE	181.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Total House Changes
Capital assets		
Bank of North Dakota operations	(37,740)	(37,740)
Total all funds	($37,740)	($37,740)
Less estimated income	(37,740)	(37,740)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Bank of North Dakota:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Authorizes the Bank of North Dakota to charge up to 30 percent of accumulated principal and interest on defaulted student loans. The Senate provided authorization to charge up to 13 percent.
- Provides the authority to suspend a recreational license when the licensee's student loans are in default. The Senate removed the authority to suspend an occupational or professional license.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$7,745,034	$7,901,387	($9,331)	$7,892,056
Operating expenses	3,744,275	4,743,355		4,743,355
Grants	25,930,780	31,794,828		31,794,828
HFA contingencies	100,000	100,000		100,000
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239
General fund	$0	$0	$0	$0
FTE	46.00	46.00	(2.00)	44.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Removes FTE Positions[2]	Total House Changes
Salaries and wages	($9,331)		($9,331)
Operating expenses			
Grants			
HFA contingencies			
Total all funds	($9,331)	$0	($9,331)
Less estimated income	(9,331)	0	(9,331)
General fund	$0	$0	$0
FTE	0.00	(2.00)	(2.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Authorization for 2 FTE positions is removed. Funding for 2 FTE positions, including a housing program administrator position and a housing program representative, was removed by the Senate.

This amendment also includes the following changes related to the Housing Finance Agency:

- Continues the housing incentive fund only for the 2017-19 biennium.
- Removes a section added by the Senate to provide up to $5 million of income tax credits for contributions to the housing incentive fund which would have reduced general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections.
- Removes a section added by the Senate to establish the essential service worker home ownership incentive fund and to identify the uses of the fund.
- Removes a section added by the Senate to provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund which would have reduced general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections.
- Removes a section added by the Senate to identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions 1 and 8 and the remaining contributions for the other planning areas.
- Removes a section added by the Senate to provide an effective date and expiration date related to the housing incentive fund and the essential service worker home ownership incentive fund tax credits.

Senate Bill No. 2014 - Mill and Elevator - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$36,278,898	$39,340,245	($31,726)	$39,308,519
Operating expenses	27,327,000	28,195,000		28,195,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
FTE	147.00	153.00	0.00	153.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Total House Changes
Salaries and wages	($31,726)	($31,726)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	($31,726)	($31,726)
Less estimated income	(31,726)	(31,726)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Mill and Elevator Association:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604.
- Section 22 repeals Section 54-18-20 which authorizes a gain-sharing program. The removal of the gain-sharing program may affect the profits available for transfer to the agricultural products utilization fund and the general fund, but the amounts cannot be determined.

17.0522.02004
Title.

Fiscal No. 5

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations Division Committee
March 29, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 3, remove the third "to"

Page 1, remove lines 4 through 7

Page 1, line 8, remove "tax credits;"

Page 1, line 8, after the third comma insert "54-18-19,"

Page 1, line 9, remove "occupational or"

Page 1, line 10, replace "professional" with "recreational"

Page 1, line 10, after the second comma insert "North Dakota mill and elevator profits,"

Page 1, line 11, replace "section" with "sections"

Page 1, line 11, after "54-17-41" insert "and 54-18-20"

Page 1, line 12, after "reports" insert "and a gain-sharing program"

Page 1, line 12, after the second semicolon insert "to provide for a report to the legislative management;"

Page 2, replace lines 1 through 8 with:

"Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25"

Page 2, replace lines 13 through 15 with:

"Bank of North Dakota operations	$58,542,301	($253,097)	$58,289,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	($188,097)	$59,099,204"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,745,034	$147,022	$7,892,056
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,010,150	$44,530,239
Full-time equivalent positions	46.00	(2.00)	44.00"

Page 3, replace lines 10 through 12 with:

"Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	10,068,433	188,186,168
Grand total all funds	$203,075,481	$10,519,674	$213,595,155

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month."

Page 5, line 5, replace "$1,254,462" with "$221,737"

Page 5, line 5, replace "six" with "two"

Page 5, line 9, remove "the thresholds identified in this section. Of the $1,254,462 and the six full-time"

Page 5, replace lines 10 through 18 with "eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred."

Page 5, line 20, replace "$1,103,986" with "$1,103,779"

Page 7, line 11, replace "thirteen" with "thirty"

Page 7, line 20, remove the overstrike over "~~- Suspension of~~"

Page 7, line 21, after "~~license~~" insert "**recreational licenses**"

Page 7, line 21, remove the overstrike over "~~for nonpayment of defaulted state guaranteed student loans~~"

Page 7, line 22, remove the overstrike over "~~1.~~"

Page 7, line 29, remove the overstrike over "~~2.~~"

Page 8, line 15, after the overstruck period insert "The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department, which the judgment debtor is required to obtain prior to engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit, or

license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department."

Page 8, remove lines 16 through 21

Page 8, line 24, remove the overstrike over "**~~(Effective through June 30,~~**"

Page 8, line 24, after "**~~2017~~**" insert "**2019**"

Page 8, line 24, remove the overstrike over the closing boldfaced parenthesis

Page 10, remove lines 30 and 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 31

Page 14, replace lines 1 through 22 with:

"**SECTION 20. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. (Effective through June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

(Effective after June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 19, line 3, replace "Section" with "Sections"

Page 19, line 3, after "54-17-41" insert "and 54-18-20"

Page 19, line 3, replace "is" with "are"

Page 19, remove lines 21 through 26

Page 20, replace lines 13 through 15 with:

"**SECTION 27. LAKE BED SEDIMENTATION STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT.** During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the game and fish department, the state department of health, and the state water commission regarding the feasibility of and appropriate jurisdiction for regulation of sediment studies and dredging operations from the beds of reservoirs that retain more than fifty acre-feet of surface water. The

industrial commission shall report to the legislative management by September 30, 2018, regarding the results and recommendations of the study."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Base Budget	Senate Version	House Changes	House Version
Industrial Commission				
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
Bank of North Dakota				
Total all funds	$59,287,301	$59,336,944	($237,740)	$59,099,204
Less estimated income	59,287,301	59,336,944	(237,740)	59,099,204
General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$203,075,481	$214,930,939	($1,335,784)	$213,595,155
Less estimated income	178,117,735	188,466,417	(280,249)	188,186,168
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987

Senate Bill No. 2014 - Industrial Commission - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$22,132,229	$22,038,346	($24,262)	$22,014,084
Operating expenses	4,779,135	6,305,888		6,305,888
Grants - Bond payments	15,040,829	13,210,484		13,210,484
Contingencies		1,254,462	(1,032,725)	221,737
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
FTE	116.75	114.25	(4.00)	110.25

Department No. 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Adjusts Contingent FTE Positions[2]	Total House Changes
Salaries and wages	($24,262)		($24,262)
Operating expenses			
Grants - Bond payments			
Contingencies		(1,032,725)	(1,032,725)
Total all funds	($24,262)	($1,032,725)	($1,056,987)
Less estimated income	(1,452)	0	(1,452)
General fund	($22,810)	($1,032,725)	($1,055,535)
FTE	0.00	(4.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Contingent funding and authorization for FTE positions are adjusted to provide $221,737 from the general fund and 2 FTE positions. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells as identified in Section 7 of the bill.

This amendment also includes the following changes related to the Industrial Commission:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells. The Senate provided $1,254,462 from the general fund and 6 FTE positions.
- Allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services. The transfer was adjusted for the health insurance adjustment compared to the transfer of $1,103,986 provided by the Senate.
- Adds a section requiring the Industrial Commission, in consultation with the Game and Fish Department, the State Department of Health, and the State Water Commission, to study lake bed sedimentation and to report the results to the Legislative Management.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Base Budget	Senate Version	House Changes	House Version
Capital assets	$745,000	$810,000		$810,000
Bank of North Dakota operations	58,542,301	58,526,944	(237,740)	58,289,204
Total all funds	$59,287,301	$59,336,944	($237,740)	$59,099,204
Less estimated income	59,287,301	59,336,944	(237,740)	59,099,204
General fund	$0	$0	$0	$0
FTE	181.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Reduces Funding for Salaries and Wages[2]	Total House Changes
Capital assets			
Bank of North Dakota operations	(37,740)	(200,000)	(237,740)
Total all funds	($37,740)	($200,000)	($237,740)
Less estimated income	(37,740)	(200,000)	(237,740)
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Funding is reduced for salaries and wages by $200,000.

This amendment also includes the following changes related to the Bank of North Dakota:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Authorizes the Bank of North Dakota to charge up to 30 percent of accumulated principal and interest on defaulted student loans. The Senate provided authorization to charge up to 13 percent.
- Provides the authority to suspend a recreational license when the licensee's student loans are in default. The Senate removed the authority to suspend an occupational or professional license.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$7,745,034	$7,901,387	($9,331)	$7,892,056
Operating expenses	3,744,275	4,743,355		4,743,355
Grants	25,930,780	31,794,828		31,794,828
HFA contingencies	100,000	100,000		100,000
	$37,520,089	$44,539,570	($9,331)	$44,530,239
Total all funds				
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239
	$0	$0	$0	$0
General fund				
	46.00	46.00	(2.00)	44.00
FTE				

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Removes FTE Positions[2]	Total House Changes
Salaries and wages	($9,331)		($9,331)
Operating expenses			
Grants			
HFA contingencies			
Total all funds	($9,331)	$0	($9,331)
Less estimated income	(9,331)	0	(9,331)
General fund	$0	$0	$0
FTE	0.00	(2.00)	(2.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Authorization for 2 FTE positions is removed. Funding for 2 FTE positions, including a housing program administrator position and a housing program representative, was removed by the Senate.

This amendment also includes the following changes related to the Housing Finance Agency:

- Continues the housing incentive fund only for the 2017-19 biennium.
- Removes a section added by the Senate to provide up to $5 million of income tax credits for contributions to the housing incentive fund which would have reduced general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections.
- Removes a section added by the Senate to establish the essential service worker home ownership incentive fund and to identify the uses of the fund.

- Removes a section added by the Senate to provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund which would have reduced general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections.
- Removes a section added by the Senate to identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions 1 and 8 and the remaining contributions for the other planning areas.
- Removes a section added by the Senate to provide an effective date and expiration date related to the housing incentive fund and the essential service worker home ownership incentive fund tax credits.

Senate Bill No. 2014 - Mill and Elevator - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$36,278,898	$39,340,245	($31,726)	$39,308,519
Operating expenses	27,327,000	28,195,000		28,195,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
FTE	147.00	153.00	0.00	153.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Total House Changes
Salaries and wages	($31,726)	($31,726)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	($31,726)	($31,726)
Less estimated income	(31,726)	(31,726)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Mill and Elevator Association:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604.
- Section 22 repeals Section 54-18-20 which authorizes a gain-sharing program. The removal of the gain-sharing program may affect the profits available for transfer to the agricultural products utilization fund and the general fund, but the amounts cannot be determined.

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Fiscal No. 6

Prepared by the Legislative Council staff for
House Appropriations Committee
March 31, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 3, remove the third "to"

Page 1, remove lines 4 through 7

Page 1, line 8, remove "tax credits;"

Page 1, line 8, replace the first comma with "and"

Page 1, line 8, after the second comma insert "subsection 3 of section 54-17-07.3, and sections"

Page 1, line 8, after the third comma insert "54-18-19,"

Page 1, line 9, remove "occupational or"

Page 1, line 10, replace "professional" with "recreational"

Page 1, line 10, after the second comma insert "North Dakota mill and elevator profits,"

Page 1, line 11, replace "section" with "sections 6-09-50, 54-17-40,"

Page 1, line 11, after "54-17-41" insert ", and 54-18-20"

Page 1, line 11, after "Code" insert "and sections 16, 26, and 27 of chapter 14 of the 2015 Session Laws"

Page 1, line 11, after the second "to" insert "a financial center project, the housing incentive fund,"

Page 1, line 12, after "reports" insert ", and a gain-sharing program"

Page 1, line 12, after the second semicolon insert "to provide for a report to the legislative management;"

Page 1, line 13, remove "and"

Page 1, line 13, after the second "date" insert "; and to declare an emergency"

Page 2, replace lines 1 through 8 with:

"Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25"

Page 2, replace lines 13 through 15 with:

"Bank of North Dakota operations	$58,542,301	($253,097)	$58,289,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	($188,097)	$59,099,204"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,745,034	($107,655)	$7,637,379
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$6,755,473	$44,275,562
Full-time equivalent positions	46.00	(4.00)	42.00"

Page 3, replace lines 10 through 12 with:

"Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	9,813,756	187,931,491
Grand total all funds	$203,075,481	$10,264,997	$213,340,478

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month."

Page 5, line 5, replace "$1,254,462" with "$221,737"

Page 5, line 5, replace "six" with "two"

Page 5, line 9, remove "the thresholds identified in this section. Of the $1,254,462 and the six full-time"

Page 5, replace lines 10 through 18 with:

"eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions, one of which may be hired after May 31, 2018, and one of which may be hired after November 30, 2018, if the total number of wells capable of production and injection exceeds eighteen thousand two hundred."

Page 5, line 20, replace "$1,103,986" with "$1,103,779"

Page 7, line 11, replace "thirteen" with "thirty"

Page 7, line 20, remove the overstrike over "~~**- Suspension of**~~"

Page 7, line 21, after "~~**license**~~" insert "**recreational licenses**"

Page 7, line 21, remove the overstrike over "~~**for nonpayment of defaulted state guaranteed student loans**~~"

Page 7, line 22, remove the overstrike over "~~1.~~"

Page 7, line 29, remove the overstrike over "~~2.~~"

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Page 8, line 15, after the overstruck period insert "The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department which the judgment debtor is required to obtain before engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department."

Page 8, replace lines 16 through 21 with:

"**SECTION 19. AMENDMENT.** Subsection 3 of section 54-17-07.3 of the North Dakota Century Code is amended and reenacted as follows:

3. Multifamily housing finance program. A program or programs to provide financing directly or indirectly of construction, permanent, and combined construction and permanent mortgage loans, including participations in mortgage loans, for the acquisition, construction, refurbishing, reconstruction, rehabilitation, or improvement of multifamily housing facilities. As part of the program, the industrial commission, acting in its capacity as a state housing finance agency, may enter a public and private partnership with any interested private entity and accept any gift, grant, or other type of financial aid or assistance~~, including a contribution to the housing incentive fund,~~ to provide financing for the construction or rehabilitation of a multifamily housing facility in a developing community in the state to address an unmet housing need or alleviate a housing shortage. A private entity participating in this program may reserve a proportionate share of available units in the facility for occupancy by its workforce based on its financial participation in the facility, in addition to any units held for occupancy by individuals or families of low or moderate income."

Page 10, remove lines 30 and 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 31

Page 14, replace lines 1 through 22 with:

"**SECTION 21. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North

Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 19, line 3, replace "Section" with "Sections"

Page 19, line 3, after "54-17-41" insert "and 54-18-20"

Page 19, line 3, replace "is" with "are"

Page 19, after line 3, insert:

"**SECTION 24. REPEAL.** Section 6-09-50 of the North Dakota Century Code and sections 16, 26, and 27 of chapter 14 of the 2015 Session Laws are repealed.

SECTION 25. REPEAL. Section 54-17-40 of the North Dakota Century Code is repealed."

Page 19, remove lines 21 through 26

Page 20, replace lines 13 through 15 with:

"**SECTION 30. PROHIBITION - NORTH DAKOTA FINANCIAL CENTER - BANK OF NORTH DAKOTA.** The Bank of North Dakota may not construct a North Dakota financial center on a site adjacent to the existing building on which the Bank of North Dakota is located related to the funding provided in section 1 of chapter 14 of the 2015 Session Laws and identified in sections 2 and 26 of chapter 14 of the 2015 Session Laws.

SECTION 31. LAKE BED SEDIMENTATION STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the game and fish department, the state department of health, and the state water commission regarding the feasibility of and appropriate jurisdiction for regulation of sediment studies and dredging operations from the beds of reservoirs that retain more than fifty acre-feet of surface water. The industrial commission shall report to the legislative management by September 30, 2018, regarding the results and recommendations of the study.

SECTION 32. EFFECTIVE DATE. Sections 19 and 25 of this Act become effective December 31, 2018.

SECTION 33. EXPIRATION DATE. Section 21 of this Act is effective through June 30, 2019, and after that date is ineffective.

SECTION 34. EMERGENCY. Sections 24 and 30 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Base Budget	Senate Version	House Changes	House Version
Industrial Commission				
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206

General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
Bank of North Dakota				
Total all funds	$59,287,301	$59,336,944	($237,740)	$59,099,204
Less estimated income	59,287,301	59,336,944	(237,740)	59,099,204
General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$37,520,089	$44,539,570	($264,008)	$44,275,562
Less estimated income	37,520,089	44,539,570	(264,008)	44,275,562
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$203,075,481	$214,930,939	($1,590,461)	$213,340,478
Less estimated income	178,117,735	188,466,417	(534,926)	187,931,491
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987

Senate Bill No. 2014 - Industrial Commission - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$22,132,229	$22,038,346	($24,262)	$22,014,084
Operating expenses	4,779,135	6,305,888		6,305,888
Grants - Bond payments	15,040,829	13,210,484		13,210,484
Contingencies		1,254,462	(1,032,725)	221,737
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
FTE	116.75	114.25	(4.00)	110.25

Department No. 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Adjusts Contingent FTE Positions[2]	Total House Changes
Salaries and wages	($24,262)		($24,262)
Operating expenses			
Grants - Bond payments			
Contingencies		(1,032,725)	(1,032,725)
Total all funds	($24,262)	($1,032,725)	($1,056,987)
Less estimated income	(1,452)	0	(1,452)
General fund	($22,810)	($1,032,725)	($1,055,535)
FTE	0.00	(4.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Contingent funding and authorization for FTE positions are adjusted to provide $221,737 from the general fund and 2 FTE positions. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells as identified in Section 7 of the bill.

This amendment also includes the following changes related to the Industrial Commission:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells. One position may be hired after May 31, 2018, and another position may be hired after November 30, 2018. The Senate provided $1,254,462 from the general fund and 6 FTE positions.
- Allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services. The transfer was adjusted for the health insurance adjustment compared to the transfer of $1,103,986 provided by the Senate.
- Adds a section requiring the Industrial Commission, in consultation with the Game and Fish Department, the State Department of Health, and the State Water Commission, to study lake bed sedimentation and to report the results to the Legislative Management.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Base Budget	Senate Version	House Changes	House Version
Capital assets	$745,000	$810,000		$810,000
Bank of North Dakota operations	58,542,301	58,526,944	(237,740)	58,289,204
Total all funds	$59,287,301	$59,336,944	($237,740)	$59,099,204
Less estimated income	59,287,301	59,336,944	(237,740)	59,099,204
General fund	$0	$0	$0	$0
FTE	181.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Reduces Funding for Salaries and Wages[2]	Total House Changes
Capital assets			
Bank of North Dakota operations	(37,740)	(200,000)	(237,740)
Total all funds	($37,740)	($200,000)	($237,740)
Less estimated income	(37,740)	(200,000)	(237,740)
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Funding is reduced for salaries and wages by $200,000.

This amendment also includes the following changes related to the Bank of North Dakota:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.

- Authorizes the Bank of North Dakota to charge up to 30 percent of accumulated principal and interest on defaulted student loans. The Senate provided authorization to charge up to 13 percent.
- Provides the authority to suspend a recreational license when the licensee's student loans are in default. The Senate removed the authority to suspend an occupational or professional license.
- Repeals the references to the North Dakota financial center, which were included in 2015 House Bill No. 1014, and provides an emergency clause related to the repeal.
- Prohibits the Bank of North Dakota from constructing a financial center and provides an emergency clause related to the prohibition.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$7,745,034	$7,901,387	($264,008)	$7,637,379
Operating expenses	3,744,275	4,743,355		4,743,355
Grants	25,930,780	31,794,828		31,794,828
HFA contingencies	100,000	100,000		100,000
Total all funds	$37,520,089	$44,539,570	($264,008)	$44,275,562
Less estimated income	37,520,089	44,539,570	(264,008)	44,275,562
General fund	$0	$0	$0	$0
FTE	46.00	46.00	(4.00)	42.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Removes FTE Positions[2]	Removes Additional FTE Positions[3]	Total House Changes
Salaries and wages	($9,331)		($254,677)	($264,008)
Operating expenses				
Grants				
HFA contingencies				
Total all funds	($9,331)	$0	($254,677)	($264,008)
Less estimated income	(9,331)	0	(254,677)	(264,008)
General fund	$0	$0	$0	$0
FTE	0.00	(2.00)	(2.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Authorization for 2 FTE positions is removed. Funding for 2 FTE positions, including a housing program administrator position and a housing program representative, was removed by the Senate.

[3] Funding of $254,677 and 2 FTE positions are removed, including a housing program specialist position and a housing program administrator position.

This amendment also includes the following changes related to the Housing Finance Agency:

- Continues the housing incentive fund through December 31, 2018, after which all references to the housing incentive fund are repealed.
- Removes a section added by the Senate to provide up to $5 million of income tax credits for contributions to the housing incentive fund which would have reduced general fund revenues by

$2.5 million for individual income tax collections and $2.5 million for corporate income tax collections.

- Removes a section added by the Senate to establish the essential service worker home ownership incentive fund and to identify the uses of the fund.
- Removes a section added by the Senate to provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund which would have reduced general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections.
- Removes a section added by the Senate to identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions 1 and 8 and the remaining contributions for the other planning areas.
- Removes a section added by the Senate to provide an effective date and expiration date related to the housing incentive fund and the essential service worker home ownership incentive fund tax credits.

Senate Bill No. 2014 - Mill and Elevator - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$36,278,898	$39,340,245	($31,726)	$39,308,519
Operating expenses	27,327,000	28,195,000		28,195,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
FTE	147.00	153.00	0.00	153.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Total House Changes
Salaries and wages	($31,726)	($31,726)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	($31,726)	($31,726)
Less estimated income	(31,726)	(31,726)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Mill and Elevator Association:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in

an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604.

- Section 22 repeals Section 54-18-20 which authorizes a gain-sharing program. The removal of the gain-sharing program may affect the profits available for transfer to the agricultural products utilization fund and the general fund, but the amounts cannot be determined.

Date: 3/8/17
Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014

House Appropriations - Government Operations Divisin Committee

☐ Subcommittee

Amendment LC# or Description: To reinstate the 25% recoupment on defaulted student loans and add the ability to strip hunting and fishing licenses.

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Vice Chairman Boehning Seconded By Representative Nathe

Representatives	Yes	No	Representatives	Yes	No
Chairman Brandenburg			Representative Delmore		
Vice Chairman Boehning					
Representative Brabandt					
Representative Nathe					
Representative Kempenich					
Representative Vigesaa					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Motion Carried.

Date: 03/27/17
Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: To Remove $500,000.00 from salaries for the Bank of North Dakota

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Vigesaa Seconded By Vice Chairman Boehning

Representatives	Yes	No	Representatives	Yes	No
Chairman Brandenburg		X	Representative Delmore		X
Vice Chairman Boehning		X			
Representative Brabandt		X			
Representative Nathe		X			
Representative Kempenich					
Representative Vigesaa	X				

Total Yes 1 No 5

Absent 1

Floor Assignment _____

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

Date: 03/27/17
Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: To take $50,000.00 out of study for lake beds

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Vice Chairman Boehning Seconded By Representative Brabandt

Representatives	Yes	No	Representatives	Yes	No
Chairman Brandenburg	X		Representative Delmore	X	
Vice Chairman Boehning	X				
Representative Brabandt	X				
Representative Nathe	X				
Representative Kempenich					
Representative Vigesaa	X				

Total Yes 6 No 0

Absent 1

Floor Assignment _____

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

Date: 03/27/17
Roll Call Vote #: 3

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: 17.0522.02001 To further amend with addition of lake bed study

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Vice Chairman Boehning Seconded By Representative Nathe

Representatives	Yes	No	Representatives	Yes	No
Chairman Brandenburg	X		Representative Delmore		X
Vice Chairman Boehning	X				
Representative Brabandt	X				
Representative Nathe	X				
Representative Kempenich					
Representative Vigesaa	X				

Total Yes 5 No 1

Absent 1

Floor Assignment _____

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

Motion Carried

Date: 03/27/17
Roll Call Vote #: 4

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: _____

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Nathe Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Chairman Brandenburg	X		Representative Delmore	X	
Vice Chairman Boehning	X				
Representative Brabandt	X				
Representative Nathe	X				
Representative Kempenich					
Representative Vigesaa	X				

Total Yes 6 No 0

Absent 1

Floor Assignment Chairman Brandenburg

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

Date: 03/29/17
Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: Reconsider their actions

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

Other Actions: ☒ Reconsider ☐ _____

Motion Made By Vice Chairman Boehning Seconded By Representative Vigesaa

Representatives	Yes	No	Representatives	Yes	No
Chairman Brandenburg			Representative Delmore		
Vice Chairman Boehning					
Representative Brabandt					
Representative Nathe					
Representative Kempenich					
Representative Vigesaa					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Date: 03/29/17
Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: To remove $200,000.00 from the salaries line for the Bank of North Dakota

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Kempenich Seconded By Representative Vigesaa

Representatives	Yes	No	Representatives	Yes	No
Chairman Brandenburg	X		Representative Delmore		X
Vice Chairman Boehning	X				
Representative Brabandt		X			
Representative Nathe		X			
Representative Kempenich	X				
Representative Vigesaa	X				

Total Yes 4 No 3

Absent 0

Floor Assignment _____

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

Date: 03/29/17
Roll Call Vote #: 3

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: _____

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Vice Chairman Boehning Seconded By Representative Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Brandenburg	X		Representative Delmore	X	
Vice Chairman Boehning	X				
Representative Brabandt		X			
Representative Nathe	X				
Representative Kempenich	X				
Representative Vigesaa	X				

Total Yes 6 No 1

Absent 0

Floor Assignment Chairman Brandenburg

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

Date: 3/30/2017
Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2014

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: **17.0522.02004 Change the times you can hire to 1 June & 1 in December**

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By **Representative Brandenburg** Seconded By **Representative Boehning**

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich			Representative Streyle		
Representative: Boehning			Representative Vigesaa		
Representative: Brabandt					
Representative Brandenburg					
Representative Kading			Representative Boe		
Representative Kreidt			Representative Delmore		
Representative Martinson			Representative Holman		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Pollert					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No _____

Absent Motion carries

Floor Assignment _____

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

Date: 3/30/2017
Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2014

House Appropriations Committee

[ ] Subcommittee

Amendment LC# or Description: **Info on state funding and two more FTEs**

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By **Representative Streyle** Seconded By **Representative Schatz**

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich			Representative Streyle		
Representative: Boehning			Representative Vigesaa		
Representative: Brabandt					
Representative Brandenburg					
Representative Kading			Representative Boe		
Representative Kreidt			Representative Delmore		
Representative Martinson			Representative Holman		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Pollert					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No _____

Absent _____

Floor Assignment Motion carries

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

Date: 3/30/2017
Roll Call Vote #: 3

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2014

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

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

Other Actions: ☐ Reconsider ☐ _____

Motion Made By **Representative Brandenburg** Seconded By **Representative Boehning**

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X		Representative Streyle	X	
Representative: Boehning	X		Representative Vigesaa	X	
Representative: Brabandt	X				
Representative Brandenburg	X				
Representative Kading	A		Representative Boe		X
Representative Kreidt	x		Representative Delmore		x
Representative Martinson	x		Representative Holman		x
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson		X			
Representative Pollert	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	X				

Total (Yes) 16 No 4

Absent 1

Floor Assignment **Representative Brandenburg**

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

Motion Carries

REPORT OF STANDING COMMITTEE

SB 2014, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2014 was placed on the Sixth order on the calendar.

Page 1, line 3, remove the third "to"

Page 1, remove lines 4 through 7

Page 1, line 8, remove "tax credits;"

Page 1, line 8, replace the first comma with "and"

Page 1, line 8, after the second comma insert "subsection 3 of section 54-17-07.3, and sections"

Page 1, line 8, after the third comma insert "54-18-19,"

Page 1, line 9, remove "occupational or"

Page 1, line 10, replace "professional" with "recreational"

Page 1, line 10, after the second comma insert "North Dakota mill and elevator profits,"

Page 1, line 11, replace "section" with "sections 6-09-50, 54-17-40,"

Page 1, line 11, after "54-17-41" insert ", and 54-18-20"

Page 1, line 11, after "Code" insert "and sections 16, 26, and 27 of chapter 14 of the 2015 Session Laws"

Page 1, line 11, after the second "to" insert "a financial center project, the housing incentive fund,"

Page 1, line 12, after "reports" insert ", and a gain-sharing program"

Page 1, line 12, after the second semicolon insert "to provide for a report to the legislative management;"

Page 1, line 13, remove "and"

Page 1, line 13, after the second "date" insert "; and to declare an emergency"

Page 2, replace lines 1 through 8 with:

"Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25"

Page 2, replace lines 13 through 15 with:

"Bank of North Dakota operations	$58,542,301	($253,097)	$58,289,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	($188,097)	$59,099,204"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,745,034	($107,655)	$7,637,379
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$6,755,473	$44,275,562
Full-time equivalent positions	46.00	(4.00)	42.00"

Page 3, replace lines 10 through 12 with:

"Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	9,813,756	187,931,491
Grand total all funds	$203,075,481	$10,264,997	$213,340,478

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month."

Page 5, line 5, replace "$1,254,462" with "$221,737"

Page 5, line 5, replace "six" with "two"

Page 5, line 9, remove "the thresholds identified in this section. Of the $1,254,462 and the six full-time"

Page 5, replace lines 10 through 18 with:

"eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions, one of which may be hired after May 31, 2018, and one of which may be hired after November 30, 2018, if the total number of wells capable of production and injection exceeds eighteen thousand two hundred."

Page 5, line 20, replace "$1,103,986" with "$1,103,779"

Page 7, line 11, replace "thirteen" with "thirty"

Page 7, line 20, remove the overstrike over "~~**- Suspension of**~~"

Page 7, line 21, after "~~**license**~~" insert "**recreational licenses**"

Page 7, line 21, remove the overstrike over "~~**for nonpayment of defaulted state guaranteed student loans**~~"

Page 7, line 22, remove the overstrike over "~~1.~~"

Page 7, line 29, remove the overstrike over "~~2.~~"

Page 8, line 15, after the overstruck period insert "The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department which the judgment debtor is required to obtain before engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department."

Page 8, replace lines 16 through 21 with:

"**SECTION 19. AMENDMENT.** Subsection 3 of section 54-17-07.3 of the North Dakota Century Code is amended and reenacted as follows:

3. Multifamily housing finance program. A program or programs to provide financing directly or indirectly of construction, permanent, and combined construction and permanent mortgage loans, including participations in mortgage loans, for the acquisition, construction, refurbishing, reconstruction, rehabilitation, or improvement of multifamily housing facilities. As part of the program, the industrial commission, acting in its capacity as a state housing finance agency, may enter a public and private partnership with any interested private entity and accept any gift, grant, or other type of financial aid or assistance~~, including a contribution to the housing incentive fund,~~ to provide financing for the construction or rehabilitation of a multifamily housing facility in a developing community in the state to address an unmet housing need or alleviate a housing shortage. A private entity participating in this program may reserve a proportionate share of available units in the facility for occupancy by its workforce based on its financial participation in the facility, in addition to any units held for occupancy by individuals or families of low or moderate income."

Page 10, remove lines 30 and 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 31

Page 14, replace lines 1 through 22 with:

"**SECTION 21. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in

the amounts and at the times requested by the director of the office of management and budget."

Page 19, line 3, replace "Section" with "Sections"

Page 19, line 3, after "54-17-41" insert "and 54-18-20"

Page 19, line 3, replace "is" with "are"

Page 19, after line 3, insert:

"**SECTION 24. REPEAL.** Section 6-09-50 of the North Dakota Century Code and sections 16, 26, and 27 of chapter 14 of the 2015 Session Laws are repealed.

SECTION 25. REPEAL. Section 54-17-40 of the North Dakota Century Code is repealed."

Page 19, remove lines 21 through 26

Page 20, replace lines 13 through 15 with:

"**SECTION 30. PROHIBITION - NORTH DAKOTA FINANCIAL CENTER - BANK OF NORTH DAKOTA.** The Bank of North Dakota may not construct a North Dakota financial center on a site adjacent to the existing building on which the Bank of North Dakota is located related to the funding provided in section 1 of chapter 14 of the 2015 Session Laws and identified in sections 2 and 26 of chapter 14 of the 2015 Session Laws.

SECTION 31. LAKE BED SEDIMENTATION STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the game and fish department, the state department of health, and the state water commission regarding the feasibility of and appropriate jurisdiction for regulation of sediment studies and dredging operations from the beds of reservoirs that retain more than fifty acre-feet of surface water. The industrial commission shall report to the legislative management by September 30, 2018, regarding the results and recommendations of the study.

SECTION 32. EFFECTIVE DATE. Sections 19 and 25 of this Act become effective December 31, 2018.

SECTION 33. EXPIRATION DATE. Section 21 of this Act is effective through June 30, 2019, and after that date is ineffective.

SECTION 34. EMERGENCY. Sections 24 and 30 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Base Budget	Senate Version	House Changes	House Version
Industrial Commission				
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
Bank of North Dakota				
Total all funds	$59,287,301	$59,336,944	($237,740)	$59,099,204
Less estimated income	59,287,301	59,336,944	(237,740)	59,099,204

General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$37,520,089	$44,539,570	($264,008)	$44,275,562
Less estimated income	37,520,089	44,539,570	(264,008)	44,275,562
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$203,075,481	$214,930,939	($1,590,461)	$213,340,478
Less estimated income	178,117,735	188,466,417	(534,926)	187,931,491
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987

Senate Bill No. 2014 - Industrial Commission - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$22,132,229	$22,038,346	($24,262)	$22,014,084
Operating expenses	4,779,135	6,305,888		6,305,888
Grants - Bond payments	15,040,829	13,210,484		13,210,484
Contingencies		1,254,462	(1,032,725)	221,737
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
FTE	116.75	114.25	(4.00)	110.25

Department No. 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Adjusts Contingent FTE Positions[2]	Total House Changes
Salaries and wages	($24,262)		($24,262)
Operating expenses			
Grants - Bond payments			
Contingencies		(1,032,725)	(1,032,725)
Total all funds	($24,262)	($1,032,725)	($1,056,987)
Less estimated income	(1,452)	0	(1,452)
General fund	($22,810)	($1,032,725)	($1,055,535)
FTE	0.00	(4.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Contingent funding and authorization for FTE positions are adjusted to provide $221,737 from the general fund and 2 FTE positions. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells as identified in Section 7 of the bill.

This amendment also includes the following changes related to the Industrial Commission:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and FTE positions are authorized, subject to Budget Section approval, if the

total number of wells capable of production and injection exceeds 18,200 wells. One position may be hired after May 31, 2018, and another position may be hired after November 30, 2018. The Senate provided $1,254,462 from the general fund and 6 FTE positions.

- Allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services. The transfer was adjusted for the health insurance adjustment compared to the transfer of $1,103,986 provided by the Senate.
- Adds a section requiring the Industrial Commission, in consultation with the Game and Fish Department, the State Department of Health, and the State Water Commission, to study lake bed sedimentation and to report the results to the Legislative Management.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Base Budget	Senate Version	House Changes	House Version
Capital assets	$745,000	$810,000		$810,000
Bank of North Dakota operations	58,542,301	58,526,944	(237,740)	58,289,204
Total all funds	$59,287,301	$59,336,944	($237,740)	$59,099,204
Less estimated income	59,287,301	59,336,944	(237,740)	59,099,204
General fund	$0	$0	$0	$0
FTE	181.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Reduces Funding for Salaries and Wages[2]	Total House Changes
Capital assets			
Bank of North Dakota operations	(37,740)	(200,000)	(237,740)
Total all funds	($37,740)	($200,000)	($237,740)
Less estimated income	(37,740)	(200,000)	(237,740)
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Funding is reduced for salaries and wages by $200,000.

This amendment also includes the following changes related to the Bank of North Dakota:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Authorizes the Bank of North Dakota to charge up to 30 percent of accumulated principal and interest on defaulted student loans. The Senate provided authorization to charge up to 13 percent.
- Provides the authority to suspend a recreational license when the licensee's student loans are in default. The Senate removed the authority to suspend an occupational or professional license.

- Repeals the references to the North Dakota financial center, which were included in 2015 House Bill No. 1014, and provides an emergency clause related to the repeal.
- Prohibits the Bank of North Dakota from constructing a financial center and provides an emergency clause related to the prohibition.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$7,745,034	$7,901,387	($264,008)	$7,637,379
Operating expenses	3,744,275	4,743,355		4,743,355
Grants	25,930,780	31,794,828		31,794,828
HFA contingencies	100,000	100,000		100,000
Total all funds	$37,520,089	$44,539,570	($264,008)	$44,275,562
Less estimated income	37,520,089	44,539,570	(264,008)	44,275,562
General fund	$0	$0	$0	$0
FTE	46.00	46.00	(4.00)	42.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Removes FTE Positions[2]	Removes Additional FTE Positions[3]	Total House Changes
Salaries and wages	($9,331)		($254,677)	($264,008)
Operating expenses				
Grants				
HFA contingencies				
Total all funds	($9,331)	$0	($254,677)	($264,008)
Less estimated income	(9,331)	0	(254,677)	(264,008)
General fund	$0	$0	$0	$0
FTE	0.00	(2.00)	(2.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Authorization for 2 FTE positions is removed. Funding for 2 FTE positions, including a housing program administrator position and a housing program representative, was removed by the Senate.

[3] Funding of $254,677 and 2 FTE positions are removed, including a housing program specialist position and a housing program administrator position.

This amendment also includes the following changes related to the Housing Finance Agency:

- Continues the housing incentive fund through December 31, 2018, after which all references to the housing incentive fund are repealed.
- Removes a section added by the Senate to provide up to $5 million of income tax credits for contributions to the housing incentive fund which would have reduced general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections.
- Removes a section added by the Senate to establish the essential service worker home ownership incentive fund and to identify the uses of the fund.

- Removes a section added by the Senate to provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund which would have reduced general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections.
- Removes a section added by the Senate to identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions 1 and 8 and the remaining contributions for the other planning areas.
- Removes a section added by the Senate to provide an effective date and expiration date related to the housing incentive fund and the essential service worker home ownership incentive fund tax credits.

Senate Bill No. 2014 - Mill and Elevator - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$36,278,898	$39,340,245	($31,726)	$39,308,519
Operating expenses	27,327,000	28,195,000		28,195,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
FTE	147.00	153.00	0.00	153.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Total House Changes
Salaries and wages	($31,726)	($31,726)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	($31,726)	($31,726)
Less estimated income	(31,726)	(31,726)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Mill and Elevator Association:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604.
- Section 22 repeals Section 54-18-20 which authorizes a gain-sharing program. The removal of the gain-sharing program may affect the profits available for transfer to

the agricultural products utilization fund and the general fund, but the amounts cannot be determined.

2017 CONFERENCE COMMITTEE

SB 2014

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
4/10/2017
Job # 30010

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Emmery Grotberg for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1 – 4

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern, and Representatives Brandenburg, Kempenich and Delmore.**

Adam Mathiak handed out worksheets.
Industrial Commission – Budget No. 405 – Testimony Attached # 1.
Bank of North Dakota – Budget No. 471 – Testimony Attached # 2.
Housing Finance Agency – Budget No. 473 – Testimony Attached # 3.
Mill and Elevator Association – Budget No. 475 – Testimony Attached # 4.

Bank of North Dakota –
Rep. Brandenburg: BND is dealing with $140M. We took $200,000 out of the salaries for the bank. We are dealing with the health Insurance.

Department of Mineral Resources –
Rep. Brandenburg: We also took 2 FTE positions dealing with mineral resources out. Originally, you put in six and we took four out. We have left two in there we tagged onto the wells and we are at 17,100 wells right now. If it gets to 18,200 wells, which it is predicted to get to, they receive another FTE in June and another one in December. We put $221,000 in the contingency fund so that would fill that area. We also gave some authority for bond payments.

Mill and Elevator –
Rep. Brandenburg: At the beginning, the governor was at 90%, you went to 50%, and we went to 75%. It looks like $24M would be their earnings so we would still keep $6M and $18M goes to the general fund. The gain-sharing program was pulled.

Housing Finance Agency -
We took out 4 FTEs and tax credits; 50% of it was for individual income tax and 50% was corporate tax. We took out the $5M for the tax credit program for housing. We also took out the $500,000, 50% for the individual income tax and also 50% for the corporate. So we took $5,500,000 out of that.

Bank of North Dakota – There was a provision in there dealing with collections of losses for student loans that weren't paid back. The Senate was at 13% and we went to 30%. There was a division there to take away their certificate of employment or whatever professional degree and we took that out and we put in there that we would take away their hunting privileges.

Adam Mathiak: One thing to mention would be the financial center at the Bank.

Rep. Brandenburg: We put language in that the financial center cannot be built. There is also a study for who is in charge of lake beds.

Bank of North Dakota – (See Attachment #2)

Senator Sorvaag: We already reduced the bank several hundred thousand in operating lines. What was the justification to remove an additional $200,000 for the additional reduction in the salary line? Was it based on something or just an arbitrary number?

Rep. Brandenburg: It is an arbitrary number.

Senator Mathern: The way I understand it the salaries are really an internal operation rather than a general fund expenditure. What is rationale to do that?

Rep. Brandenburg: It was from discussion. We took money out of a lot of budgets and there was an arbitrary number where a motion was made and it was voted on and it was unanimous and it passed. There were some other motions for some other numbers and they did not pass. At one point it was $1M but we ended up at $200,000.

Senator Mathern: Is it something they needed in terms of internal operations?

Rep. Brandenburg: The only answer I can give you is that those were the motions that were made.

Senator Hogue: I like the work you did on Section 18 to tailor the withholding of licenses to the recreational licenses. When we cut the collection rate back to 13% and you went from 13% to 30%, was the 30% something the bank asked for or was that an arbitrary number?

Rep. Brandenburg: 30% is the standard in the industry. We thought that 13% was low but we are open for discussion.

Industrial Commission – Department of Mineral Resources (See Attachment #1)

Senator Sorvaag: The main change was to the Department of Mineral Resources. We put in six and I understand taking out the four, but why are you putting a four-month stagger in there instead of letting them come on together?

Rep. Kempenich: When we started out, we looked at rig counts to add people to this department. It was our feeling that they didn't need these folks until it starts escalating. There are wells but it was our feeling that there wasn't a demonstrated need today to add these people in that manner. That is why we staggered them out and pulled the four because that is going into the next biennium.

Senator Sorvaag: We concur because we had the first trigger at 18 which you left. But when the trigger hits the 18.2 (18,200 wells) and you need them, why are they six months apart?

Rep. Kempenich: We looked to see if this is still moving up. I think we were talking 18.2 and I think the next conversation was 19 (19,000 wells).

Committee Discussion: The committee said they would continue to discuss the FTEs for the industrial commission. Mr. Mathiak said that there may have been some rationale for the dates is because the budget section meets in June as well as December so the dates had been aligned for that reason.

Bank of North Dakota – (See Attachment #2)

Senator Hogue: The building of the financial center is not something we had a lot of discussion about. I was also curious about what the rationale was for the prohibition that they may not build that?

Rep. Brandenburg: There has been a lot of discussion about buildings. The House has said no buildings. We would all like to see that center built but it was felt by leadership that there should be some language put in there prohibiting building a building. We have to answer to other people who do want buildings that we are saying no to. They did say they had no intention of building the center but the language was put in there to make everyone happy that they are not going to build the building this next biennium until they have the authority to build it.

Senator Hogue: The language says "may not construct;" does that mean they may not make plans to construct or that they cannot physically construct?

Rep. Brandenburg: It's not a dead project but we're not allowing them to build this next biennium when everyone else is prohibited from building.

Senator Mathern: On that building, it appears quite different than other buildings and it seems like it is in our interest that they build that building now. The need was demonstrated in the past biennium for a colocation of a number of those services. Now that we aren't building other buildings, this is in our interest to build in that the cost of building it now would be less now than in the future. It would take no general fund dollars to build. It seems like the House is using a psychological or political rationale. We should be looking at the finances of it and the finances suggest that we build it now.

Rep. Brandenburg: There is probably close to a billion dollars of different programs that the Bank of North Dakota is doing. Until we get a better handle where we are at with where the state is going; if we allow this building to be built, other departments and institutions are going to want to build.

Senator Sorvaag: We will need to continue to discuss this.

Housing Finance – (See Attachment #3)

Senator Sorvaag: You took away 4 employees; 2 of them we didn't fund. The other 2 provide a service to the citizens processing different things, they are paid for with special funds, most of those funds are federal dollars and there are no general funds involved with any of the housing finance employees. Can discuss why they are being eliminated?

Rep. Brandenburg: We pulled the two FTEs that were unfunded and then we went into full appropriations and there were another two FTEs that were pulled and the money. We can have some discussion, but we were trying to save money.

Senator Sorvaag: It's special funds, so we are not saving a lot for anyone.

Housing Credits – (See Attachment #3)

Senator Sorvaag: I understand why you took the money away in the housing credits; it is general fund dollars but why do you want to take that authority away? It expires December of 2018 and we could leave that housing incentive fund ability there and if next session we wanted to put money in, we wouldn't have to revive the whole thing it would be only to refund it. I understand why you took the money away but why did you take the authority away?

Rep. Brandenburg: There were some motions made to do that and it was not unanimous. I think $14.2M that carried over that was committed but it is not spent yet. There is still money there they can work with but there are some federal dollars and if you look in their special funds, it is showing we are at $44M but they've picked up $5.8M of federal funds between the time they have met so it skews that number. They are still getting federal dollars but those federal dollars have some strings tied to them so that was some of the discussion about that authority dealing with not only the special funds but also the federal funds.

Mill and Elevator – (See Attachment #4)

Senator Sorvaag: We'll talk later about percentage of profit. Why take away the gain-share? I know it leaves a little more money but it is a critical part of their salaries.

Rep. Brandenburg: There needs to be a discussion about should there be a limitation on the dollar amount of how big these gain-shares can be. A lot of times the people on the bottom end don't get much while the people on the top end get quite a bit. We should have some discussion about that to see how fairly it is done.

Rep. Delmore: There was also some discussion about how important that has been to the mill and elevator to their profits, etc. They deal in a product that is very popular and they are open 24/7. It is a unique situation unlike most employees that we have in most areas. It wasn't an area that had total agreement by any means.

Senator Mathern: Should we get the data Representative Brandenburg is asking for on the section of gain-sharing? I also see wording on here that amounts cannot be determined so maybe we should ask someone from the Industrial Commission or the Mill & Elevator to give us the numbers that relate to that. I happen to believe that all the money we're able to take out of the Mill & Elevator relates to the fact that gain-sharing has created profits but actually having those numbers might be helpful.

Senator Sorvaag: Thanked the committee for their work and closed the conference committee meeting on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
4/11/2017
Job # 30041

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Emmery Crotberg for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes:

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees were: **Senators Hogue and Mathern and Representatives Brandenburg, Kempenich and Delmore.**

Senator Sorvaag: We will talk about the Bank of North Dakota and Housing Finance.

Bank of North Dakota –
Senator Hogue: Last time we met we covered the issues of contention with respect to the BND budget.
(1) The biggest issue is the building and I know there is not a lot of enthusiasm for not building the building but so far I have heard from the House is that it is for appearance and it is a political thing. I was hoping we could have a discussion about the finances and if we are going to build a building, does it make sense to build it now? My sense is that it never gets cheaper to build a building, they always go up in price. I think the people expect us to make good fiscal decisions so I would like the House to defend their position on not building it. If it is just political appearance, I will accept that but I would like to know if they think it doesn't make economic sense now.
(2) The $200,000 reduction in salary and wages. I don't know how I can support that if I don't have an underlying principle that isn't just an arbitrary number.
(3) I think I support what the House did for the student loan repayment remedies for the bank. If a borrower under default and they can't afford to make student loan repayments, they ought not be able to go hunting and fishing. The trouble and philosophical problem is with the 30% interest rate/surcharge. I know Representative Brandenburg said that may be the industry average but I am struggling with that because these borrowers are ND residents. There is always a disagreement, when is the BND a bank and when is it here to help our people. I

think the student loan business the bank got back into is a good business for them to be in. They make their loan money on the loan volume. They generate huge amounts of loan volume because there is a lot of student load debt out there. This little collection piece is a pretty small component of their revenue but it disproportionality affects those borrowers who can't repay. I don't think it is fair to assume these borrowers aren't doing anything, some may have issues and may be earning less than what they were hoping for. I think it is reasonable for us as a legislature to cap what the bank may charge these students.

Senator Sorvaag: Do you have a recommendation of another number besides the 13% that was in our bill?

Senator Hogue: I would like to go lower than 13% because again, this is not a significant component of their revenue. I'd suggest 10-15% and I would also suggest we restore the $200,000 of funding and I think the restriction on the hunting and fishing is a good proposal.

Rep. Brandenburg: There was $17M set up for the financial center that didn't get carried forward into the next biennium. Last session, negotiations were done with the conferees in being able to get that done. They had to get $130M of earnings to get that bill. We all wanted the building to happen but a week before the ground breaking, the governor decided because of our financial situation, we couldn't do it which was unfortunate. I know the blue prints are all done and they have all the plans in place but the House is taking a position that no buildings will be built. We've taken a no position on other buildings.
I have heard half the people could pay their loans but they won't because they think they can get away without paying it. We can talk about the 30% but I don't think we will get down to 13%.
There was a motion made for $500,000 and discussion of $1M but we passed $200,000. We can discuss it but that's what the committee wanted.

Senator Sorvaag: The Senate would still like to see the financial center built. We want the $200,000 restored, we concur with your language on the student load with the Game & Fish licenses but the only point of discussion will be the surcharge. The building has no bearing on their profits it is just converting their assets to another asset that is going to generate an income one way or another but those are the three points we will discuss next time.

Rep. Delmore: I questioned the 30% in committee also because it gets into loan sharking and usury. As we look at people who aren't paying debts, there are a lot of other things that do enter in. I certainly think we could look at something lower than 30% which is what the bank asked for.

<u>Housing Finance Agency</u> -

Senator Sorvaag: There are three issues with Housing Finance:

(1) Their employees. There were four FTEs removed; two of them were there already, two were unfunded. We are willing to remove the two unfunded employees but we want to restore the two that had been funded. They have an essential role, they work with different areas and it is special funded and we think their role is critical enough that they should be restored.

(2) We had $5M in the Housing Incentive Fund. Your language not only removed the money but it also removed the authorization for that. We would like to see $2.5M staying in the Housing Incentive Fund.
(3) You removed the section for the essential worker housing which was $500,000 and that is a new program. We are comfortable with removing this.

Representative Brandenburg: You would like the two funded employees restored and then the language for the housing to continue the program and then $2.5M of tax credits for the housing, correct?

Senator Sorvaag: Correct. The essential worker part can go away, the funding and the language.

Committee Discussion: The committee members discussed the Senate requests.

(14:45) **Representative Kempenich:** They had 6 vacant FTEs and they are open from 66 months to 15 months and then they have another one that is not actable which is where the four came from, we looked at the months of open positions.

Senator Sorvaag: We are hearing that there are a lot would open positions and this was special funds so I know the allotment didn't deal with it but we realize some are open at this immediate time but we would still like to keep those two spots available if need be.

Lignite Research -

Senator Sorvaag: Everyone is on the same page with the Lignite Research and everyone is fine with the way the language reads in the bill.
I want to address Section 31, the lake bed sediment study. Can you tell us your thinking and why the study is there?

Representative Brandenburg: We found out that we have people who pump out lake beds and use it for potting soil or for pipelines to get some black dirt on top of the clay. The trouble is that these people are starting to clean out the bottom of the lake with their equipment and they get a pile of dirt out there and the township may say they can be there but the county commissioners may say they can't. We found out that no one is in charge of the bottom of the lake beds so there is a question about who has the authority over the lake beds. They start cleaning it out and have a big pile of dirt there. They say the people are supposed to take care of it.

Representative Kempenich: Game and Fish identifies the habitat but isn't responsible for the lake bed. You have the water commission that is in the water and you have the health department or (Environmental Quality) now who is responsible for the water quality. So you have three agencies but you have to get a permit from the Health Department to do this. You have a bunch of entities involved but no one is responsible for the bed itself so that is why we were looking at the geological survey because you have different agencies identifying this but no one is putting the data together on what needs to happen and how.

Senator Mathern: Have you considered giving the industrial commission broader authority for consultation? It seems limited in who they can consult with and you may want to have more departments than what are listed here.

Senator Sorvaag: Adam, would this them from going to other sources the way it is worded?

Adam Mathiak: It probably wouldn't limit them. Those would be the required entities the would have to consult with but there would be nothing preventing them from seeking input from other sources.

Senator Hogue: I think the House has identified this problem and as I understand it, you want a clear line of authority of who can authorize this activity rather than disputes between the political subdivisions. It sounded to me like you would like to create a one stop shop where they don't have to go to different agencies for permits, correct?

Representative Kempenich: Correct. This has been an ongoing conversation for a couple of sessions and we haven't done anything. There is no one in charge of any of this and we talked to the director of mineral resources and they indicated some interest in looking at this.

Representative Brandenburg: They go and set up all their equipment and they have a big set up because they pump this dirt out and they put it into a net and it dries out the dirt as it goes through the screen. Soon we have a pile of dirt and the people on the lake side want to run them off. The county commissioners say they can or can't be there.

Senator Hogue: I think this is a good provision from the House side. I would rather we direct the commission to drill down into those specific areas rather than just identify the problem but require the study to propose a solution as well.

Senator Sorvaag: Said he would bring some wording to the next meetings and adjourned the meeting on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
4/13/2017
Job # 30106

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Emmery Brotherg for Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes:

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Senator Sorvaag: We went over the BND and Housing Finance issues last meeting so we will cover the others in this meeting.

Mill and Elevator –

Senator Sorvaag: There are only two issues: the percent of their profits and the gain-share issue. I think the Senate is committed to not supporting taking out the gain-share and we want to stay at 50% profits and at this time, we are not ready to move out those positions.

Representative Kempenich: On the gain share, it came down to the uniqueness of it. The whole situation with the mill is unique because it is a business that the state owns. Representative Kempenich asked Mr. Mathiak what percentage of the profits are open for the profit sharing plans.

Adam Mathiak: The mill might be better to answer the question but from what I understand, the amounts that are distributed under the gain-sharing are going to be specific to each employee's wages and they would a percentage of the profit as additional compensation for reaching the specified targets and the criteria outlined in that program. I think there are some safety measures they have to meet and also the profit levels. The amount that gets distributed has varied from year to year depending on the profit levels and whether they meet the criteria or not. There is an average percentage per employee and it is an amount that comes off the gross profits and transfers to the APUC fund and to the general fund.

Senator Sorvaag: The Senate believes the gain-share is unique because it isn't just a part of profit. It's individually geared to each one with expectations of safety and production. It is more than a percent of the whole. There are individual standards and that is a unique thing and an important part of it.

Karlene Fine, Executive Director, North Dakota Industrial Commission: We provided some information to the committee that showed you what the profits and payouts of the employees were for the last ten years. It does vary from year to year based on the gain-sharing plan that is adopted by the commission each year. There are four criteria in addition to profits and there are other criteria that also has to be met before there is any distribution.

Representative Kempenich: That varies from year to year, the percentage of profit in this program varies as well, correct?

Karlene Fine: That is correct.

Senator Sorvaag: For this last year, it was about 13%? I understand it varies per employee, but this would be like a 13% pay cut, correct?

Karlene Fine: For the two-year average, it is 13.59%.

Representative Kempenich: It's part of the salary, but it isn't. We started asking what could the mill produce and what could you take based on the profits? It got into the state agency and the gain-share and that is where the conflicts started.

Senator Sorvaag: It is a business and we asked them to run as such and it's hard to treat them as a state agency. If we are going to ask them to run as a business, we need to allow them some latitudes that a business would have. Most government agencies provide service and we provide funds for it. Their success is rated on the amount of their profit which is why we look at the gain-share differently and see it as a critical part of the equation.

Representative Kempenich: What was the amount distributed last year?

Karlene Fine: $1.2M

Senator Mathern: I thought it was interesting that you raised that issue regarding gain-share. As I went through it, I was thinking that instead of eliminating it, we should add more agencies. We have all kinds of profits out of that enterprise and it seems to be that gain-sharing is one of the key ingredients.

Representative Delmore: As the Chairman of the committee said, they produce a product. It's not service that is very difficult to measure, it's a product and it is going into an international market. The profit sharing is unique just as the mill is unique.

Senator Sorvaag: We're not going to debate this anymore because we know where both sides stand at this point but we will discuss it in a later meeting.

Department of Mineral Resources –

Senator Sorvaag: When we left 101.5 employees in the Department of Mineral Resources. I don't think you changed that number and we had the triggers of two at the 18,200 wells and four more at approximately 19,000. You took out the four that were triggered and staggered the two into two different fiscal years.

Representative Kempenich: The reason we did that is because we put the first 18,200 person in June around the budget section meetings which is why the December one was also scheduled around budget section. The four, we felt that it was so close to the beginning of the next biennium, that we didn't want to have them show up and debate them again if things haven't changed.

Senator Sorvaag: If things hadn't changed, they wouldn't get the contingency to come in anyway.

Representative Kempenich: The way it was structured; it was so close that we didn't want to deal with it when it is close to when the next biennium starts.

Senator Sorvaag: The Senate didn't take into consideration the date of the next section but we were hoping they would meet those triggers because that would mean activity is taking off. We want to make sure that department can be staffed properly with the right people. If activity would pick up, we don't want them lagging behind. That was the rationale of the trigger and some employees.

Representative Kempenich: Ten years ago, when we started conversation with DMR, we didn't want employees on that weren't doing anything. As activity increased, we did. It was our thought that as staff has grown over the years, we could put on emergency clause on if there was an emergency. We didn't want to have four FTEs that were coming in as triggered before that next session starts and have them not filled. Vacant FTEs aren't necessarily filled on day one and it shows up as unfilled positions.

Senator Sorvaag: It puts a big gap to when they can hire again because they need approval. I don't think we are far apart on this and that is the only issue I see in there. I don't have a problem with the stagger at this point but I would like to keep a discussion of four or some number in for that second trigger.

Representative Brandenburg: We are close to agreeing.

Bank of North Dakota –

Representative Brandenburg: The House had 30% and the Senate had 13%. We would be able to meet at 20%.

Senator Hogue: I hate to get to get bogged down on issue like this because I perceive it to be very small in terms of the dollars and perhaps in the terms of the number of students affected. But we have all kinds of borrowers at BND and we just approved another borrower who is in a little trouble and we said they could have a couple hundred basis points above

the liable rate and that would be in the 3-4%. Why are we treating different ND borrowers differently? I couldn't come up with a good answer to that. I know the one borrower who is getting a rate below 4-5% and they were borrowing a lot of money. I know they have a lot of lobbyists and the people we are talking about in the interest rate in this bill are not here and they do not have an organized lobby. They are people who were students and there are many who, by no fault of their own, can't get the money they need. They are ND people and we ought not to authorize an interest rate that we believe is exorbitant.
I would be comfortable with something in the 15-18% range because that is where a lot of unsecured credit is for credit cards, utilities, etc. That seems fair but if we start going above 18% per annum, we are not being fair to these people.

Representative Kempenich: Perhaps we could put some language in here to specify that it is for people who aren't communicating with the bank. I think we could put something in that specifies as long as the borrower is trying to repay their loans, they can be below that interest rate. I don't have a problem with that as long as there is something being worked out. I agree that we don't want to be punitive on things that they are trying to work with the bank but we have to put some of it back on the individual and that is why we are looking at these solutions.

Representative Delmore: I think adding to it that much more may make some people put their feet more in the ground because they feel more helpless in trying to meet that. 30% is really high and 20% might be too high as well. It is setting a different standard and there may be people whom things have happened to them beyond their control.

Representative Brandenburg: I agree with what you say because there are some people here that are hard on luck and in a bad spot and they will be unable to pay it. But there are some whom we have been made aware of and I'm trying to get hands around some language to address the people who refuse to pay.

Committee Discussion: Senator Sorvaag and Representative Brandenburg asked Senator Hogue and Senator Kempenich to work with BND to come up with some language to address the delinquent borrowers. The House said they were not willing to move on the $200,000 at this time.

Housing Finance –

Senator Sorvaag: Thoughts on counter proposal on Housing Finance?

Representative Kempenich: We found out with other agencies that what is on paper isn't necessarily how the money is being used. There is one for about $148,000 that can probably go back in. There is another for an attorney and we can talk more about that.

Housing Credits –

Senator Sorvaag: What about keeping the language for incentive fund and the $2.5M?

Representative Brandenburg: The House wants the $2.5M out. Next session if we put the money back in, we can put the authority language back in.

Senator Sorvaag: So you would be ok with the language but you don't like the money this session, correct?

Representative Brandenburg: We'll have to have more discussion on that.

Senator Hogue: What was the unobligated amount for the current biennium?

Jolene Kline, Executive Director, North Dakota Housing Finance Agency: We have about $12M that is not spent but I want to be clear that that money has been awarded to projects so that is not money that we can spend in the next biennium. Today, there is $1.2M that has not been awarded because that has come back from some projects. We held a funding round that ended the end of March and we are looking at applications of excess of $3M for that $1.2M. We fully expect that at the end of this biennium, there will be no dollars that can go out with funding for next biennium.

Senator Mathern: Is the present wording of the bill adequate to make it permissible for you to use all the money you have available or do you still need other wording to address dollars you would like to use over the next biennium that you were appropriated this biennium?

Jolene Kline: The latest version of the bill contains the language that sunsets the program on December 31st, 2018 and that would be sufficient time to get all these dollars out the door. Those projects will be starting this summer.

Senator Sorvaag: Closed the conference committee meeting on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
4/17/2017
Job # 30157

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Emmery Brotherg for Rose Laning

Explanation or reason for introduction of bill/resolution:

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

Minutes: Testimony Attached # 1 - 2

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Senator Sorvaag: I would like to discuss the main industrial commission budget:

Department of Mineral Resources
Senator Sorvaag: The only two parts to discuss: 1) The two employees triggered at 18,200 wells where you had staggered them. 2) Four employees at the 19,400. I think the Senate side is ok with giving up the four employees, but we would like to get rid of the stagger on the two. The rationale is that it works better to come in together but at the end of the day, they're budget section approval so they will have to come anyway so I don't think there is any reason for the stagger.

Representative Brandenburg: The House agrees with the Senate.

Senator Sorvaag: If everyone agrees, we are getting rid of the staggering dates.

Committee Discussion: The committee was in consensus. (2:20)

Bank of North Dakota
Senator Sorvaag: There are three issues: 1) Should we give authority to build the building; the Senate had it in and the House took it out. 2) There was removal of $200,000 from their salary line and the Senate wants to keep that in. 3) Student loan default rates.

Senator Hogue: I don't want to talk about the 18% without talking about the $200,000.

Representative Brandenburg: I would agree with Senator Hogue that we are getting close to resolve on the bank. I think the 18% will work for us but we will tie them all together.

Housing Finance Agency
Senator Sorvaag: Three Issues: 1) The Senate wanted to keep the two funded employees but we approve giving up the two unfunded employees but the House removed all four. 2) You repealed the housing incentive funding authorization and we had $2.5M as our last offer for the housing inventive fund.

Representative Brandenburg: We would agree on one of the employees and we are willing to look at the authority language but the money is out.

Senator Sorvaag: You're at one, we're at two for the funded employees. We are still discussing the language for the fund and we disagree on the dollars.

Senator Mathern: I would hope that we'd leave the language but would be willing to reduce the amount of dollars we put into the incentive fund.

Representative Brandenburg: I think the language can go back in and one employee.

Senator Sorvaag: Everyone is ok with the language and we will talk about the dollar amount at the next meeting.

Mill and Elevator
Senator Sorvaag: The House has some numbers on the gain-sharing part.

Representative Brandenburg: Handed out Gain Sharing – Testimony Attached # 1.

Representative Kempenich: I know this was discussed a little in our subsection and it was pulled out. We had debate on amounts and agencies. The House is looking at modifying the uncapped part of the gain-share program. We are recognizing this this is 1) a management tool; 2) if this was a private company and you had share-holders, there wouldn't have been the ability to realize this kind of profit potential.

Senator Mathern: What is the difference of where we're at in terms of taking profits from the Mill & Elevator?

Senator Sorvaag: The Senate at 50% and the House at 75%.

Senator Mathern: The best way to get 75% is to keep gain-sharing as it is. I am worried about the money available if we disrupt the employee morale or disrupt the program that motivates people to bring in the profits.

Representative Brandenburg: It is probably not going to affect those on the lower pay scale but upper management receive substantial bonuses. Most of the time, this elevator has been somewhere in the $6M-$10M range for a number of years. Now we are growing into $20M-$40M a profit and the lower wage earners deserve to get that money too but is there a place

on the top end where it gets topped out. We're not saying they shouldn't have it but we are questioning what the cap should be.

Representative Delmore: I would remind this group that it was put in by legislature, there is oversight by the Industrial Commission, and it is working. We are doing a good job. There are very little oversights on the caps of what CEOs receive in private companies. If it were a problem now, maybe we would need to look at fixing it but I don't think there are many at the top. If you look at the other salaries, the end is result is making $60,000 which isn't a fortune today by any means. I hope we can continue to look at this and see why it was put in place, see that it has been successful, and see that we can continue to do the right thing by our employees.

Senator Sorvaag: We'll have to have more discussion on it.

Senator Hogue: Handed out Proposed Amendment to SB 2014 – Testimony Attached # 2. Study Lake Bed Sedimentation.

Representative Brandenburg: The House approves of these amendments.

Senator Sorvaag: Closed the hearing on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
4/18/2017
Job # 30182

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Emmery Brotherson for Rose Laning

Explanation or reason for introduction of bill/resolution:

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

Minutes: Testimony Attached # 1

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Senator Sorvaag: The issues the issues we have left to resolve:

Department of Mineral Resources
Committee Discussion: The House and the Senate were in agreement.

Bank of North Dakota
Senator Sorvaag: The Senate is becoming comfortable with 18% for student loans.

Representative Brandenburg: The House agrees with going to 18%.

Committee Discussion: The Senate and House agreed to 18%.

Senator Sorvaag: We are still discussing the $200,000 and whether the authority to build the building should be granted or not.

Housing Finance Authority
Senator Sorvaag: The Senate and House agreed to keep the authorization language on the housing incentive fund. The House is in favor of keeping one employee; we would like to keep both since they are both special funded.

Representative Brandenburg: We're fine with language but money is out.

Senator Sorvaag: We would agree that the money is out but we would like the two employees.

Representative Brandenburg: We will think about it and come with an answer next meeting.

Mill & Elevator

Senator Sorvaag: The House wants no gain-share at 75%. The Senate wants gain-share to stay the way it is at 50%

Representative Brandenburg: I received information on the gain-share averages (Attached # 1) and some are in the $20,000 range. We should consider this because profit used to be between $5M - $15M and with the bigger facility and new mills, the profits could be $20M - $30M. We thought we should have some discussion about that before we get to that point. When we start talking about $40,000 in gain share, it is a discussion we should have.

Senator Sorvaag: The Senate sees that the Mill & Elevator have been asked to run as a business and they've been extremely successful. Now it sounds like we are saying they have been so successful, we'll take your profits.

Senator Mathern: You might consider taking this up as a separate matter with the Industrial Commission next session because this program is under that umbrella.

Representative Delmore: I would be interested to hear if there is insight from the Industrial Commission. It varies year by year depending on the set of goals and what the workers decide I don't see anyone gaining $40,000

Representative Brandenburg: At a $24M profit, you are looking at some in the $20,000 range but if you went to a $30-40M profits, the gain sharing could be very high.

Senator Sorvaag: Closed the hearing on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
4/19/2017
Job # 30228

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Emmery Grotberg for Rose Laning

Explanation or reason for introduction of bill/resolution:

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

Minutes: Testimony Attached # 1

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Bank of North Dakota –

Representative Brandenburg: If the Senate agrees we to not give authorization for a building, we could look at putting the $200,000 back and putting some language instructing the bank find some efficiencies and report back about some possible savings.

Senator Sorvaag: I don't you think they do that. Do you have an amendment?

Representative Brandenburg: No.

Senator Sorvaag: We'll discuss it once you have a written amendment.

Housing Finance –

Representative Kempenich: The House does not want to put the money in but we can put the two FTEs back in.

Senator Sorvaag: We're in consensus.

Mill and Elevator –

Senator Sorvaag: Does the House have any more thoughts on gain-share or profits?

Representative Kempenich: I spoke yesterday with people in the House. They suggested going up to 90% and walking away from the gain-share and put in a study in.

Representative Brandenburg: Governor Dalrymple did that in his original budget.

Senator Hogue: (Handed out Gain-Sharing Program study – Attached # 1) I would like to ask the Industrial Commission to do another study concerning the gain-sharing program. I think it is the best way to go with this issue as the House raised a number of concerns. With the increased capacity of the mill, it is going to be a highly profitable enterprise. Given the fact that it has this increased capacity and might see increased profits, it makes sense to have the Industrial Commission study whether the gain-sharing program they currently have is appropriate or should be revised.

Senator Sorvaag: We won't act on the amendments until we finish discussing gain-sharing.

Senator Sorvaag: Closed the hearing on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 (1)
4/20/2017
Job # 30240

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission.

Minutes: Testimony Attached # 1

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern, and Representatives Brandenburg, Kempenich and Delmore.** All conferees are present.

Bank of North Dakota -
Senator Sorvaag: We only have a couple issues on the bank and a couple issues on the mill left on this budget. The $200,000 - putting it back in. I think we agreed the building is out. We go with the 18%. We want the $200,000 and my understanding is that the House would agree with that if we accept the language of this report.

Representative Brandenburg: We have this proposed amendment (Attached # 1) that talks about potential efficiencies that we've handed out and reporting back to the appropriations committees of the next 66th Legislative Assembly, and we would agree to put the $200,000 back in if we can get the amendment adopted.

Senator Sorvaag: Is there any dissent? If there's not consensus, we will vote.

Senator Mathern: Is the House saying that the prohibition for building the building stays in.

Representative Kempenich: It's not a prohibition, it's just that they will not construct this biennium. We're not prohibiting them from building a building. It's not an absolute, but there will be no construction this biennium.

Senator Mathern: This biennium or the next biennium ??

Representative Kempenich: 2017-2019.

Senator Mathern: This is the best time to build in the world.

Representative Kempenich: It was probably the best time a year ago, but that's another issue.

Senator Sorvaag: In front of the committee is that they don't have authorization to construct this next coming biennium (2017-19); 18% on their collection credits; $200,000 goes back to the bank and they do this report. Does the committee concur with that?

Discussion: There was consensus that these will be the amendments on the bank.

Mill & Elevator –

Representative Brandenburg: We're probably hung up with the gain share on the Mill & Elevator. We're at 75% and If we were to give the gain share back, we would want to go to 90% to do that. That's what we have on the table right now.

Senator Sorvaag: The Senate is going to put out an offer. We'll go to 65% with gain share untouched. It is my understanding there is already a sunset on this larger amount so we don't need to deal with that. So, the Senate would go to 65% of the profits and the repeal of gain share is removed and that is all the Senate intends to do.

Representative Brandenburg: We'll come back.

Senator Sorvaag: Closed the hearing on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 (2)
4/20/2017
Job # 30255

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Senator Sorvaag: We've agreed on everything except gain share and profit percentages. The one thing we forgot to talk about this morning was the study on the gain share. Is there any more to discuss on the House side?

Representative Brandenburg: I think the proposed amendment looks real good. I think it's something we should look at and talk about, but we're stuck here. To give up the gain share, we wanted 90% and you offered 65%. There are a few things being talked about.

Senator Sorvaag: We're together on the whole bill except that one part. There's no reason to sit here until we're ready for movement. The 6PM hearing has just been cancelled. We'll meet tomorrow because I don't see the House moving by 6 pm and the Senate has no desire on that either. We will adjourn until tomorrow with this committee.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
4/21/2017
Job # 30267

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Rose Daning

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Senator Sorvaag: Rep. Kempenich is tied up and we are not going to take any official action today. Adam, is everything clear to you with what the committee has addressed so far.
Done with the Bank of North Dakota.
Done with Main Industrial Commission with the Dept. of Mineral Resources.
Done with Housing Finance.

Representative Brandenburg: We've agreed to that.

Senator Sorvaag: The only thing with the Mill & Elevator is gain share and shares of profit. At this time, the Senate is firm in their position of retaining the gain share and at 65% of the profits.

Representative Delmore: I have talked to a number of people on the House side, and at 90% when 5% is already taken out for APUC, it really is not a very reasonable offer. Even going with the 65%, it means that we're taking 70% of the profits. The mill is paying back a very sizeable loan that will also bring money into the Bank of North Dakota directly from there. So I hope we can find somewhere that we can agree because right now we're just too many miles apart.

Representative Brandenburg: We're working hard and sooner or later we'll get there, but I just want to wish you a good weekend.

Senator Sorvaag: We'll be in touch. Any comments from the Senate committee? If not, we'll close and meet sometime on Monday.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
4/24/2017
Job # 30276

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Emmery Brotherg for Rose Laning

Explanation or reason for introduction of bill/resolution:

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

Minutes: Testimony Attached # 1

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Mill & Elevator

Senator Sorvaag: We're in agreement on everything except one item which is gain-share. The issue is if gain-share is left, what percentage of profit is going to go to the general fund. Handed out ND Mill Biennium Transfers – Testimony Attached # 1.
The Senate is still sitting at 65% and the House hasn't moved.

Representative Brandenburg: We'd be willing to go to 80%.

Committee Discussion: The committee discussed gain-sharing and scheduled a meeting for the afternoon. Representative Brandenburg said the House and the Senate are about $3.5M apart.

Representative Delmore: Do you have any information on the amount of principled interest that is being paid by the Mill to BND that could also have the potential to go into general funds?

Karlene Fine, Executive Director, State Industrial Commission: I don't have the numbers but it's incorporated into these numbers.

Representative Delmore: I think we need to look at those numbers because that is a sizeable amount.

Senator Sorvaag: That is part of the operations but we can look at them at our afternoon meeting.

Committee Discussion: Senator Sorvaag and Representative Brandenburg discussed the afternoon meeting.

Senator Sorvaag: Closed the conference committee hearing on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 (2)
4/24/2017
Job # 30281

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Emmery Brotberg for Rose Laning

Explanation or reason for introduction of bill/resolution:

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

Minutes: Attachments: #1-2

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Mill and Elevator

(0:30 – 1:50) **Karlene Fine, Executive Secretary, North Dakota Industrial Commission:** Presented requested information ND Mill Biennium Transfers – Testimony Attached # 1.

Representative Kempenich: Isn't the interest an expense? Is it run through the operating?

Karlene Fine: Everything is through the operating line.

Senator Mathern: What is the interest rate that we have on this loan?

Karlene Fine: The interest rate we have with BND is the variable rate at 1.57%

(3:30 – 8:20) **Adam Mathiak:** Handed out SB 2014 – Industrial Commission Listing of Proposed Changes to 17.0522.02005 – Attached # 2. He explained the sheet.

Bank of North Dakota

Representative Kempenich: On Section 24, I didn't think we were repealing the authorization, we were just prohibiting construction, correct?

Adam Mathiak: It was added by the House and there are two parts to it: In the 2015 session, the authorization was provided and it included an exemption from the normal turn back procedures so in some ways it was seen as a 2 biennium authorization. This would repeal those references to that authorization and since the repeal wouldn't take effect until the end of this biennium, there was the prohibition so it is essentially prohibiting to the end of this current biennium and then discontinuing the provisions allowing them to construct it for the 17-19 biennium.

Representative Kempenich: I didn't realize it was a repeal in the authorization; I think we are going to have to keep part of that going forward otherwise there may be some costs involved. We just had a prohibition on it, I didn't realize we sunsetted the last language we had.
Senator Sorvaag: You were prohibited it during its authorization period so you were taking away the authorization.

Representative Brandenburg: Could we put in some language that it can't be built during this 17-19 biennium but it could be built when there is more money?

Representative Kempenich: I think we would just have to change the date on that section and push the authorization back a biennium.

Adam Mathiak: We could extend the original authorization through the end of the 19-21 biennium and then prohibited construction but I will double check.

Committee Discussion: Senator Hogue and Representative Kempenich discussed with Mr. Mathiak the authorization language the bill should include.

(15:20 – 17:00) **Adam Mathiak:** Continued through the Industrial Commission Listing of Proposed Changes to 17.0522.02005 – Attached # 2.

Mill and Elevator

Senator Sorvaag: Has the House changed their mind on gain-sharing?

Representative Brandenburg: The House is at 80% for the gain-share.

Senator Sorvaag: The Senate is at 65%.

Senator Sorvaag: Closed the conference committee hearing on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 (3)
4/24/2017
Job # 30283

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Senator Sorvaag: When we reviewed our changes, we realized there needed to be some correction on the language for dealing with the bank building. The language needs to be that we want to extend the authorization our through the next biennium.

Adam Mathiak: Just to clarify, by the next biennium, you mean 2019-21?

Senator Sorvaag: Yes, but there will be a prohibition from building the building this biennium.

Adam Mathiak: The prohibition is essentially a six-year authorization period through the end of 2020-21, with the first 4 years through the end of 2019.

Senator Sorvaag: I'm glad we went through that and caught that because that's a better way to leave it than the way we were just going to remove that authorization. Beyond that, this committee is really hung on the numbers right now. We're down to one item and we don't see any change. Everything we have done so far is by consensus

I do have another hearing scheduled for 11:00 tomorrow morning, but I ask everyone to watch because it could be cancelled in the morning. Everything we have done so far is by consensus.

Senator Mathern: Gain share is off the table?

Senator Sorvaag: I'm talking about the bank part. The gain share is not part of it with the numbers that the Senate has and the House has, but we still haven't put it all together.

Representative Brandenburg: We're real close, but we just have to give it a day.

Senator Sorvaag: Right now it looks like gain share will stay but we have to get the other number together. We're still discussing the percentage of profits.

He closed the hearing on SB 2014.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014
4/25/2017
Job # 30286

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Senator Sorvaag: We reviewed everything and the only place we haven't come to agreement on is on gain share and the percentage of profits. I think the House wanted to address the committee.

Representative Brandenburg: The House would go to 75% and give up the gain share but then we'd want the study in there too.

Senator Sorvaag: When you say "giving up the gain-share", you're alluding to removing the repealer that took it away?

Representative Brandenburg: Yes, it will stay in as it is, but with the study.

Senator Sorvaag: So far we have agreed by consensus, but because this has been a lot of disagreement, is that a motion?

Representative Brandenburg: Moved that the House would go 75% on the profits, remove the repeal on the gain-share and do a study.
Senator Hogue: Seconded the motion.

Representative Delmore: I'm very happy we have the gain share back for the workers. Taking the 75% plus the 5% for APUC means that's 80% of the profits. I don't think we've

asked anybody to make that kind of sacrifice, in particular when the mill is growing and trying to pay back loans, etc.

A Roll Call Vote was taken: 5 yeas, 1 nays, 0 absent.

Senator Sorvaag: Yes	**Representative Brandenburg: Yes**
Senator Hogue: Yes	**Representative Kempenich: Yes**
Senator Mathern: Yes	**Representative Delmore: No**

Senator Sorvaag: Be noted it passed by four. We don't have the final amendment yet, but does the committee want to meet again to review the amendment? (All agreed.)
We'll meet this afternoon at the call of the chair.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2014 (2)
4/25/2017
Job # 30289

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Testimony Attached # 1 - 2

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Sorvaag called the conference committee to order on SB 2014. Conferees are: **Senators Hogue and Mathern. Representatives Brandenburg, Kempenich and Delmore.**

Senator Sorvaag: handed out the Proposed Amendments to Engrossed SB 2014 - 17.0522.02006 – attached # 1.
First Engrossment of Engrossed SB 2014 – 17.0522.02006 (Xmas tree version) – attached # 2. He asked Adam go thru and hit the bigger highlights.

Adam Mathiak: Went over the amendments.

Senator Sorvaag: The gain share stays in because we just removed the repealer that the House had put in so it really doesn't show in the bill at all?

Adam Mathiak: Correct. (He continues going over the amendments.)

Senator Sorvaag: Any questions or comments?

Representative Brandenburg: That's everything we talked about.

Representative Brandenburg: I move that the House recede from its amendments and further amend with amendment 17.0522.02006.
Senator Hogue: Seconded the motion.

A Roll Call Vote was taken: 6 yeas, 0 nays, 0 absent.
The motion carries.

Senator Sorvaag thanked everyone and closed the hearing.

ET
4-25-17
p. 1 of 9

17.0522.02006
Title.04000
Fiscal No. 1

Prepared by the Legislative Council staff for
Conference Committee
April 25, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

That the House recede from its amendments as printed on pages 1215-1222 of the Senate Journal and pages 1335-1342 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 3, remove the third "to"

Page 1, remove lines 4 through 7

Page 1, line 8, remove "tax credits;"

Page 1, line 8, after the third comma insert "54-18-19,"

Page 1, line 9, after "Code" insert "and section 26 of chapter 14 of the 2015 Session Laws"

Page 1, line 9, remove "occupational or"

Page 1, line 10, replace "professional" with "recreational"

Page 1, line 10, replace "and" with "North Dakota mill and elevator profits,"

Page 1, line 10, after "allocations" insert ", and a financial center project"

Page 1, line 12, after the second semicolon insert "to provide for reports;"

Page 1, line 12, remove "to provide an effective"

Page 1, line 13, remove "date; and"

Page 1, line 13, after the second "date" insert "; and to declare an emergency"

Page 2, replace lines 1 through 8 with:

"Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25"

Page 2, replace lines 13 through 15 with:

"Bank of North Dakota operations	$58,542,301	($53,097)	$58,489,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$11,903	$59,299,204"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000

Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,745,034	$147,022	$7,892,056
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,010,150	$44,530,239
Full-time equivalent positions	46.00	(2.00)	44.00"

Page 3, replace lines 10 through 12 with:

"Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	10,268,433	188,386,168
Grand total all funds	$203,075,481	$10,719,674	$213,795,155

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month."

Page 5, line 5, replace "$1,254,462" with "$221,737"

Page 5, line 5, replace "six" with "two"

Page 5, line 9, remove "the thresholds identified in this section. Of the $1,254,462 and the six full-time"

Page 5, replace lines 10 through 18 with:

"eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred."

Page 5, line 20, replace "$1,103,986" with "$1,103,779"

Page 7, line 11, replace "thirteen" with "eighteen"

Page 7, line 20, remove the overstrike over "~~**- Suspension of**~~"

Page 7, line 21, after "~~**license**~~" insert "**recreational licenses**"

Page 7, line 21, remove the overstrike over "~~**for nonpayment of defaulted state guaranteed student loans**~~"

Page 7, line 22, remove the overstrike over "~~1.~~"

Page 7, line 29, remove the overstrike over "~~2.~~"

Page 8, line 15, after the overstruck period insert "The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department which the judgment debtor is required to obtain before engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision

becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department."

Page 8, remove lines 16 through 21

Page 10, remove lines 30 and 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 31

Page 14, replace lines 1 through 22 with:

"**SECTION 20. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 19, after line 2 insert:

"**SECTION 22. AMENDMENT.** Section 26 of chapter 14 of the 2015 Session Laws is amended and reenacted as follows:

SECTION 26. CONTINGENT FUNDING - BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The Bank may spend the funding only if the Bank's net income, reported in accordance with financial accounting standards board accounting standards, for calendar year 2015 exceeds $125,000,000. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available ~~during the biennium beginning July 1, 2017, and ending June 30, 2019~~through June 30, 2021. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project."

Page 19, remove lines 21 through 26

Page 20, replace lines 13 through 15 with:

"**SECTION 28. PROHIBITION - NORTH DAKOTA FINANCIAL CENTER - BANK OF NORTH DAKOTA.** The Bank of North Dakota may not construct a North Dakota financial center on a site adjacent to the existing building on which the Bank of North Dakota is located related to the funding provided in section 1 of chapter 14 of the 2015 Session Laws and identified in sections 2 and 26 of chapter 14 of the 2015 Session Laws until after June 30, 2019.

SECTION 29. LAKE BED SEDIMENTATION STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the game and fish department, the state department of health, the state water commission, and any other state agencies as necessary, regarding the feasibility of and appropriate jurisdiction for regulation of sediment studies and dredging operations from the beds of reservoirs that retain more than fifty acre-feet of surface water. The study must include consideration of best practices in other states, an outline of any proposed regulations, and a plan to implement a uniform permitting process. The industrial commission shall report to the legislative management by September 30, 2018, regarding the results and recommendations of the study.

SECTION 30. GAIN-SHARING PROGRAM STUDY - REPORT TO LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the North Dakota mill and elevator association regarding the gain-sharing program. The study must include consideration of the costs and benefits of the gain-sharing program, best practices in other milling operations, and the estimated fiscal impact of repealing or modifying the gain-sharing program. The industrial commission shall report to the legislative management by July 1, 2018, regarding the results and recommendations of the study.

SECTION 31. BANK OF NORTH DAKOTA EFFICIENCY STUDY - REPORT. During the 2017-18 interim, the Bank of North Dakota shall conduct a study regarding potential efficiencies in operations. The Bank of North Dakota shall report to the appropriations committees of the sixty-sixth legislative assembly regarding the results and recommendations of the study.

SECTION 32. EXPIRATION DATE. Section 20 of this Act is effective through June 30, 2019, and after that date is ineffective.

SECTION 33. EMERGENCY. Section 28 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Industrial Commission						
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193	$41,752,193	$0
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206	16,343,206	0
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987	$25,408,987	$0

Bank of North Dakota						
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204	$59,099,204	$200,000
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204	59,099,204	200,000
General fund	$0	$0	$0	$0	$0	$0
Housing Finance Agency						
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239	$44,275,562	$254,677
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239	44,275,562	254,677
General fund	$0	$0	$0	$0	$0	$0
Mill and Elevator						
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519	$68,213,519	$0
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519	68,213,519	0
General fund	$0	$0	$0	$0	$0	$0
Bill total						
Total all funds	$203,075,481	$214,930,939	($1,135,784)	$213,795,155	$213,340,478	$454,677
Less estimated income	178,117,735	188,466,417	(80,249)	188,386,168	187,931,491	454,677
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987	$25,408,987	$0

Senate Bill No. 2014 - Industrial Commission - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	$22,132,229	$22,038,346	($24,262)	$22,014,084	$22,014,084	
Operating expenses	4,779,135	6,305,888		6,305,888	6,305,888	
Grants - Bond payments	15,040,829	13,210,484		13,210,484	13,210,484	
Contingencies		1,254,462	(1,032,725)	221,737	221,737	
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193	$41,752,193	$0
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206	16,343,206	0
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987	$25,408,987	$0
FTE	116.75	114.25	(4.00)	110.25	110.25	0.00

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Adjusts Contingent FTE Positions[2]	Total Conference Committee Changes
Salaries and wages	($24,262)		($24,262)
Operating expenses			
Grants - Bond payments			
Contingencies		(1,032,725)	(1,032,725)
Total all funds	($24,262)	($1,032,725)	($1,056,987)
Less estimated income	(1,452)	0	(1,452)
General fund	($22,810)	($1,032,725)	($1,055,535)
FTE	0.00	(4.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Contingent funding and authorization for FTE positions are adjusted to provide $221,737 from the general fund and 2 FTE positions. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells as identified in Section 7 of the bill. The Senate provided $1,254,462 for 6 FTE positions. The House provided $221,737 and 2 FTE positions.

This amendment also includes the following changes related to the Industrial Commission:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells. The House provided that one position may be hired after May 31, 2018, and another position may be hired after November 30, 2018. The Senate provided $1,254,462 from the general fund and 6 FTE positions.
- Allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services, the same as the House. The transfer was adjusted for the health insurance adjustment compared to the transfer of $1,103,986 provided by the Senate.
- Adds a section requiring the Industrial Commission, in consultation with the Game and Fish Department, the State Department of Health, the State Water Commission, and any other state agencies as necessary, to study lake bed sedimentation and to report the results to the Legislative Management. The House also included the study.

Senate Bill No. 2014 - Bank of North Dakota - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Capital assets	$745,000	$810,000		$810,000	$810,000	
Bank of North Dakota operations	58,542,301	58,526,944	(37,740)	58,489,204	58,289,204	200,000
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204	$59,099,204	$200,000
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204	59,099,204	200,000
General fund	$0	$0	$0	$0	$0	$0
FTE	181.50	181.50	0.00	181.50	181.50	0.00

Department No. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Total Conference Committee Changes
Capital assets		
Bank of North Dakota operations	(37,740)	(37,740)
Total all funds	($37,740)	($37,740)
Less estimated income	(37,740)	(37,740)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Bank of North Dakota:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Authorizes the Bank of North Dakota to charge up to 18 percent of accumulated principal and interest on defaulted student loans. The Senate provided authorization to charge up to

13 percent, and the House provided authorization to charge up to 30 percent.

- Provides the authority to suspend a recreational license when the licensee's student loans are in default, the same as the House. The Senate removed the authority to suspend an occupational or professional license.
- Amends a reference to the North Dakota financial center, which was included in 2015 House Bill No. 1014, to extend the authorization for the project through the 2019-21 biennium. The House repealed the references to the financial center project.
- Prohibits the Bank of North Dakota from constructing a financial center until after June 30, 2019, and provides an emergency clause related to the prohibition. The House also included the prohibition.
- Requires the Bank of North Dakota to study potential efficiencies in operations and to report to the 66th Legislative Assembly.

Senate Bill No. 2014 - Housing Finance Agency - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	$7,745,034	$7,901,387	($9,331)	$7,892,056	$7,637,379	$254,677
Operating expenses	3,744,275	4,743,355		4,743,355	4,743,355	
Grants	25,930,780	31,794,828		31,794,828	31,794,828	
HFA contingencies	100,000	100,000		100,000	100,000	
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239	$44,275,562	$254,677
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239	44,275,562	254,677
General fund	$0	$0	$0	$0	$0	$0
FTE	46.00	46.00	(2.00)	44.00	42.00	2.00

Department No. 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Removes FTE Positions[2]	Total Conference Committee Changes
Salaries and wages	($9,331)		($9,331)
Operating expenses			
Grants			
HFA contingencies			
Total all funds	($9,331)	$0	($9,331)
Less estimated income	(9,331)	0	(9,331)
General fund	$0	$0	$0
FTE	0.00	(2.00)	(2.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Authorization for 2 FTE positions is removed, the same as the House. Funding for a housing program administrator and a housing program representative was removed by the Senate; however, the Senate did not remove the FTE authorization for these positions.

This amendment also includes the following changes related to the Housing Finance Agency:

- Continues the housing incentive fund, the same as the Senate. The House continued the housing incentive fund through December 31, 2018, after which all references to the housing incentive fund were to be repealed.

- Removes a section added by the Senate to provide up to $5 million of income tax credits for contributions to the housing incentive fund which would have reduced general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections. The House also removed this section.
- Removes a section added by the Senate to establish the essential service worker home ownership incentive fund and to identify the uses of the fund, the same as the House.
- Removes a section added by the Senate to provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund which would have reduced general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections. The House also removed this section.
- Removes a section added by the Senate to identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions 1 and 8 and the remaining contributions for the other planning areas. The House also removed this section.
- Removes a section added by the Senate to provide an effective date and expiration date related to the housing incentive fund and the essential service worker home ownership incentive fund tax credits, the same as the House.

Senate Bill No. 2014 - Mill and Elevator - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	$36,278,898	$39,340,245	($31,726)	$39,308,519	$39,308,519	
Operating expenses	27,327,000	28,195,000		28,195,000	28,195,000	
Contingencies	500,000	500,000		500,000	500,000	
Agriculture promotion	210,000	210,000		210,000	210,000	
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519	$68,213,519	$0
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519	68,213,519	0
General fund	$0	$0	$0	$0	$0	$0
FTE	147.00	153.00	0.00	153.00	153.00	0.00

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Total Conference Committee Changes
Salaries and wages	($31,726)	($31,726)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	($31,726)	($31,726)
Less estimated income	(31,726)	(31,726)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Mill and Elevator Association:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and

Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604. The House also included these provisions.

- Removes a section added by the House to repeal Section 54-18-20, which authorizes a gain-sharing program, allowing the gain-sharing program to continue.
- Adds a section requiring the Industrial Commission, in consultation with the Mill and Elevator Association, to study the gain-sharing program and to report to the Legislative Management.

Date: _____
Roll Call Vote #: _____

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

Attendance Sheet

BILL/RESOLUTION NO. 2014 as (re) engrossed

Senate Appropriations Committee

Action Taken

- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: _____ Seconded by: _____

Senators	4/10	4/11	4/13	Yes	No	Representatives	4/10	4/11	4/13	Yes	No
Senator Sorvaag	✓	✓	✓			Rep Brandenburg	✓	✓	✓		
Senator Hogue	✓	✓	✓			Rep. Kempenich	✓	✓	✓		
Senator Mathern	✓	✓	✓			Rep. Delmore	✓	✓	✓		
Total Senate Vote						Total Rep. Vote					

Vote Count Yes: _____ No: _____ Absent: _____

Senate Carrier _____ House Carrier _____

LC Number _____ . _____ of amendment

LC Title # _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: _____
Roll Call Vote #: _____

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

Attendance Sheet

BILL/RESOLUTION NO. 3014 as (re) engrossed

Senate Appropriations Committee

Action Taken

- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: _____ Seconded by: _____

Senators	4/17	4/18	4/19	Yes	No	Representatives	4/17	4/18	4/19	Yes	No
Senator Sorvaag	✓	✓	✓			Rep Brandenburg	✓	✓	✓		
Senator Hogue	✓	✓	✓			Rep Kempenich	✓	✓	✓		
Senator Mathern	✓	✓	✓			Rep. Delmore	✓	✓	✓		
Total Senate Vote						Total Rep. Vote					

Vote Count Yes: _____ No: _____ Absent: _____

Senate Carrier _____ House Carrier _____

LC Number _____ . _____ of amendment

LC Title # _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: _____
Roll Call Vote #: _____

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

Attendance Sheet

BILL/RESOLUTION NO. 2014 as (re) engrossed

Senate Appropriations Committee

Action Taken

- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: _____ Seconded by: _____

Senators	(1) 4/20	(2) 4/20	4/21	Yes	No	Representatives	(1) 4/20	(2) 4/20	4/21	Yes	No
Senator Sorvaag	✓	✓	✓			Rep. Brandenburg	✓	✓	✓		
Senator Hogue	✓	✓	✓			Rep. Kempenich	✓	✓	✓		
Senator Mathern	✓	✓	✓			Rep. Delmore	✓	✓	✓		
Total Senate Vote						Total Rep. Vote					

Vote Count Yes: _____ No: _____ Absent: _____

Senate Carrier _____ House Carrier _____

LC Number _____ . _____ of amendment

LC Title # _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: _____
Roll Call Vote #: _____

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

Attendance Sheet

BILL/RESOLUTION NO. 2014 as (re) engrossed

Senate Appropriations Committee

Action Taken

- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: _____ Seconded by: _____

Senators	(1) 4/24	(2) 4/24	(3) 4/24	Yes	No	Representatives	(1) 4/24	(2) 4/24	(3) 4/24	Yes	No
Senator Sorvaag	✓	✓	✓			Rep. Brandenburg	✓	✓	✓		
Senator Hogue	✓	✓	✓			Rep. Kempenich	✓	✓	✓		
Senator Mathern	✓	✓	✓			Rep. Delmore	✓	✓	✓		
Total Senate Vote						Total Rep. Vote					

Vote Count Yes: _____ No: _____ Absent: _____

Senate Carrier _____ House Carrier _____

LC Number _____ . _____ of amendment

LC Title # _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: _____
Roll Call Vote #: _____

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

Attendance Sheet

BILL/RESOLUTION NO. 2014 as (re) engrossed

Senate Appropriations Committee

Action Taken

- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: _____ Seconded by: _____

Senators	(1) 4/25	(2) 4/25		Yes	No	Representatives	(1) 4/25	(2) 4/25		Yes	No
Senator Sorvaag	✓	✓				Rep Brandenburg	✓	✓			
Senator Hogue	✓	✓				Rep Kempenich	✓	✓			
Senator Mathern	✓	✓				Rep. Delmore	✓	✓			
Total Senate Vote						Total Rep. Vote					

Vote Count Yes: _____ No: _____ Absent: _____

Senate Carrier _____ House Carrier _____

LC Number _____ . _____ of amendment

LC Title # _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4/25/2017
Roll Call Vote #: 1

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2014** as (re) engrossed

Senate Appropriations Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion: That the House would go to 75% on the profits, remove the repeal on the gain-share and do a study.

Motion Made by: Representative Brandenburg Seconded by: Senator Hogue

Senators				Yes	No		Representatives				Yes	No
Senator Sorvaag				Y			Representative Brandenburg				Y	
Senator Hogue				Y			Representative Kempenich				Y	
Senator Mathern				Y			Representative Delmore					N
Total Senate Vote				3	0		Total Rep. Vote				2	1

Vote Count Yes: 5 No: 1 Absent: 0

Senate Carrier _____ House Carrier _____

LC Number _____ . _____ of amendment

LC Title # _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4/25/2017 (2)
Roll Call Vote #: 1

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2014** as (re) engrossed

Senate Appropriations Committee

Action Taken

☐ **SENATE accede to House Amendments**
☐ **SENATE accede to House Amendments and further amend**
☐ **HOUSE recede from House amendments**
☒ **HOUSE recede from House amendments and amend as follows**

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Representative Brandenburg Seconded by: Senator Hogue

Senators				Yes	No		Representatives				Yes	No
Senator Sorvaag				Y			Representative Brandenburg				Y	
Senator Hogue				Y			Representative Kempenich				Y	
Senator Mathern				Y			Representative Delmore				Y	
Total Senate Vote				3	0		Total Rep. Vote				3	0

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Senator Sorvaag House Carrier Representative Brandenburg

LC Number 17.0522 . 02006 of amendment

LC Title # 17.0522 . 04000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Insert LC: 17.0522.02006
Senate Carrier: Sorvaag
House Carrier: Brandenburg

REPORT OF CONFERENCE COMMITTEE

SB 2014, as engrossed: Your conference committee (Sens. Sorvaag, Hogue, Mathern and Reps. Brandenburg, Kempenich, Delmore) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1215-1222, adopt amendments as follows, and place SB 2014 on the Seventh order:

That the House recede from its amendments as printed on pages 1215-1222 of the Senate Journal and pages 1335-1342 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 3, remove the third "to"

Page 1, remove lines 4 through 7

Page 1, line 8, remove "tax credits;"

Page 1, line 8, after the third comma insert "54-18-19,"

Page 1, line 9, after "Code" insert "and section 26 of chapter 14 of the 2015 Session Laws"

Page 1, line 9, remove "occupational or"

Page 1, line 10, replace "professional" with "recreational"

Page 1, line 10, replace "and" with "North Dakota mill and elevator profits,"

Page 1, line 10, after "allocations" insert ", and a financial center project"

Page 1, line 12, after the second semicolon insert "to provide for reports;"

Page 1, line 12, remove "to provide an effective"

Page 1, line 13, remove "date; and"

Page 1, line 13, after the second "date" insert "; and to declare an emergency"

Page 2, replace lines 1 through 8 with:

"Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25"

Page 2, replace lines 13 through 15 with:

"Bank of North Dakota operations	$58,542,301	($53,097)	$58,489,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$11,903	$59,299,204"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000

Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,745,034	$147,022	$7,892,056
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,010,150	$44,530,239
Full-time equivalent positions	46.00	(2.00)	44.00"

Page 3, replace lines 10 through 12 with:

"Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	10,268,433	188,386,168
Grand total all funds	$203,075,481	$10,719,674	$213,795,155

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month."

Page 5, line 5, replace "$1,254,462" with "$221,737"

Page 5, line 5, replace "six" with "two"

Page 5, line 9, remove "the thresholds identified in this section. Of the $1,254,462 and the six full-time"

Page 5, replace lines 10 through 18 with:

"eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred."

Page 5, line 20, replace "$1,103,986" with "$1,103,779"

Page 7, line 11, replace "thirteen" with "eighteen"

Page 7, line 20, remove the overstrike over "~~**- Suspension of**~~"

Page 7, line 21, after "~~**license**~~" insert "**recreational licenses**"

Page 7, line 21, remove the overstrike over "~~**for nonpayment of defaulted state guaranteed student loans**~~"

Page 7, line 22, remove the overstrike over "~~1.~~"

Page 7, line 29, remove the overstrike over "~~2.~~"

Page 8, line 15, after the overstruck period insert "The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department which the judgment debtor is required to obtain before engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to

repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department."

Page 8, remove lines 16 through 21

Page 10, remove lines 30 and 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 31

Page 14, replace lines 1 through 22 with:

"**SECTION 20. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 19, after line 2 insert:

"**SECTION 22. AMENDMENT.** Section 26 of chapter 14 of the 2015 Session Laws is amended and reenacted as follows:

SECTION 26. CONTINGENT FUNDING - BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The Bank may spend the funding only if the Bank's net income, reported in accordance with financial accounting standards board accounting standards, for calendar year 2015 exceeds $125,000,000. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available ~~during the biennium beginning July 1, 2017, and ending June 30, 2019~~through June 30, 2021. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the

amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project."

Page 19, remove lines 21 through 26

Page 20, replace lines 13 through 15 with:

"**SECTION 28. PROHIBITION - NORTH DAKOTA FINANCIAL CENTER - BANK OF NORTH DAKOTA.** The Bank of North Dakota may not construct a North Dakota financial center on a site adjacent to the existing building on which the Bank of North Dakota is located related to the funding provided in section 1 of chapter 14 of the 2015 Session Laws and identified in sections 2 and 26 of chapter 14 of the 2015 Session Laws until after June 30, 2019.

SECTION 29. LAKE BED SEDIMENTATION STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the game and fish department, the state department of health, the state water commission, and any other state agencies as necessary, regarding the feasibility of and appropriate jurisdiction for regulation of sediment studies and dredging operations from the beds of reservoirs that retain more than fifty acre-feet of surface water. The study must include consideration of best practices in other states, an outline of any proposed regulations, and a plan to implement a uniform permitting process. The industrial commission shall report to the legislative management by September 30, 2018, regarding the results and recommendations of the study.

SECTION 30. GAIN-SHARING PROGRAM STUDY - REPORT TO LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the North Dakota mill and elevator association regarding the gain-sharing program. The study must include consideration of the costs and benefits of the gain-sharing program, best practices in other milling operations, and the estimated fiscal impact of repealing or modifying the gain-sharing program. The industrial commission shall report to the legislative management by July 1, 2018, regarding the results and recommendations of the study.

SECTION 31. BANK OF NORTH DAKOTA EFFICIENCY STUDY - REPORT. During the 2017-18 interim, the Bank of North Dakota shall conduct a study regarding potential efficiencies in operations. The Bank of North Dakota shall report to the appropriations committees of the sixty-sixth legislative assembly regarding the results and recommendations of the study.

SECTION 32. EXPIRATION DATE. Section 20 of this Act is effective through June 30, 2019, and after that date is ineffective.

SECTION 33. EMERGENCY. Section 28 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Industrial Commission						
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193	$41,752,193	$0
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206	16,343,206	0

General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987	$25,408,987	$0
Bank of North Dakota						
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204	$59,099,204	$200,000
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204	59,099,204	200,000
General fund	$0	$0	$0	$0	$0	$0
Housing Finance Agency						
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239	$44,275,562	$254,677
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239	44,275,562	254,677
General fund	$0	$0	$0	$0	$0	$0
Mill and Elevator						
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519	$68,213,519	$0
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519	68,213,519	0
General fund	$0	$0	$0	$0	$0	$0
Bill total						
Total all funds	$203,075,481	$214,930,939	($1,135,784)	$213,795,155	$213,340,478	$454,677
Less estimated income	178,117,735	188,466,417	(80,249)	188,386,168	187,931,491	454,677
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987	$25,408,987	$0

Senate Bill No. 2014 - Industrial Commission - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	$22,132,229	$22,038,346	($24,262)	$22,014,084	$22,014,084	
Operating expenses	4,779,135	6,305,888		6,305,888	6,305,888	
Grants - Bond payments	15,040,829	13,210,484		13,210,484	13,210,484	
Contingencies		1,254,462	(1,032,725)	221,737	221,737	
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193	$41,752,193	$0
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206	16,343,206	0
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987	$25,408,987	$0
FTE	116.75	114.25	(4.00)	110.25	110.25	0.00

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Adjusts Contingent FTE Positions[2]	Total Conference Committee Changes
Salaries and wages	($24,262)		($24,262)
Operating expenses			
Grants - Bond payments			
Contingencies		(1,032,725)	(1,032,725)
Total all funds	($24,262)	($1,032,725)	($1,056,987)
Less estimated income	(1,452)	0	(1,452)
General fund	($22,810)	($1,032,725)	($1,055,535)
FTE	0.00	(4.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Contingent funding and authorization for FTE positions are adjusted to provide $221,737 from the general fund and 2 FTE positions. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells as identified in Section 7 of the bill. The Senate provided $1,254,462 for 6 FTE positions. The House provided $221,737 and 2 FTE positions.

This amendment also includes the following changes related to the Industrial Commission:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells. The House provided that one position may be hired after May 31, 2018, and another position may be hired after November 30, 2018. The Senate provided $1,254,462 from the general fund and 6 FTE positions.
- Allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services, the same as the House. The transfer was adjusted for the health insurance adjustment compared to the transfer of $1,103,986 provided by the Senate.
- Adds a section requiring the Industrial Commission, in consultation with the Game and Fish Department, the State Department of Health, the State Water Commission, and any other state agencies as necessary, to study lake bed sedimentation and to report the results to the Legislative Management. The House also included the study.

Senate Bill No. 2014 - Bank of North Dakota - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Capital assets	$745,000	$810,000		$810,000	$810,000	
Bank of North Dakota operations	58,542,301	58,526,944	(37,740)	58,489,204	58,289,204	200,000
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204	$59,099,204	$200,000
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204	59,099,204	200,000
General fund	$0	$0	$0	$0	$0	$0
FTE	181.50	181.50	0.00	181.50	181.50	0.00

Department No. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Total Conference Committee Changes
Capital assets		
Bank of North Dakota operations	(37,740)	(37,740)
Total all funds	($37,740)	($37,740)
Less estimated income	(37,740)	(37,740)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Bank of North Dakota:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Authorizes the Bank of North Dakota to charge up to 18 percent of accumulated principal and interest on defaulted student loans. The Senate provided authorization to charge up to 13 percent, and the House provided authorization to charge up to 30 percent.
- Provides the authority to suspend a recreational license when the licensee's student loans are in default, the same as the House. The Senate removed the authority to suspend an occupational or professional license.
- Amends a reference to the North Dakota financial center, which was included in 2015 House Bill No. 1014, to extend the authorization for the project through the 2019-21 biennium. The House repealed the references to the financial center project.
- Prohibits the Bank of North Dakota from constructing a financial center until after June 30, 2019, and provides an emergency clause related to the prohibition. The House also included the prohibition.
- Requires the Bank of North Dakota to study potential efficiencies in operations and to report to the 66th Legislative Assembly.

Senate Bill No. 2014 - Housing Finance Agency - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	$7,745,034	$7,901,387	($9,331)	$7,892,056	$7,637,379	$254,677
Operating expenses	3,744,275	4,743,355		4,743,355	4,743,355	
Grants	25,930,780	31,794,828		31,794,828	31,794,828	
HFA contingencies	100,000	100,000		100,000	100,000	
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239	$44,275,562	$254,677
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239	44,275,562	254,677
General fund	$0	$0	$0	$0	$0	$0
FTE	46.00	46.00	(2.00)	44.00	42.00	2.00

Department No. 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Removes FTE Positions[2]	Total Conference Committee Changes
Salaries and wages	($9,331)		($9,331)
Operating expenses			
Grants			
HFA contingencies			
Total all funds	($9,331)	$0	($9,331)
Less estimated income	(9,331)	0	(9,331)
General fund	$0	$0	$0
FTE	0.00	(2.00)	(2.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Authorization for 2 FTE positions is removed, the same as the House. Funding for a housing program administrator and a housing program representative was removed by the

Senate; however, the Senate did not remove the FTE authorization for these positions.

This amendment also includes the following changes related to the Housing Finance Agency:

- Continues the housing incentive fund, the same as the Senate. The House continued the housing incentive fund through December 31, 2018, after which all references to the housing incentive fund were to be repealed.
- Removes a section added by the Senate to provide up to $5 million of income tax credits for contributions to the housing incentive fund which would have reduced general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections. The House also removed this section.
- Removes a section added by the Senate to establish the essential service worker home ownership incentive fund and to identify the uses of the fund, the same as the House.
- Removes a section added by the Senate to provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund which would have reduced general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections. The House also removed this section.
- Removes a section added by the Senate to identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions 1 and 8 and the remaining contributions for the other planning areas. The House also removed this section.
- Removes a section added by the Senate to provide an effective date and expiration date related to the housing incentive fund and the essential service worker home ownership incentive fund tax credits, the same as the House.

Senate Bill No. 2014 - Mill and Elevator - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	$36,278,898	$39,340,245	($31,726)	$39,308,519	$39,308,519	
Operating expenses	27,327,000	28,195,000		28,195,000	28,195,000	
Contingencies	500,000	500,000		500,000	500,000	
Agriculture promotion	210,000	210,000		210,000	210,000	
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519	$68,213,519	$0
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519	68,213,519	0
General fund	$0	$0	$0	$0	$0	$0
FTE	147.00	153.00	0.00	153.00	153.00	0.00

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Total Conference Committee Changes
Salaries and wages	($31,726)	($31,726)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	($31,726)	($31,726)
Less estimated income	(31,726)	(31,726)

General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Mill and Elevator Association:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604. The House also included these provisions.
- Removes a section added by the House to repeal Section 54-18-20, which authorizes a gain-sharing program, allowing the gain-sharing program to continue.
- Adds a section requiring the Industrial Commission, in consultation with the Mill and Elevator Association, to study the gain-sharing program and to report to the Legislative Management.

Engrossed SB 2014 was placed on the Seventh order of business on the calendar.

2017 TESTIMONY

SB 2014

Department 405 - Industrial Commission
Senate Bill Nos. 2014 and 2074

Executive Budget Comparison to Prior Biennium Appropriations

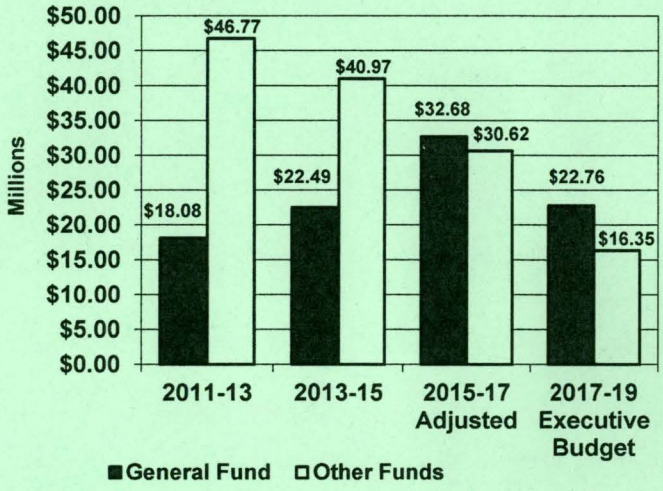
	FTE Positions	General Fund	Other Funds	Total
2017-19 Executive Budget	105.25	$22,763,880	$16,350,496	$39,114,376
2015-17 Adjusted Legislative Appropriations[1]	116.75	32,675,889	30,619,769	63,295,658
Increase (Decrease)	(11.50)	($9,912,009)	($14,269,273)	($24,181,282)

[1]The 2015-17 biennium agency appropriations amounts reflect general fund budget reductions made in August 2016.

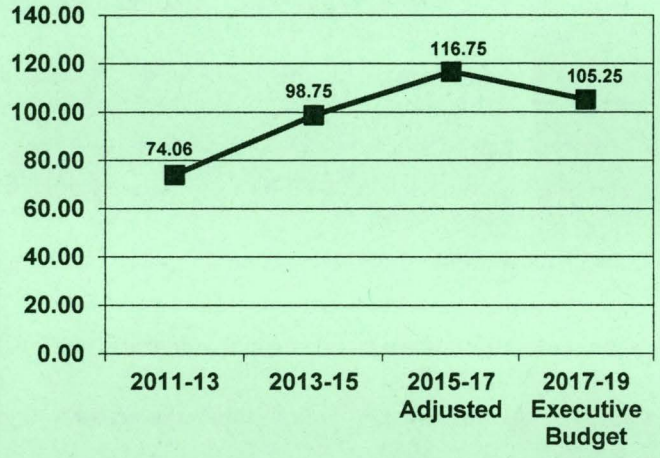
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2017-19 Executive Budget	$22,763,880	$0	$22,763,880
2015-17 Adjusted Legislative Appropriations	24,957,746	7,718,143	32,675,889
Increase (Decrease)	($2,193,866)	($7,718,143)	($9,912,009)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Executive Budget	$22,763,880	$16,350,496	$39,114,376
2017-19 Base Level	24,957,746	16,994,447	41,952,193
Increase (Decrease)	($2,193,866)	($643,951)	($2,837,817)

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which $96,796 is for salary increases and $334,853 is for health insurance increases	$405,777	$25,872	$431,649
2. Removes 11.5 FTE positions, including 9 engineering technician FTE positions and 2 administrative assistant FTE positions	($1,016,028)		($1,016,028)
3. Underfunds salaries and wages	($900,000)		($900,000)
4. Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services	($75,356)	$78,000	$2,644
5. Reduces funding for operating expenses	($675,000)		($675,000)
6. Decreases funding for bond payments		($1,830,345)	($1,830,345)
7. Adds one-time funding from the strategic investment and improvements fund for litigation costs		$1,000,000	$1,000,000

Other Sections Recommended to be Added in the Executive Budget (As Detailed in Senate Bill No. 2074)

Bond payments - Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to emergency commission approval, for bond issuances during the 2017-19 biennium.

Administrative cost transfers - Section 9 allows the Industrial Commission to transfer up to $1,107,337 from special funds from the entities under the control of the Industrial Commission for administrative services.

Lignite research - Section 6 provides an exemption to allow any unexpended 2015-17 biennium appropriations for lignite research grants to be continued into the 2017-19 biennium. Section 15 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation.

Advanced energy technology development - Section 8 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund during the 2017-19 biennium. Section 16 identifies the funding must be used for advanced energy technology research and development and provides matching requirements for grant recipients. Section 17 provides a statement of intent related to grant applications for advanced energy research from the renewable energy fund. Section 21 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology.

Continuing Appropriations

Abandoned oil and gas reclamation fund - North Dakota Century Code Section 38-08-04.5 - Abandoned oil and gas reclamation.

Carbon dioxide storage facility administration fund - Section 38-22-14 - For defraying costs of processing applications for regulating carbon dioxide storage facilities.

Carbon dioxide storage facility trust fund - Section 38-22-15 - For costs associated with long-term monitoring and management of a closed carbon dioxide storage facility.

Cartographic products fund - Section 54-17.4-10 - Topographic map sales and purchases.

Cash bond fund - Section 38-08-04.11 - For defraying costs incurred in plugging and reclamation of abandoned oil and gas wells and related activities.

Fossil excavation and restoration fund - Section 54-17.4-09.1 - Excavation and restoration of fossils.

Geological data preservation fund - Section 54-17.4-13 - Data preservation.

Geophysical, geothermal, subsurface minerals, and coal exploration fund - Section 38-21-03 - Reclamation of orphaned facilities and exploration holes.

Global positioning system community base station - Section 54-17.4-12 - For maintenance of base station.

Lignite research fund - Section 57-61-01.5 - Research, development, and marketing for lignite industry.

North Dakota outdoor heritage fund - Section 54-17.8-02 - For grants to conserve natural areas, restore wildlife and fish habitats, and provide access to sportsmen.

North Dakota Pipeline Authority administrative fund - Section 54-17.7-11 - For operations of the Pipeline Authority.

Oil and gas research fund - Section 57-51.1-07.3 - Oil and gas research and education.

Oil and gas reservoir data fund - Section 38-08-04.6 - Oil and gas reservoir data.

Renewable energy development fund - Section 54-63-04 - Renewable energy research, development, and education.

Significant Audit Findings

The operational audit for the Industrial Commission conducted by the State Auditor's office during the 2015-16 interim identified the following significant audit findings:

- Untimely approval of meeting minutes.
- Lack of supporting documentation for in-kind matching funds related to grants from the North Dakota outdoor heritage fund.

Major Related Legislation

House Bill No. 1151 - The bill restricts the Industrial Commission from requiring well operators to report spills of 10 barrels or less when the spills are contained on the well pad.

Industrial Commission - Budget No. 405
Senate Bill Nos. 2014 and 2074
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	116.75	$24,957,746	$16,994,447	$41,952,193
2017-19 Ongoing Funding Changes				
Base payroll changes		$66,741	$82,522	$149,263
Salary increase - Performance		90,958	5,838	96,796
Health insurance increase		314,819	20,034	334,853
Removes FTE positions	(11.50)	(1,016,028)		(1,016,028)
Reduces funding for salaries and wages		(900,000)		(900,000)
Adjusts funding operating expenses		(75,356)	78,000	2,644
Reduces funding for operating expenses		(675,000)		(675,000)
Decreases funding for bond payments			(1,830,345)	(1,830,345)
Total ongoing funding changes	(11.50)	($2,193,866)	($1,643,951)	($3,837,817)
One-time funding items				
Federal litigation costs			$1,000,000	$1,000,000
Total one-time funding changes	0.00	$0	$1,000,000	$1,000,000
Total Changes to Base Level Funding	(11.50)	($2,193,866)	($643,951)	($2,837,817)
2017-19 Total Funding	105.25	$22,763,880	$16,350,496	$39,114,376

Other Sections in Industrial Commission - Budget No. 405

	Executive Budget Recommendation
Bond payments	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.
Administrative cost transfers	Section 9 allows the Industrial Commission to transfer up to $1,107,337 from special funds from the entities under the control of the Industrial Commission for administrative services.
Lignite research	Section 6 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 15 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.
Advanced technology development	Section 8 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium. Section 16 identifies the funding may be used for advanced energy technology research and development and provides matching requirements for grant recipients. Section 17 provides a statement of intent related to grant applications for advanced energy research from the renewable energy fund. Section 21 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology.

Department 405 - Industrial Commission

Appropriations Comparisons to the Original and Adjusted Base Budgets

General Fund Appropriations Adjustments

(As a result of the August 2016 General Fund Budget Reductions)

	Ongoing	One-Time	Total
2015-17 original general fund appropriations	$26,289,270	$8,676,903	$34,966,173
General fund reductions	(1,331,524)	(958,760)	(2,290,284)
Adjusted 2015-17 appropriations	$24,957,746	$7,718,143	$32,675,889
Executive Budget changes	(2,193,866)	(7,718,143)	(9,912,009)
2017-19 Executive Budget	$22,763,880	$0	$22,763,880

Summary of August 2016 General Fund Budget Reductions

	Ongoing	One-Time	Total
Vacant positions salary savings	($363,102)		($363,102)
Contingent positions salary and operating savings		($556,260)	(556,260)
Reduced funding for operating expenses primarily related to travel, information technology software and services, and professional services	(968,422)		(968,422)
Reduced funding for lignite research council grants		(327,500)	(327,500)
Reduced funding for a seismic profile digital conversion project		(75,000)	(75,000)
Total reductions	($1,331,524)	($958,760)	($2,290,284)
Percentage reduction to ongoing and one-time general fund appropriations	5.06%	11.05%	6.55%

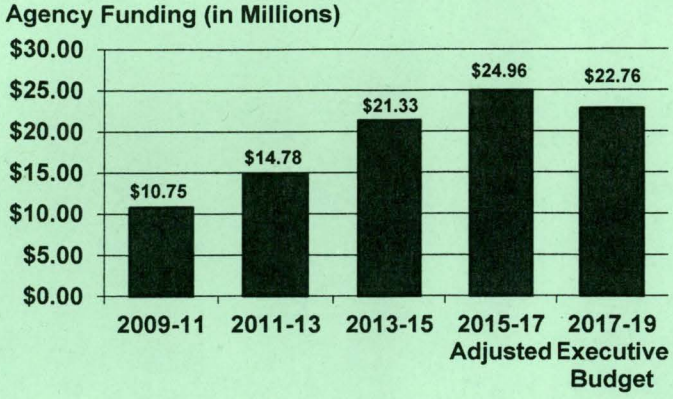
2017-19 Executive Budget Changes to the Original and Adjusted Base Budgets

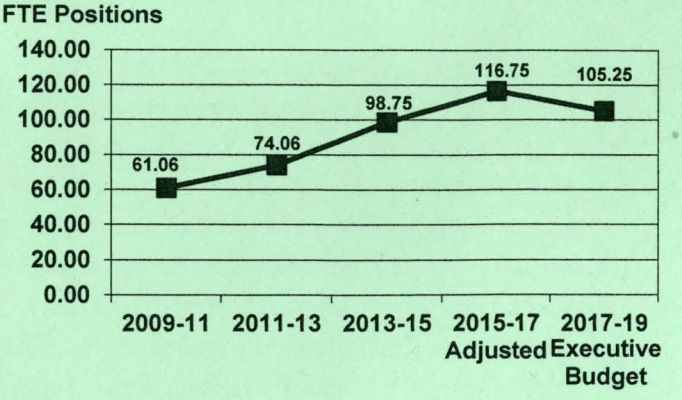
	Changes to Original Budget	Budget Reduction Adjustments	Changes to Adjusted Budget
Base payroll changes	$66,741		$66,741
Adds funding for state employee salary and benefit increases	405,777		405,777
Adjusts funding for vacant FTE positions, FTE positions reductions, and 2015-17 biennium contingent FTE positions	(1,379,130)	$363,102	(1,016,028)
Underfunds salaries and wages	(900,000)		(900,000)
Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services	(1,043,778)	968,422	(75,356)
Reduces funding for operating expenses	(675,000)		(675,000)
Total	($3,525,390)	$1,331,524	($2,193,866)

Department 405 - Industrial Commission

Historical Appropriations Information

Ongoing General Fund Appropriations Since 2009-11





Ongoing General Fund Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Executive Budget
Ongoing general fund appropriations	$10,747,102	$14,776,213	$21,333,325	$24,957,746	$22,763,880
Increase (decrease) from previous biennium	N/A	$4,029,111	$6,557,112	$3,624,421	($2,193,866)
Percentage increase (decrease) from previous biennium	N/A	37.5%	44.4%	17.0%	(8.8%)
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	37.5%	98.5%	132.2%	111.8%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2011-13 Biennium

1.	Changed funding source for 2 FTE positions previously funded from the lands and minerals trust fund	$319,219
2.	Added funding for 1 petroleum engineering FTE position	$199,865
3.	Added funding for 6 engineering technician field inspector FTE positions	$841,086
4.	Added funding for 1 engineering technician measurement specialist FTE position	$186,371
5.	Added funding for 1 production analyst FTE position	$124,841
6.	Added funding for 1 subsurface geologist FTE position	$221,314
7.	Added funding for the carbon dioxide storage facility administration fund, including 1 FTE position	$532,000
8.	Added funding for contingent engineering technician positions	$743,972
9.	Added funding for temporary employees for the Geological Survey Division	$90,000
10.	Added funding for salary equity increases for geologists and engineers	$255,819
11.	Added funding for retention bonuses for the Department of Mineral Resources' staff	$247,013
12.	Added funding for increased operating expenses due to inflationary increases	$158,317

2013-15 Biennium

1.	Added funding for 2 engineering technician FTE positions authorized by the Emergency Commission in the 2011-13 biennium	$390,820
2.	Added funding for 4 engineering technician FTE positions, 1 geology analyst FTE position, and 1 accounting specialist FTE position	$930,223
3.	Added funding for 1 geologist FTE position	$215,251
4.	Added funding for 3 petroleum engineering field inspector FTE positions, 3 engineering technician field inspector FTE positions, and 1 engineering technician core library specialist FTE position	$1,356,581
5.	Added funding for 1 petroleum engineering production supervisor FTE positon, 1 engineering technician measurement analyst FTE position, and 2 administrative assistant FTE positions	$534,900
6.	Added funding for 3 contingent engineering technician FTE positions	$586,230

7. Removed funding for the carbon dioxide storage facility administration fund, including 1 FTE position, which had been added in the 2011-13 biennium	($532,000)
8. Added funding to allow the department to hire 5 FTE positions prior to the start of the biennium	$61,751
9. Added funding for lease payments in a new space for the additional staff	$224,868
10. Added funding for travel expenses related to State Fleet Services rate increases	$244,872

2015-17 Biennium

1. Added funding for 7 engineering technician FTE positions	$1,513,195
2. Added funding for 1 petroleum engineering FTE position	$162,018
3. Added funding for 1 safety officer FTE position	$187,717
4. Added funding for 1 human resources specialist FTE position	$139,380
5. Added funding for 1 budget specialist FTE position	$174,519
6. Added funding for 1 reclamation specialist FTE position	$230,911
7. Added funding for 1 surface geologist FTE position	$244,192
8. Added funding for 2 survey engineering technician FTE positions	$323,769
9. Added funding for 1 pipeline regulatory supervisor FTE position	$240,339
10. Added funding for 1 pipeline regulatory administrative assistant FTE position	$139,639
11. Added funding for operating expenses, including travel and ongoing costs related to the core library	$233,125

2017-19 Biennium (Executive Budget Recommendation)

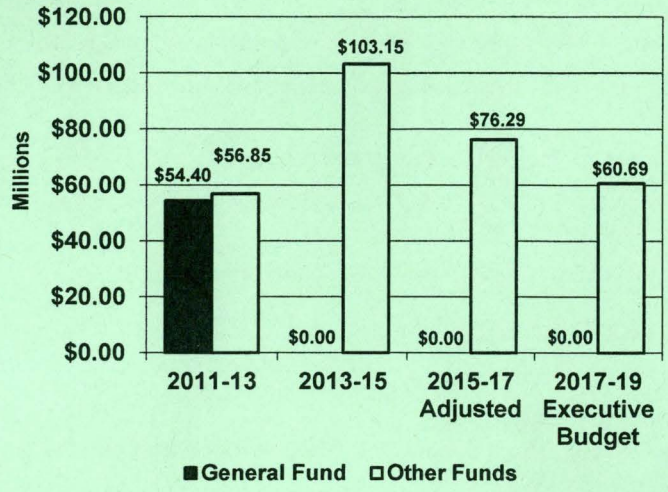
1. Removes 11.5 FTE positions, including 9 engineering technician FTE positions and 2 administrative assistant FTE positions	($1,016,028)
2. Underfunds salaries and wages	($900,000)
3. Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services	($75,356)
4. Reduces funding for operating expenses	($675,000)

Department 471 - Bank of North Dakota
Senate Bill Nos. 2014 and 2074

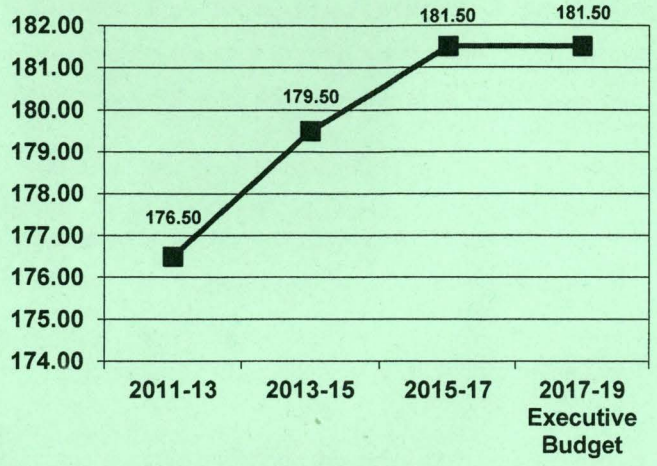
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2017-19 Executive Budget	181.50	$0	$60,688,521	$60,688,521
2015-17 Adjusted Legislative Appropriations	181.50	0	76,287,301	76,287,301
Increase (Decrease)	0.00	$0	($15,598,780)	($15,598,780)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Executive Budget	$0	$60,688,521	$60,688,521
2017-19 Base Level	0	59,287,301	59,287,301
Increase (Decrease)	$0	$1,401,220	$1,401,220

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which $140,619 is for salary increases and $520,884 is for health insurance increases	$0	$661,503	$661,503
2. Provides funding for additional salary increases related to higher starting salaries for new employees and higher than anticipated salary adjustments for market rate adjustments	$0	$1,459,131	$1,459,131
3. Reduces funding for operating expenses primarily related to marketing activities that were funded with a federal grant that expired in calendar year 2016 as well as cost savings from efficiencies	$0	($1,174,818)	($1,174,818)
4. Adds funding for information technology equipment	$0	$65,000	$65,000

Other Sections Recommended to be Added in Executive Budget (As Detailed in Senate Bill No. 2074)

Transfer to general fund - Section 7 provides for a transfer of $200 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.

Transfer to partnership in assisting community expansion (PACE) fund - Section 10 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.

Transfer to Ag PACE fund - Section 11 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.

Transfer to biofuels PACE fund - Section 12 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.

Transfer to beginning farmer revolving loan fund - Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.

School construction loan fund - Section 14 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the school construction loan fund for the 2017-19 biennium.

Continuing Appropriations

PACE - North Dakota Century Code Section 6-09.14-02 - Buydown interest rates on loans for new or expanding businesses.

Agriculture PACE - Section 6-09.13-04 - Buydown interest rates on agriculture-related loans.

Beginning farmer revolving loan fund - Section 6-09-15.5 - Direct loans or to buydown interest rates on loans to beginning farmers for the first purchase of farm real estate or chattels.

College SAVE - Section 6-09-38 - Higher education savings plan.

North Dakota achieving a better life experience plan - Section 6-09-38.1 - Savings plans for individuals with disabilities.

Rebuilders loan program - Section 6-09-46 - Loan program for residents to rebuild flood-damaged homes related to a flood event during 2011.

Medical facility infrastructure loan fund - Section 6-09-47 - Loans for medical facility construction.

Federal student loan proceeds - Section 6-09-48 - Funds received in relation to federal student loans used to support the functions of the Bank of North Dakota related to higher education programs.

Infrastructure revolving loan fund - Section 6-09-49 - Loans for political subdivision infrastructure projects.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1008 - Section 3 provides for a transfer of up to $900,000 from the beginning farmer revolving loan fund to the Public Service Commission for costs associated with a rail rate complaint case.

House Bill No. 1251 - Creates an inmate housing construction program and authorizes the Bank of North Dakota to provide financing or loan guarantees to low-income home buyers.

Senate Bill No. 2124 - Excludes an individual's assets under the North Dakota achieving a better life experience plan from determining eligibility for state and local benefits or assistance programs.

Senate Bill No. 2130 - Allows the Bank of North Dakota to continue collecting fees relating to defaulted student loans.

Senate Bill No. 2162 - Requires individuals in professional student exchange programs to obtain a note from the Bank of North Dakota which must be repaid if the student does not return to practice the profession in North Dakota.

Senate Bill No. 2174 - Authorizes the Adjutant General to borrow up to $8 million from the Bank of North Dakota for law enforcement costs related to unlawful activity associated with the construction of the Dakota access pipeline.

Senate Bill No. 2178 - Clarifies the infrastructure projects that are eligible for loans from the infrastructure revolving loan fund.

Senate Bill No. 2179 - Adds new or existing airport infrastructure to the projects that are eligible for loans from the infrastructure revolving loan fund.

Bank of North Dakota - Budget No. 471
Senate Bill Nos. 2014 and 2074
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	181.50	$0	$59,287,301	$59,287,301
2017-19 Ongoing Funding Changes				
Base payroll changes			$390,404	$390,404
Salary increase - Performance			140,619	140,619
Health insurance increase			520,884	520,884
Additional salary increases			1,459,131	1,459,131
Reduces operating expenses			(1,174,818)	(1,174,818)
Adds funding for information technology equipment			65,000	65,000
Total ongoing funding changes	0.00	$0	$1,401,220	$1,401,220
One-time funding items				
No one-time funding items				$0
Total one-time funding changes	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	$1,401,220	$1,401,220
2017-19 Total Funding	181.50	$0	$60,688,521	$60,688,521

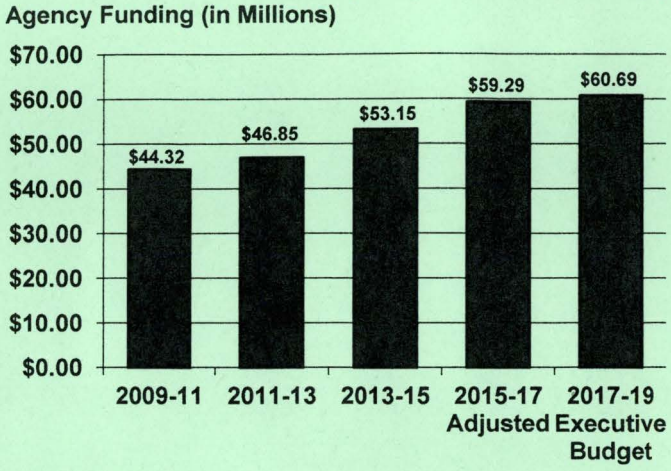
Other Sections in Bank of North Dakota - Budget No. 471

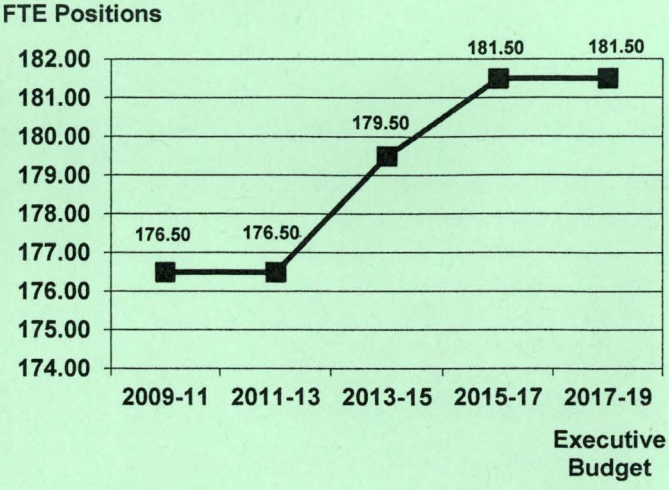
	Executive Budget Recommendation
Transfer to general fund	Section 7 provides for a transfer of $200 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.
Transfer to partnership in assisting community expansion (PACE) fund	Section 10 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.
Transfer to Ag PACE fund	Section 11 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.
Transfer to biofuels PACE fund	Section 12 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.
Transfer to beginning farmer revolving loan fund	Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.
School construction loan fund	Section 14 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the school construction loan fund for the 2017-19 biennium.

Department 471 - Bank of North Dakota

Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2009-11





Ongoing Other Funds Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Executive Budget
Ongoing other funds appropriations	$44,317,274	$46,853,155	$53,150,147	$59,287,301	$60,688,521
Increase (decrease) from previous biennium		$2,535,881	$6,296,992	$6,137,154	$1,401,220
Percentage increase (decrease) from previous biennium	N/A	5.7%	13.4%	11.6%	2.4%
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	5.7%	19.9%	33.8%	36.9%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2011-13 Biennium

1. Added funding for Bank operations	$1,821,357
2. Added funding information technology equipment	$1,134,000
3. Reduced funding for the beginning farmer revolving loan program	($950,000)

2013-15 Biennium

1. Added funding for 3 FTE positions, including a loan officer position, a compliance officer position, and a collection officer position	$503,698
2. Added funding operating expenses	$1,931,000
3. Added funding for information technology equipment	$745,000

2015-17 Biennium

1. Added funding for 2 FTE positions, including a credit analyst position and an information technology security position	$387,645
2. Added funding for operating expenses, including $2.5 million for information technology costs and $800,000 for audit fees	$3,968,123

2017-19 Biennium (Executive Budget Recommendation)

1. Provides funding for additional salary increases related to higher starting salaries for new employees and higher than anticipated salary adjustments for market rate adjustments	$1,459,131
2. Reduces funding for operating expenses primarily related to marketing activities that were funded with a federal grant that expired in calendar year 2016 as well as cost savings from efficiencies	($1,174,818)
3. Adds funding for information technology equipment	$65,000

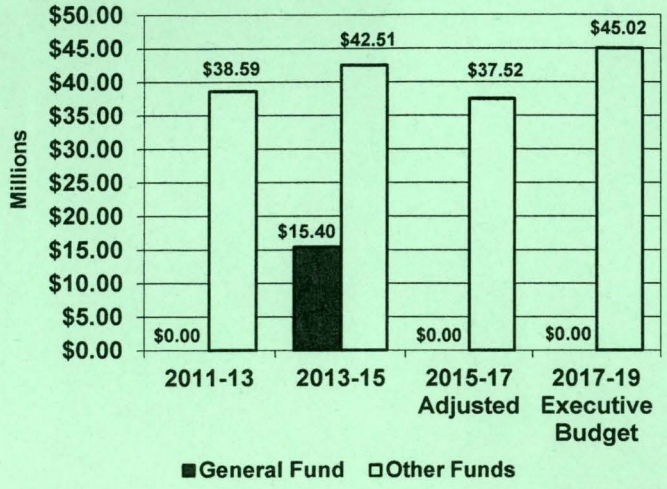
Department 473 - Housing Finance Agency
Senate Bill Nos. 2014 and 2074

Executive Budget Comparison to Prior Biennium Appropriations

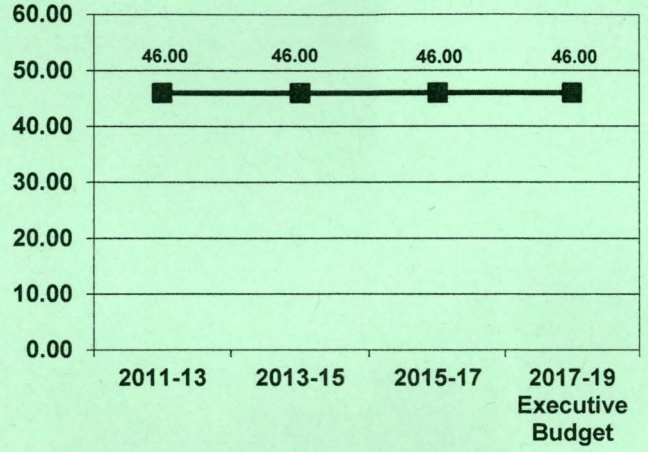
	FTE Positions	General Fund	Other Funds	Total
2017-19 Executive Budget	46.00	$0	$45,022,790	$45,022,790
2015-17 Adjusted Legislative Appropriations	46.00	0	37,520,089[1]	37,520,089
Increase (Decrease)	0.00	$0	$7,502,701	$7,502,701

[1]The 2015-17 biennium adjusted legislative appropriations do not include $970,000 of additional special funds authority related to additional income received and expenses incurred for additional volume in mortgage servicing premiums during the 2015-17 biennium.

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Executive Budget	$0	$45,022,790	$45,022,790
2017-19 Base Level	0	37,520,089	37,520,089
Increase (Decrease)	$0	$7,502,701	$7,502,701

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which $34,626 is for salary increases and $128,790 is for health insurance increases	$0	$163,416	$163,416
2. Provides funding for additional salary increases related to salary adjustments for vacant positions and higher than anticipated 2015-17 biennium salary adjustments	$0	$257,425	$257,425
3. Adds funding for federal Housing and Urban Development grants related to distributions from the federal housing trust fund	$0	$6,017,048	$6,017,048
4. Increases funding for operating expenses	$0	$45,630	$45,630
5. Reduces grant funding for program outreach related to assisting communities with housing development	$0	($43,000)	($43,000)
6. Increases funding for operating expenses to continue additional expenses relating to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of 2015 House Bill No. 1014	$0	$970,000	$970,000

Other Sections Recommended to be Added in Executive Budget (As Detailed in Senate Bill No. 2074)

Additional income - Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium.

Housing incentive fund - Section 19 continues the housing incentive fund for the 2017-19 biennium and removes the provision for the Housing Finance Agency to report quarterly to the Budget Section.

Continuing Appropriations

Housing incentive fund - North Dakota Century Code Section 54-17-40 - Provides grants for housing projects.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

Senate Bill No. 2192 - Continues the housing incentive fund for the 2017-19 biennium, removes priority for housing for essential services workers, provides for $20 million of income tax credits for contributions to the housing incentive fund, and appropriates $20 million for a transfer from the general fund to the housing incentive fund.

Housing Finance Agency - Budget No. 473
Senate Bill Nos. 2014 and 2074
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	46.00	$0	$37,520,089	$37,520,089
2017-19 Ongoing Funding Changes				
Base payroll changes			$92,182	$92,182
Salary increase - Performance			34,626	34,626
Health insurance increase			128,790	128,790
Additional salary increases			257,425	257,425
Adds Housing and Urban Development grants			6,017,048	6,017,048
Increases funding for operating expenses			45,630	45,630
Reduces grant funding for program outreach			(43,000)	(43,000)
Increases funding for mortage servicing premiums			970,000	970,000
Total ongoing funding changes	0.00	$0	$7,502,701	$7,502,701
One-time funding items				
No one-time funding items				$0
Total one-time funding changes	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	$7,502,701	$7,502,701
2017-19 Total Funding	46.00	$0	$45,022,790	$45,022,790

Other Sections in Housing Finance Agency - Budget No. 473

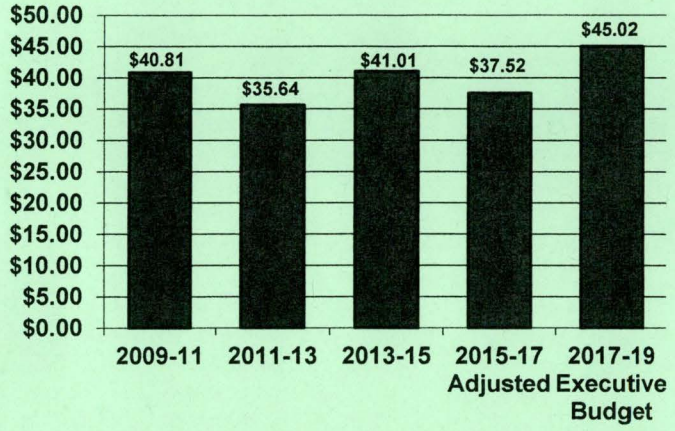
	Executive Budget Recommendation
Additional income	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium.
Housing incentive fund	Section 19 continues the housing incentive fund for the 2017-19 biennium and removes the provision for the Housing Finance Agency to report quarterly to the Budget Section.

Department 473 - Housing Finance Agency

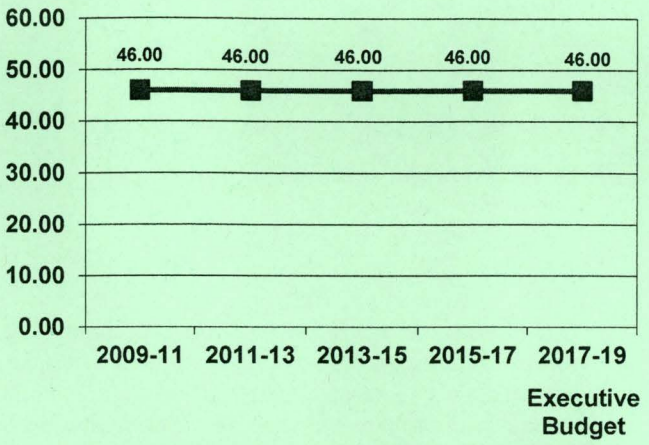
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2009-11

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Executive Budget
Ongoing other funds appropriations	$40,813,769	$35,640,046	$41,007,497	$37,520,089	$45,022,790
Increase (decrease) from previous biennium	N/A	($5,173,723)	$5,367,451	($3,487,408)	$7,502,701
Percentage increase (decrease) from previous biennium	N/A	(12.7%)	15.1%	(8.5%)	20.0%
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	(12.7%)	0.5%	(8.1%)	10.3%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2011-13 Biennium

1. Reduced funding for federal Housing and Urban Development grants	($5,960,440)

2013-15 Biennium

1. Added funding for grants under the federal neighborhood stabilization program	$4,000,000
2. Increased funding for program outreach	$131,000

2015-17 Biennium

1. Reduced funding for federal Housing and Urban Development grants	($2,214,445)
2. Reduced funding for housing development grant programs	($1,287,825)

2017-19 Biennium (Executive Budget Recommendation)

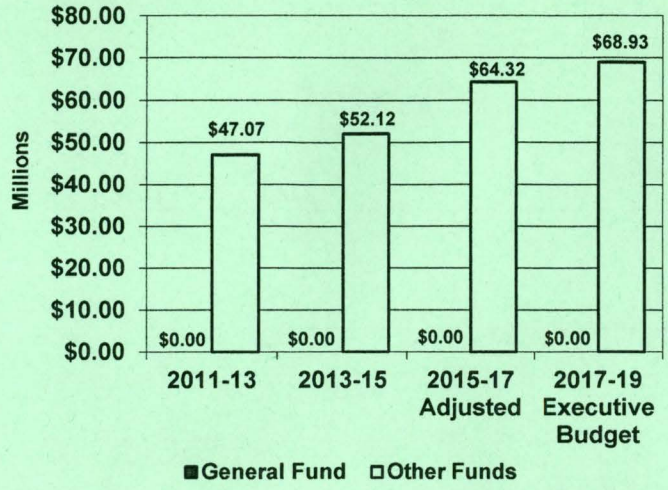
1. Provides funding for state employee salary and benefit increases, of which $34,626 is for salary increases and $128,790 is for health insurance increases	$163,416
2. Provides funding for additional salary increases related to salary adjustments for vacant positions and higher than anticipated 2015-17 biennium salary adjustments	$257,425
3. Adds funding for federal Housing and Urban Development grants related to distributions from the federal housing trust fund	$6,017,048
4. Increases funding for operating expenses	$45,630
5. Reduces grant funding for program outreach related to assisting communities with housing development	($43,000)
6. Increases funding for operating expenses to continue additional expenses relating to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of 2015 House Bill No. 1014	$970,000

Department 475 - Mill and Elevator Association
Senate Bill Nos. 2014 and 2074

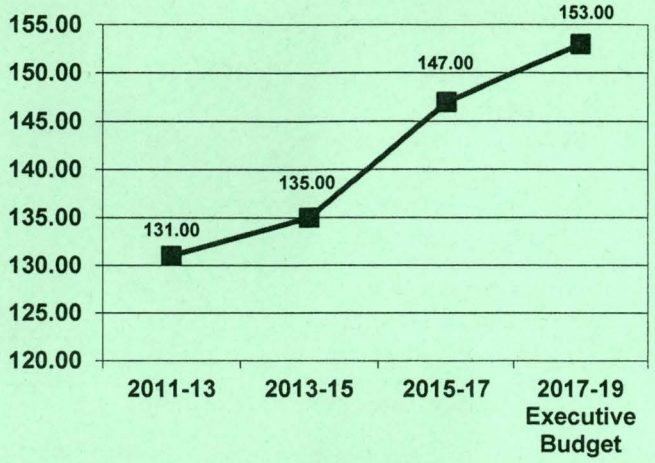
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2017-19 Executive Budget	153.00	$0	$68,930,168	$68,930,168
2015-17 Adjusted Legislative Appropriations	147.00	0	64,315,898	64,315,898
Increase (Decrease)	6.00	$0	$4,614,270	$4,614,270

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Executive Budget	$0	$68,930,168	$68,930,168
2017-19 Base Level	0	64,315,898	64,315,898
Increase (Decrease)	$0	$4,614,270	$4,614,270

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for base payroll changes, including salary increases	$0	$2,539,491	$2,539,491
2. Provides funding health insurance increases	$0	$437,886	$437,886
3. Adds funding for 6 FTE positions, including 2 grain handling positions, 2 food safety positions, 1 flour packer position, and 1 utility worker position	$0	$768,893	$768,893
4. Adds funding for operating expenses related to utilities, supplies, and repairs	$0	$868,000	$868,000

Other Sections Recommended to be Added in Executive Budget (As Detailed in Senate Bill No. 2074)

Transfer to general fund - Section 20 amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 90 percent.

Continuing Appropriations

There are no continuing appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

At this time, no major legislation has been introduced affecting this agency.

Mill and Elevator Association - Budget No. 475
Senate Bill Nos. 2014 and 2074
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	147.00	$0	$64,315,898	$64,315,898
2017-19 Ongoing Funding Changes				
Base payroll changes			$2,539,491	$2,539,491
Health insurance increase			437,886	437,886
Adds funding for FTE positions	6.00		768,893	768,893
Increases in utilities, supplies, and repairs			868,000	868,000
Total ongoing funding changes	6.00	$0	$4,614,270	$4,614,270
One-time funding items				
No one-time funding items				$0
Total one-time funding changes	0.00	$0	$0	$0
Total Changes to Base Level Funding	6.00	$0	$4,614,270	$4,614,270
2017-19 Total Funding	153.00	$0	$68,930,168	$68,930,168

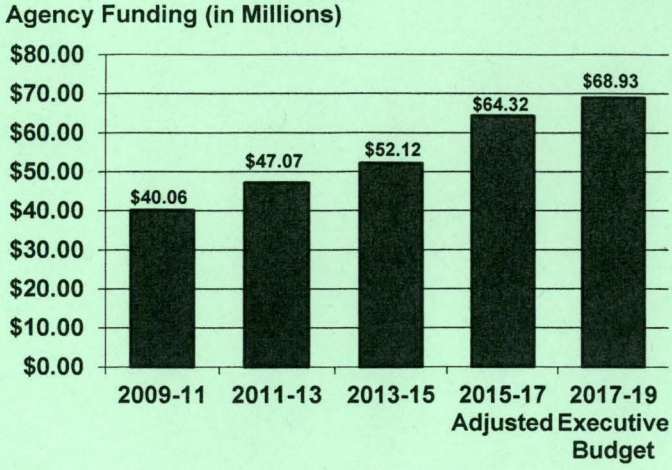
Other Sections in Mill and Elevator Association - Budget No. 475

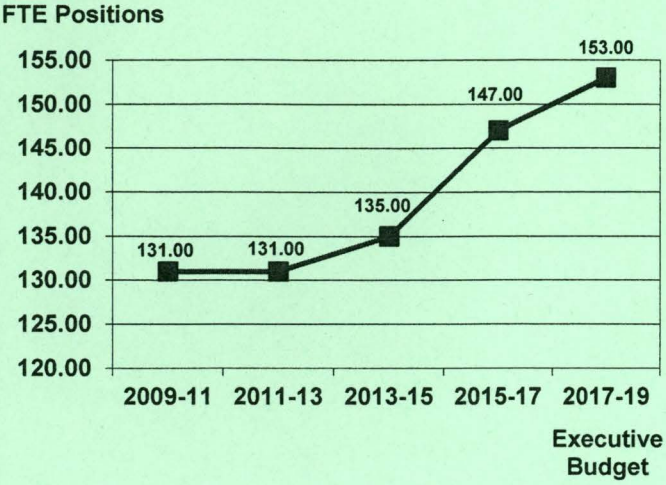
	Executive Budget Recommendation
Transfer to general fund	Section 20 amends Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 90 percent.

Department 475 - Mill and Elevator Association

Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2009-11





Ongoing Other Funds Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Executive Budget
Ongoing other funds appropriations	$40,057,242	$47,071,877	$52,123,557	$64,315,898	$68,930,168
Increase (decrease) from previous biennium	N/A	$7,014,635	$5,051,680	$12,192,341	$4,614,270
Percentage increase (decrease) from previous biennium	N/A	17.5%	10.7%	23.4%	7.2%
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	17.5%	30.1%	60.6%	72.1%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2011-13 Biennium

1. Added funding for temporary employees	$200,000
2. Added funding for operating expenses and contingencies	$3,535,951
3. Added funding for a rural leadership grant program	$60,000

2013-15 Biennium

1. Added funding for 4 FTE positions, including a supervisor position, an information system analyst position, a rail car checker position, and a sales representative position	$622,678
2. Added funding for operating expenses related to production increases	$1,352,131

2015-17 Biennium

1. Added funding for 12 FTE positions, including 3 mill operator positions, 3 rail car loader positions, 2 flour packer positions, 2 utility worker positions, 1 electrician position, and 1 maintenance worker position	$1,643,906
2. Added funding for operating expenses related to a new milling unit	$5,531,000
3. Increased funding for contingencies to provide total funding of $500,000	$100,000

2017-19 Biennium (Executive Budget Recommendation)

1. Provides funding for base payroll changes, including salary increases	$2,539,491
2. Provides funding for health insurance increases	$437,886
3. Adds funding for 6 FTE positions, including 2 grain handling positions, 2 food safety positions, 1 flour packer position, and 1 utility worker position	$768,893
4. Adds funding for operating expenses related to utilities, supplies, and repairs	$868,000

SB 2014/2074
1-19-17
#1

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Testimony for Senate Bill Nos. 2014 and 2074
Senate Appropriations Committee
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
January 19, 2017

Mr. Chairman and members of the Senate Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Senate Bill Nos. 2014 and 2074 include the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the State's industries—the Bank of North Dakota and State Mill. In the area of finance the Commission also oversees the Public Finance Authority, the Student Loan Trust, the North Dakota Building Authority and the Housing Finance Agency. In the area of natural resources and regulation the Commission oversees the Department of Mineral Resources which includes the oil and gas, geophysical exploration, subsurface mineral regulation and CO_2 Geological Storage in addition to other programs through its Oil and Gas Division and the Geological Survey. The Commission is also involved in research through the Lignite Research, Development and Marketing Program (Lignite Research Program), the Oil and Gas Research Program and the Renewable Energy Program. In addition the Industrial Commission is the North Dakota Transmission Authority and the North Dakota Pipeline Authority. The Industrial Commission also has oversight of the Outdoor Heritage Fund and Western Area Water Supply Authority industrial sales.

Subdivision 1 of **Section 1**, includes the appropriations for the administrative office of the Industrial Commission as well as the Department of Mineral Resources (Oil and Gas Division and Geological Survey), Public Finance Authority, and the lease (bond) payments for projects financed by the Building Authority.

Administration. The Administration budget is part of Subdivision 1 of Section 1 and is also referenced in Sections 3, 5, and 9 of Senate Bill 2074 or Budget No. 405.

The proposed funding for the administrative office of the Industrial Commission provides for 4 full-time employees. Two of the four positions are currently filled with full-time staff. One of the other positions is for a deputy position and I am currently in the recruitment process. The other position is vacant although I am using those dollars for a temporary employee who is working on a records management project that will probably last a couple more months. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission.

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This Commission is a multi-state organization which speaks on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry. The dues for this organization are based on the level of oil production in each member's state and because we are #2 in production the dues increased in recent years.

The administrative office budget does not include any General Fund dollars. The administrative office budget request is $930,000 (SB 2014) and $1,107,337 (SB 2074). The increase from the prior biennium is because one of the currently unfilled positions was changed to an executive position (deputy) and funding has been included to contract for upgrading the Commission's website. The administrative budget is funded by the agencies that report to the Industrial Commission and the funding directed by the Legislature to be paid by the Western Area Water Supply Authority (WASWS) industrial sales. You will see this funding source noted in **Section 6 (SB 2014) and Section 9 (SB 2074)** where authority is granted for these agencies and WAWS to transfer funds to the Industrial Commission.

Section 5 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 of Section 1 includes the lease (bond) payments for the outstanding North Dako Building Authority bonds. In SB 2014 that amount is $15,040,829 and in SB 2074 the amount is $13,210,484. What is needed for these payments for the 2017-2019 biennium is $13,210,484 which is a decrease from the prior biennium of $1,830,345. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located across the state.

Attached for your information is the Debt Service Schedule for all the outstanding bond issues. The proposed Executive Budget does not include any bonding by the North Dakota Building Authority. If there was bonding proposed this attachment shows that there is available debt service under the 10% of 1¢ statutory limitation in the amount of $37.2 million. That would translate into bonding for approximately $260 million of projects.

Section 3 provides the breakdown on the source of funding for the $13+ million of lease (bond) payments for the upcoming biennium. The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of these payments:

*University System – UND (05A)	$ 491,500
*Missouri River Correctional Center (03B)	$ 16,285
Job Service North Dakota (02A/10B)	$ 428,100
Historical Society (05A)	$ 33,333
Veterans Home (10A/B)	$ 404,503
Dept. of Health (02A) (federal funds)	$ 180,946
	$1,554,667

This afternoon we will be going over in more detail the following programs overseen by the Industrial Commission that have continuing appropriations. They are:

Lignite Research Program. The majority of the funding for the Lignite Research Fund comes from non-General Fund dollars. Last session the Legislature appropriated $5,000,000 from the General Fund (which was reduced to $4,672,500 as a result of the allotments) for the Lignite Research Fund. This afternoon we will be reporting on how those dollars are being used and will be discussing some additional funding sources for this Fund. In Senate Bill 2074 Section 15 allows for funding to be provided on a non-matching basis. The majority of the funds under the Lignite Research Program must have match funding. This non-match funding is needed for litigation, studies and activities in support of the Lignite Vision 21 program, externality studies and other marketing, environmental, or transmission activities that assist with the preserving and enhancing of the lignite industry in North Dakota. Mr. Bohrer and Mr. Holmes will be providing testimony on this Program.

Oil and Gas Research Program. Within this bill there is no appropriation for the Oil and Gas Research Program. This Program is funded from oil and gas gross production and oil extraction tax revenues up to $10 million a biennium. Additional information about the Oil and Gas Research Fund/Program is behind the tab titled OGRP. Mr. Brent Brannan, Director of the Program, will be present to respond to questions about this program.

Pipeline Authority. A portion of the Oil and Gas Research Fund is utilized to fund the North Dakota Pipeline Authority. Justin Kringstad, a consultant, is the Director of the Pipeline Authority. The Commission transferred $200,400 from the Oil and Gas Research Fund for the Pipeline Authority during the 2015-2017 biennium. These funds are utilized to compensate the Director of the Pipeline Authority and for studies conducted by the Pipeline Authority. More information about the Pipeline Authority is available under the tab titled Pipeline Authority.

Renewable Energy Program. Funding for the Renewable Energy Program comes from the Resources Trust Fund at the level of $3 million per biennium. Additional information about the Renewable Energy Program is behind the tab titled Renewable Energy Program.

Outdoor Heritage Fund. In 2013 the Outdoor Heritage Fund was established as a continuing appropriation at the level of $30 million per biennium. In 2015 the level of funding was increased to $40 million but because the source of funding is from a percentage of oil revenues it is forecasted that the amount the Fund will actually receive during the current biennium is $19.8 million. Governor Dalrymple's Executive Budget proposes that the funding level be limited to $10 million per biennium. The language for that decrease can be found in House Bill 1075.

Transmission Authority. In 2005 the Legislature established the North Dakota Transmission Authority. Tyler Hamman currently serves as the part-time Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund (non-matching dollars). More information about the Transmission Authority is available under the tab titled Transmission Authority.

Thank you for the opportunity to present testimony on the Industrial Commission budget.

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

Biennium	2006B 2001A	2010B 2002A	2005A	2006A 1998A 2000A	2010A/B	2012A	Totals	Other Source	Energy Conser.	Total Gen. Fund	10% of $.01 Sales Tax*	Available Debt Ser
2015-17	2,110,340	917,956	6,570,669	2,004,003	460,544	3,084,650	15,148,162	1,102,614	507,367	13,538,181	69,735,440	56,197,259
2017-19	2,126,367	917,144	6,575,206	1,377,801	504,531	1,809,463	13,310,512	1,146,911	507,785	11,655,816	47,250,320	35,594,504
2019-21	1,865,172	928,088	6,574,469	0	490,888	1,797,750	11,656,367	1,140,293	507,625	10,008,449	47,250,320	37,241,871
2021-23	812,924	492,700	6,573,256	0	481,056	909,000	9,268,936	840,392	499,535	7,929,009	47,250,320	39,321,311
2023-25	0	0	3,285,650	0	465,981	0	3,751,631	499,317	245,604	3,006,710	47,250,320	44,243,610
2025-27	0	0	0	0	448,181	0	448,181	448,182	0	0	47,250,320	47,250,320
2027-29	0	0	0	0	425,469	0	425,469	425,468	0	0	47,250,320	47,250,320
2029-31	0	0	0	0	174,031	0	174,031	174,031	0	0	47,250,320	47,250,320
Totals	6,914,803	3,255,888	29,579,250	3,381,804	3,450,681	7,600,863	54,183,289	5,777,208	2,267,916	46,138,165		
	4.24%	3.24%	4.23%	4.13%	3.33%	1.41%						

Revised 1/18/17

*For the 2015-2017 biennium the statutory limitation is based on the March 2015 forecast. The statutory limitation for the remaining biennia is based on the December 2016 forecast with a 0% increase each subsequent biennium.

4

Karlene Fine

SB 2014/2074
1-19-17
1A

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Schedule
Senate Bill Nos. 2014 & 2074
Senate Appropriations Committee
Harvest Room
Thursday, January 19, 2017

8:30 a.m. Administration Office – **Karlene Fine**, Executive Director and Secretary
SB 2074 - Section 1, Subdivision 1, Sections 3, 5, and 9.

8:40 a.m. Bank of North Dakota – **Eric Hardmeyer**, President
SB 2074 - Section 1, Subdivision 2, Sections 2, 7, 10, 11, 12, 13, 14, and 18

9:50 a.m. Housing Finance Agency – **Jolene Kline**, Executive Director
SB 2074 - Section 1, Subdivision 4, Sections 4 and 19

(Break)

10:55 a.m. North Dakota State Mill – **Vance Taylor**, President and General Manager
SB 2074 - Section 1, Subdivision 3, Section 20

11:25 a.m. Public Finance Authority – **DeAnn Ament**, Executive Director
SB 2074 - Section 1, Subdivision 1

(Break for lunch and Floor Session)

1:30 p.m. Department of Mineral Resources – **Lynn Helms**, Director
SB 2074 - Section 1, Subdivision 1, Section 2

2:45 p.m. Lignite Research, Development & Marketing Program – **Jason Bohrer**, Chairman, Lignite Research Council & **Mike Holmes**, Director of the Lignite Research, Development and Marketing Program
SB 2074 - Sections 2, 6, 8, 15, 16, 17 and 21

3:25 p.m. Administration/Continuing Appropriations Information regarding the Outdoor Heritage Fund, Renewable Energy Program, Oil and Gas Research Program, Pipeline Authority, Transmission Authority - **Karlene Fine**, Executive Director and Secretary

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SB 2014 / 2074
1-19-17
#1B

INDUSTRIAL COMMISSION OF NORTH DAKOTA

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Physical Address: 1016 E Calgary, Bismarck, ND 58501
Geological Survey
Phone: 701-328-8000 Fax: 701-328-8010 www.dmr.nd.gov/ndgs/
Oil and Gas Division
Phone: 701-328-8020 Fax: 701-328-8022 www.dmr.nd.gov/oilgas/

Housing Finance Agency – Jolene Kline
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Phone: 701-328-8080 Fax: 701-328-8090 www.ndhfa.org

Lignite Research, Development & Marketing Program – Jason Bohrer/Mike Holmes
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Fax: 701-328-2820 www.nd.gov/ndic/lrc-infopage.htm

Mill & Elevator – Vance Taylor
PO Box 13078, Grand Forks ND 58208-3078
Phone: 701-795-7000 Fax: 701-795-7272 www.ndmill.com/

Oil and Gas Research Program – Brent Brannan
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-425-1237 Fax: 701-328-2820 www.dmr.nd.gov/ogr/

Outdoor Heritage Fund – Karlene Fine and Jim Melchior
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3722 Fax: 701-328-2820 www.nd.gov/ndic/outdoor-infopage.htm

Pipeline Authority – Justin Kringstad
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-220-6227 Fax: 701-328-2820 www.dmr.nd.gov/pipeline/

Public Finance Authority – DeAnn Ament
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-7100 Fax: 701-328-7130 www.nd.gov/pfa/

Renewable Energy Program – Andrea Holl Pfennig
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-2687 Fax: 701-328-2820 www.nd.gov/ndic/renew-infopage.htm

Transmission Authority – Tyler Hamman
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Fax: 701-328-2820

TESTIMONY TO THE SENATE APPROPRIATIONS COMMITTEE
JANUARY 19, 2017
SENATE BILL 2014 & 2074

SB 2014/2074
1-19-17
#2

ERIC HARDMEYER – PRESIDENT & CEO
BANK OF NORTH DAKOTA

Mr. Chairman and members of the Committee, I am Eric Hardmeyer, President and CEO of the Bank of North Dakota (BND). As you know, BND is the only state-owned bank in the nation. Our mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota.

While our mission statement is short, the responsibilities of BND are large and extraordinary. BND is a unique hybrid between a state agency and a bank and we find ourselves as stewards of the history; and visionaries and planners for the future. As such, we believe it is our responsibility to properly position BND in this time of rapid economic change. While remaining true to our values, we must be agile in our response to changes in the marketplace. I am somewhat sure the 1919 legislature did not envision Bit Coin; Ebay; Microsoft; Amazon or Face Book.

The Bank serves many roles in North Dakota. BND is the "Bankers" Bank. We provide a variety of services and products to assist the local banking and financial services industry. We serve as a state repository for revenues and administer legislative loan programs to local subdivisions. And, as you know, BND is called upon to support state initiatives and provide earnings to the general fund. We deliver unique economic development and agriculture lending programs. We purchase home loans on the secondary market from local financial institutions; provide programming to spur college saving and provide loans to advance individual education.

Today, in addition to the normal financial discussion, I want to outline how BND is positioning itself to play a vital role in advancing the priorities of North Dakota including economic diversification, talent attraction and retention and supporting a positive business climate. As I noted earlier, the 1919 legislature could not envision the business and technology of today. And, we cannot envision the market place in 2050 but we can properly structure and position the Bank to succeed and serve the state.

In 2016 we spent much of the year traveling with the state the Department of Commerce; the Housing Finance Agency; Public Finance Agency; the League of Cities and the Association of Counties. Our task was to talk with key stakeholders about their economic development and infrastructure needs.

At a meeting in Fargo, Greg Tehven, the Director of Emerging Prairie said something that resonated with us. As he talked about entrepreneurs, he said that each state is looking for a competitive advantage. His challenge to us was envisioning how BND can be North Dakota's UNFAIR competitive advantage. That statement is somewhat of a culmination of the last three years of internal work at BND.

We began the process of evaluating the needs of the Bank in 2014. The research included input from managers, the Advisory Board and key stakeholders such as banks, legislators and economic developers. Three service market segments were clearly identified including Financial Institutions; Economic Development and Education. When combined with the growth of BND to a $7.3 billion institution, it was apparent the structure of the bank needed change.

We used this information as we began to craft our 2015-17 strategic plan. One of the strategies of the plan included a staff reorganization and the creation of three new divisions: business development; credit administration and risk management. The reorganization reflects the switch from a reactionary organization to one that is forward-looking and customer centric. I also want to note BND did not increase the number of FTE's and no existing employee was terminated, but many transitioned into new roles that reflected the new direction and structure (see BND Organizational Structure).

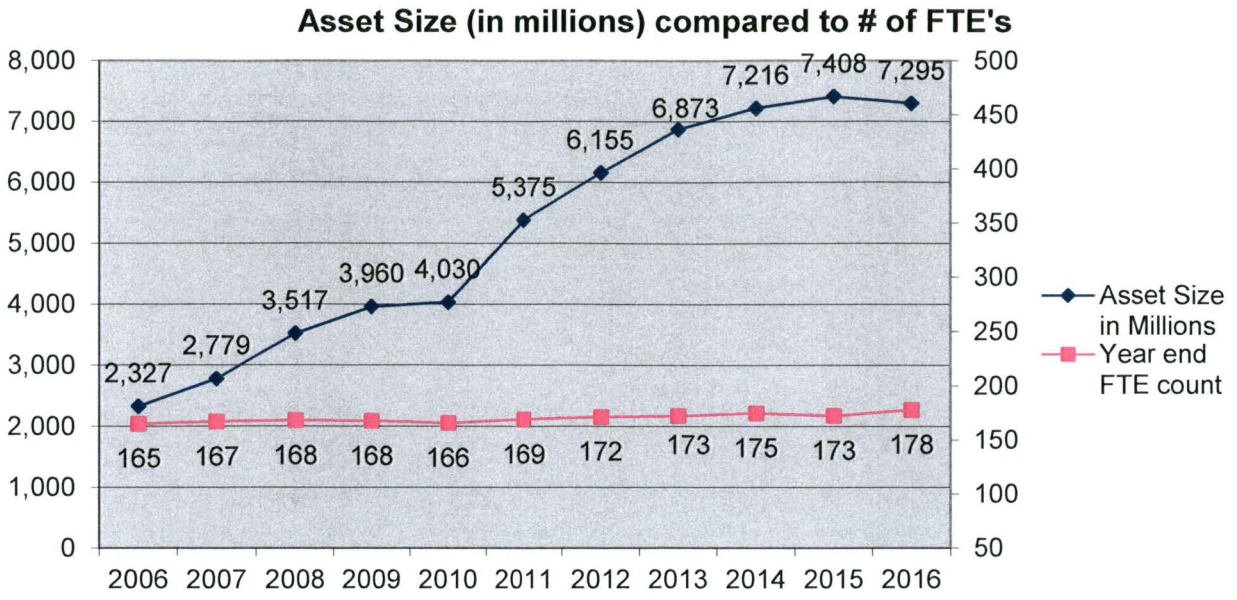
More specifically, during the restructure, employees were realigned to divide the lending function into two separate units: business development and credit analysis. This allows us to serve our customers in a proactive manner. The business bankers can focus on their relationships, operations and lending needs with financial institutions across the state. The credit analysis department provides the back office operations with a focus on protecting the bank's assets through critical analysis of loan applications.

Risk Management is a new division. This service area now oversees internal audit, compliance and enterprise risk management. Since 2008, the regulation and compliance mandates for a financial institution have increased dramatically. This business unit transitioned from primarily an audit function to one that now consults with service areas on how to create efficiencies while meeting appropriate compliance requirements and understanding all aspects of risk. The result is a partnership approach to risk management.

You will note the other three components of the business development unit including the education market; economic development and government programs and residential real estate. The economic development and government program is a new unit to BND. This unit responds to economic development needs, assists with large projects and administers loan programs delegated to BND by the legislature such as the school construction and infrastructure loan program.

The efficient use of staff resources has enabled us to grow the bank substantially while maintaining the number of employees. Our business practice includes a diligent requisition process to evaluate every vacancy. We gained efficiencies in the Bank by utilizing technology or streamlining efforts. This practice allows us to operate in an efficient and forward-looking manner. BND currently holds 3 vacant FTE's with plans to fill them in Business Development, Credit Analysis and Operations

The graph below represents the change in assets and employees between 2006 and 2016. Over this 10 year period, assets per employee has nearly tripled from $14 million to $41 million.



A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as percentage of income. Anything below 50% is considered to be excellent. BND is operating with a 16.9% efficiency ratio, which is over three times better than the industry average of 60.6%.

Before I move onto the financial highlights of the Bank, I want to discuss the 2014 strategic planning process. The 2014 strategic planning process led to the reorganization of BND to create efficiency and provide better service to our customers. However, it did not stop there.

We continue to actively engage in a strategic planning process that includes a full SWOT analysis resulting in a forward-looking strategic plan every 3 years. Our executive team and key senior managers annually review the environment affecting BND. These strategies result in executable goals that are actively pursued and reported on a quarterly basis.

In addition to planning for the tasks of the Bank, we also actively engage in succession planning. Our HR department consistently evaluates and surveys internal staff to determine their interest and ability to advance at the Bank. While talent is at a premium in every business or agency, it is essential to the current and future operations of BND. Our ability to produce consistent profits; address state needs and serve the private sector is directly tied to the talent level at the Bank.

In the end, our goal is to accomplish three things. One, provide products and services that make North Dakota better. Two, serve as a steward of the revenues that pass through BND. Three is to maximize the return on investment.

12-31 BND YEAR END FINANCIAL HIGHLIGHTS

Over the last 15-years, BND experienced dynamic growth resulting in a $7B bank today. The overall strength of North Dakota's economy during that time was key to BND's expansion. As state tax revenues and fees increased, these were deposited and then deployed into various assets such as loans, investments, or short term securities.

As state revenues declined in 2016, BND assets also were reduced. We expect that trend to continue in 2017.

	2013	2014	2015	Unaudited 2016	Projected 2017
Assets	$6,873	$7,216	$7,408	$7,295	$7,043
Loans	$3,477	$3,852	$4,340	$4,788	$4,943
Deposits	$5,601	$5,731	$5,802	$4,887	$4,406
Capital	$ 552	$ 652	$ 749	$ 863	$ 753
C/A Ratio	8.42%	8.76%	10.02%	12.00%	10.69%
Income	$94.2	$111.0	$130.6	$136.2	$137.4
Transfer	$19.4	$ 17.3	$ 28.6	$ 20.0	$260.0
% transfer	20.6%	15.6%	21.9%	18.3%	189.8%
ROE	18.4%	18.3%	18.1%	16.6%	16.0%

BND Capital Benchmark

The Bank of North Dakota is adequately capitalized with Tier 1 capital (equity) of $863 million or 12.00% of average assets. While this is a bit technical, the important thing is to understand how it compares to other banks.

- A nation-wide average for similar size banks is a ratio of 10.19%.
- The North Dakota average for all banks is 10.12%.

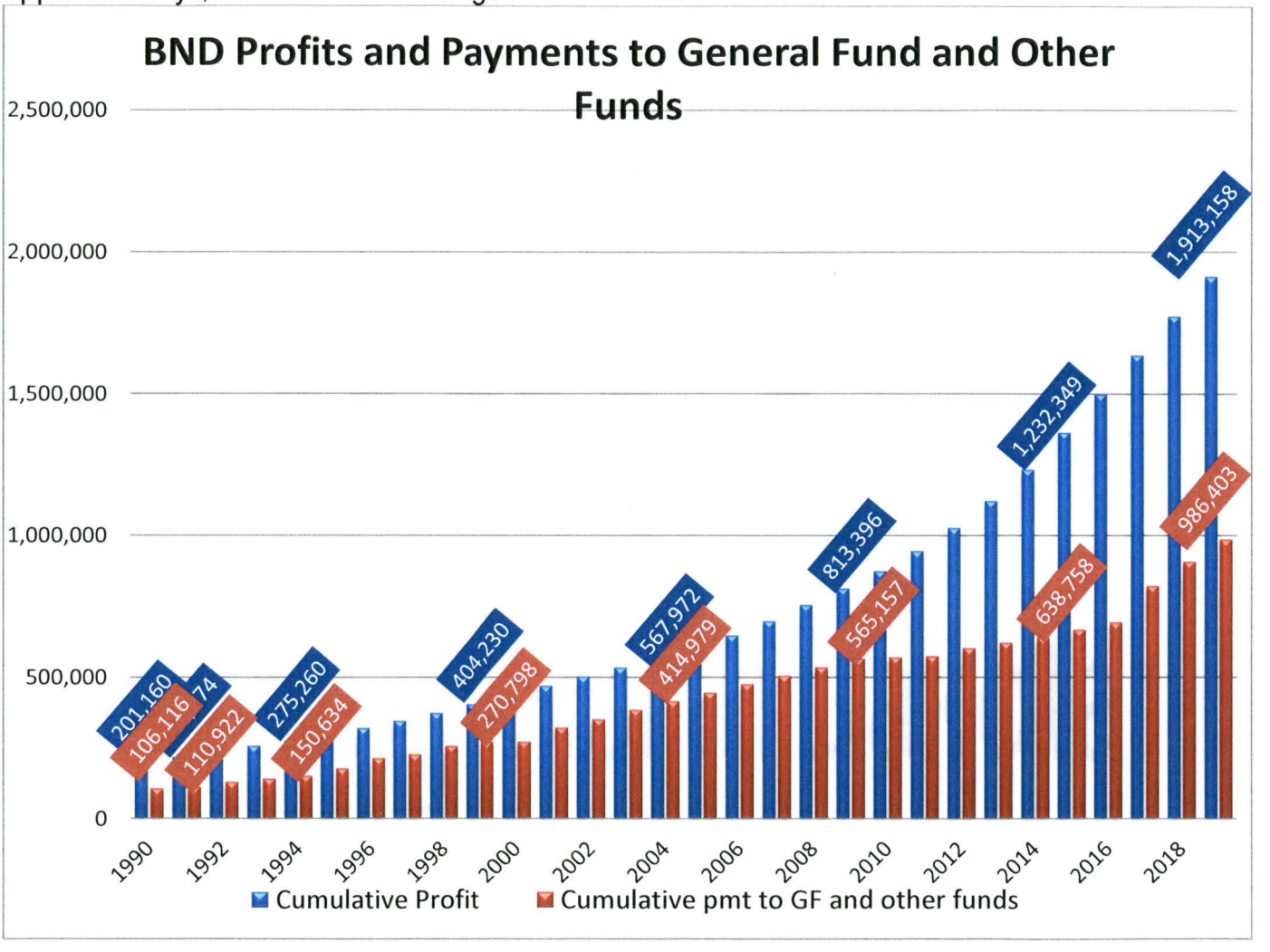
At the Bank of North Dakota, the internal benchmark is to maintain equity of 10.0%. This benchmark is set by considering peer institution benchmarks, the substantial regulatory environment, the economic concerns in energy and agriculture, and the importance equity plays in BND providing mission-driven programs.

Banks continue to be under pressure to increase regulatory required capital levels. BND is not federally regulated, however we are examined by state regulators and hold an independent rating from Standards & Poor's of A+. Each of these entities assesses the strength of BND's capital ratios as a significant part of their exam.

BND Earnings

Earnings have been strong with BND achieving record profits each of the last thirteen years. The 2016 budget anticipated earnings of $135 but actual earnings came in above projections at $136.2 million.

In the next biennium, earnings may drop off slightly if the current trend for state revenues continues. The projection for the 2017-19 biennium is for BND to have approximately $260 million in earnings.



When the legislature requests a dividend or transfer from the Bank of North Dakota to enhance general fund revenues, it is from capital. In August 2016 the special legislative session passed a bill requiring up to a $100 million transfer from BND's capital by June 2017.

What is important to note, is that despite not providing a dividend for a number of sessions, BND's earnings and capital were utilized to assist the state in various programming needs. In the 2015 Legislative Session, BND committed $100 million of its capital to fund the Infrastructure Loan Fund; $10 million was contributed to the Housing Incentive Fund; and another $48 million of capital was committed to fund the various buy-down loan programs. As of December 31, 2016 $121 million was still available for contribution to these loan programs.

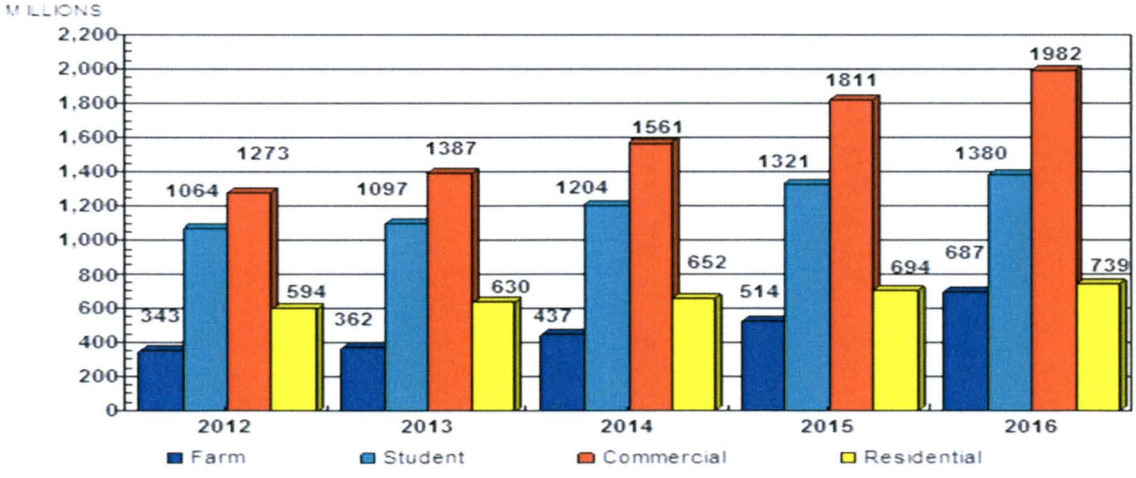
BND also assisted with the downturn in commodity prices by offering the farm financial stability program. This unique public-private program allowed farmers and ranchers to consolidate and refinance debt with the private bank providing working capital to the producer. In all, BND is carrying $155m in farm financial stability loans on its books. The Legislature allowing BND to retain its earnings enables these unique programs.

Already, in the 2017 Session, there is discussion regarding BND providing another dividend or transfer to the general fund. These projections range from $140m to $200m. We are asked if BND can support these types of transfers and still conduct business and produce earnings. The answer is Yes. BND is well positioned. Assuming there is close coordination between the legislative branch and BND, future draws on capital will decrease BND's Leverage Ratio to be in line with the internal benchmark of 10%.

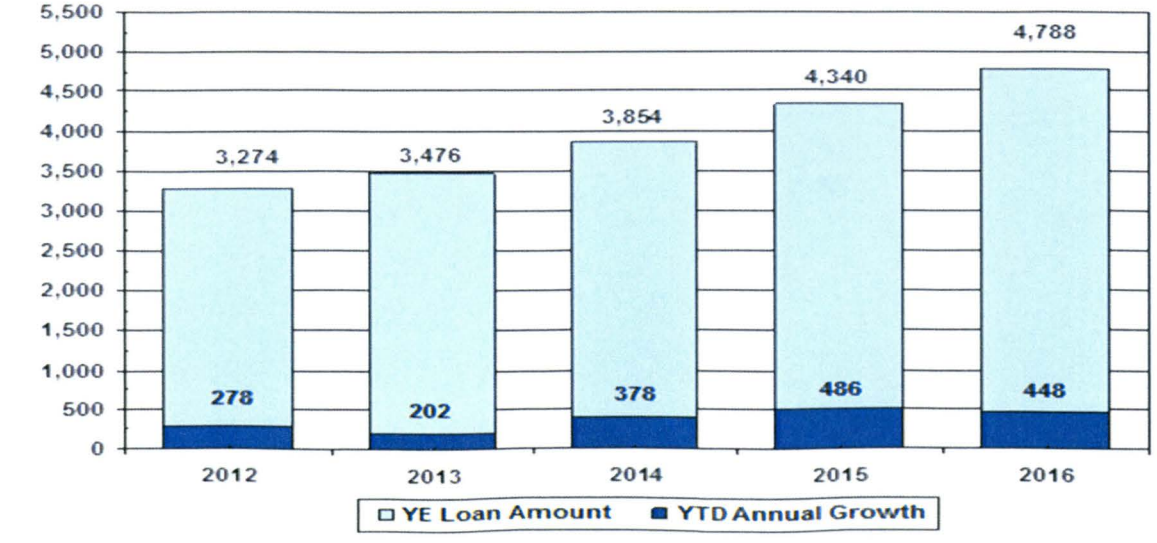
BND LOAN PORTFOLIO

The Bank of North Dakota's $4.7 billion loan portfolio consists of four types of loans: agriculture; student loans; commercial and residential. This diversification provides some protection to BND during times of rapid economic change. The graph below shows the growth in each portfolio since 2012. Total loan volume increased each year and total growth in net loans exceeded 35% in 2013, 2014 and 2015. (*Includes projected portion of buy-down transferred to programs.)

PORTFOLIO BY LOAN GROUP



TOTAL PORTFOLIO



BANK OF NORTH DAKOTA
SENATE BILL 2074, SECTION 1
OPERATIONS

BND is a special fund agency so operating expenses and employee salaries are funded by revenues generated by the Bank. In essence, the Legislature appropriates revenues of BND to these expenses. The Bank of North Dakota's 2017-19 operations budget is comprised of two major line items: operations and capital assets. Included in the operations line item are salaries & benefits, operating expense, and contingency.

MAJOR LINE ITEM EXPENSE CATEGORIES:

OPERATIONS

Budget 2017-2019	$59,878,521	Appropriation
Budget 2015-2017	$58,542,301	Base level
	$ 1,336,220	Enhancement

CAPITAL ASSETS

Budget 2017-2019	$ 810,000	Appropriation
Budget 2015-2017	$ 745,000	Base level
	$ 65,000	Enhancement

OPERATIONS

Salaries and benefits are projected to increase 1% for the next biennium per Senate Bill 2074. This includes a 1% salary increase in the second year of the biennium and increase expense associated with continued health coverage. We anticipate competitive pressures will require market adjustments for existing staff and new hires. Our analysis is we can meet our salaries budget for the 2015-17 biennium. However, BND will need to adjust our beginning salaries for the 2017-19 biennium to account for these increases.

Operating expenses includes data processing, training and development, supplies, postage, etc. The main reduction in operating expenses for the 2017-2019 biennium is related to the marketing and program activities that were previously funded by the College Access Challenge Grant. This federal grant expired in 2016, and the activities covered by this grant will need a new funding source or likely be eliminated. In addition, BND has made several adjustments to its operating expenses in areas like postage and IT communications where more efficient means of electronic communication replaced mail and phone services.

Of the funds requested for contingency, $1,000,000 is earmarked for compliance testing, hedge consulting and marketing costs. The financial industry is going through dramatic changes with information security requirements, compliance and regulatory needs, etc. Since we are dealing with a two year budgetary window it is important that BND has a significant amount in contingency to deal with unforeseen events.

CAPITAL ASSETS

Moneys appropriated for capital assets consist of funds for replacement of information technology, software upgrades, and hardware replacement. In the 2015-2017 biennium, the Legislature added $17 million to BND's Capital Asset appropriation to build the ND Financial Center. Since this is considered one-time funding, it is not included in the base level budget. One-time funding items are included in Section 2 of Senate Bill 2074.

Biennium-to-Date Actual Spending versus Budget

Bank of North Dakota
Biennium Appropriation Report
Eighteen Months Ended December 31, 2016

Line Item	Total Approp.	Biennium-to-Date Expenditures	To-Date Budget	To-Date Variance	To-Date Unexpended
Operating	$58,542,304	$39,291,910	$41,028,856	$ (1,736,946)	$19,250,394
Cap. Assets	$17,745,000	$ 1,071,114	$11,887,544	$(10,816,430)	$16,673,886
Total	$76,287,304	$40,363,024	$52,916,400	$(12,553,376)	$35,924,280

BANK OF NORTH DAKOTA
SENATE BILL 2074, SECTION 7
Transfer to the General Fund

This section addresses the transfer from BND to the General Fund for the 2017-2019 biennium

BANK OF NORTH DAKOTA
SENATE BILL 2074, SECTION 9
Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs.

BANK OF NORTH DAKOTA
SENATE BILL 2074, SECTIONS 10-14
Transfer to BND Economic Development Buy Down Programs

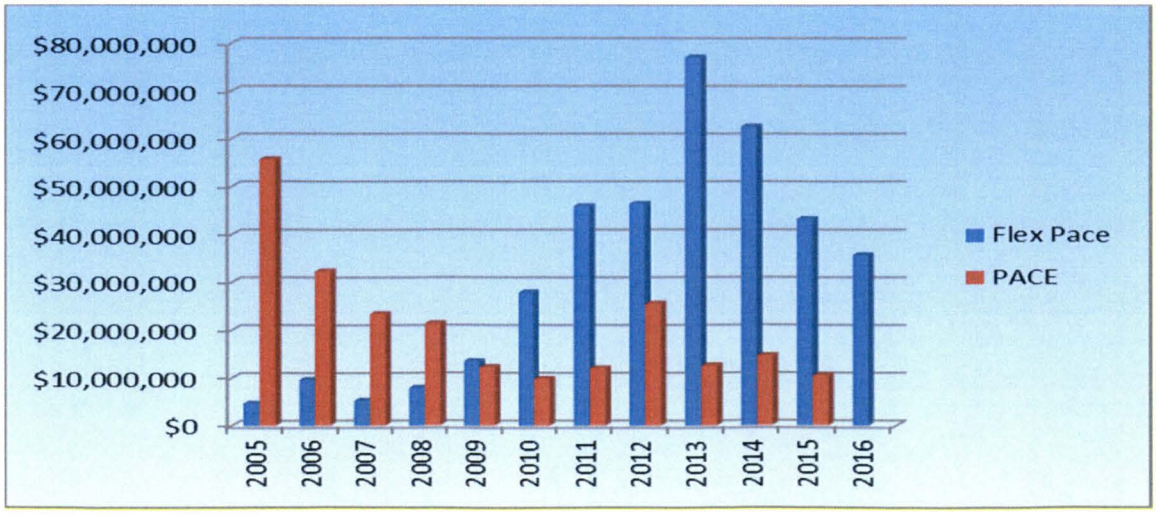
BND administers a number of economic development loan programs. A centerpiece of the economic development programming is the PACE Program. PACE includes a number of sub-sector programs targeted to stimulating economic diversification. Starting with the 2013 Legislative Session, the appropriation to fund the interest rate buy-down programs was removed from the General Fund and inserted in the budget as a draw to BND's Capital. Listed below are the detailed numbers for the pertinent buy-down programs.

Economic Development Buydown Programs

	BND Capital Allocation: 2015-2017 Bien.	Estimated Use: 2015-2017 Bien.	Estimated Remaining: 2015-2017 Bien.	BND Capital Allocation: 2017-2019 Bien.	Program Allocation: Life-to-Date
PACE / Flex PACE	$ 28,000,000	$ 24,847,059	$ 3,152,941	$ 16,000,000	138,900,000
Ag PACE	3,000,000	1,552,942	1,447,058	2,000,000	15,398,100
Bio-Fuels Pace	2,000,000	1,270,589	729,411	1,000,000	9,900,000
Medical Pace	10,249,000	10,249,000	-	-	10,249,000
Beginning Farmer	7,000,000	7,000,000	-	6,000,000	26,221,500
School Construction	7,875,000	2,407,120	5,467,880	6,000,000	13,875,000
	$ 58,124,000	$ 47,326,710	$ 10,797,290	$ 31,000,000	$ 214,543,600

The PACE Fund was established by the Legislature to assist North Dakota communities in expanding their economic base by providing support for local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries. In 2005, the PACE program was expanded to include a special limited provision called Flex PACE. This special program allows local communities to set their own standards for use of the program including business retention or essential services

Total Loan Amounts for PACE & Flex PACE 2005-2016



A total of $6.4 million in PACE loans and $52.8 million in Flex PACE loans were funded in 2016 in comparison to $13.2 million and $77.3 million respectively for 2015. As you will note in the graph, community utilization of Flex PACE surpassed PACE in 2009. This transition is reflected in the proposed allocations for the PACE Program.

BND contracted with Praxis Strategies Group in the fall of 2016 to complete an analysis of the PACE and Flex PACE programs for the time period of 2005 to 2016. The intent of this study was to determine the effectiveness and return on investment of the programs and recommend changes that could improve the program. In addition to analysis of the financial data, the study also interviewed and surveyed bankers; economic developers and loan recipients to determine ways to improve the program.

According to the analysis:

- The PACE and Flex PACE program generated projects with a total value in excess of $1 billion dollars during the ten year period.
- On average, 775 jobs were created each year by companies receiving PACE funding.
- Each dollar of BND financing leveraged $2.03 from other sources.
- Median Wages among PACE borrowers peaked in 2015 at $21.65. The median wage of PACE borrowers was $3.30 higher than the median wage of $18.35 in North Dakota.

FLEX PACE AFFORDABLE HOUSING BUYDOWN

Flex PACE for Affordable Housing provides financing with an interest buy down for new affordable multi-family housing units and non-residential, licensed, child care projects that are new or expanding in North Dakota

- There were 14 new Affordable Housing PACE loans funded in 2016 accounting for 186 affordable rental units and 3 daycare facilities.
- There are a total of 15 loans pending with a total loan amount of $30,266M which account for 303 affordable rental units and three daycare facilities.

BEGINNING FARMER REVOLVING LOAN FUND

The beginning Farmer Revolving Loan Fund was established to assist those North Dakota residents entering agriculture with purchasing land and equipment. The interest rate on these loans is fixed a 1% below BND's base rate with a maximum interest rate of 6% for the first five years of the loan.

- There were 77 Beginning Farmer Real Estate Loans in 2016 and 70 in 2015.
- There were 73 Beginning Farmer Chattel Loans in 2016 and 57 in 2015.

AG PACE FUND

The AG PACE Fund was established to buy-down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income. This is a key tool in supporting agriculture diversification.

- A total of 39 Ag PACE loans were funded in 2016 compared to 70 in 2015.
- The majority of the loans funded during the previous three years were for field tiling projects.

BIO-FUELS PACE FUND

The Bio-Fuels PACE fund was established to buy-down the interest rates on loans to biodiesel and ethanol production facilities and livestock operations. These loans can be utilized for real property, equipment and facility expansion.

- There were 4 Bio-Fuels PACE loans funded in 2016 and 9 in 2015.

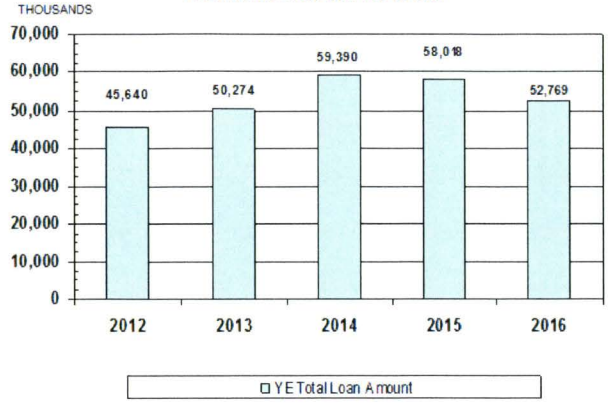
The SCHOOL CONSTRUCTION LOAN FUND

The SCHOOL CONSTRUCTION LOAN Fund was established by the 2015 legislature to buy-down the interest rate on loans for approved school construction projects. The program is available to schools that qualify for a loan through the Department of Public Instruction. This program sunsets in June of 2017 and was estimated to fund up to $250 million in school construction projects for the 2015-17 biennium. It is likely that BND will fund only $123 million of projects during the biennium.

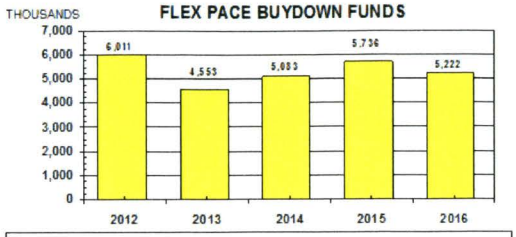
Appendix

PACE PROGRAM HIGHLIGHTS
2012 – 2016

FLEX PACE LOAN PROGRAM



FLEX PACE BUYDOWN FUNDS

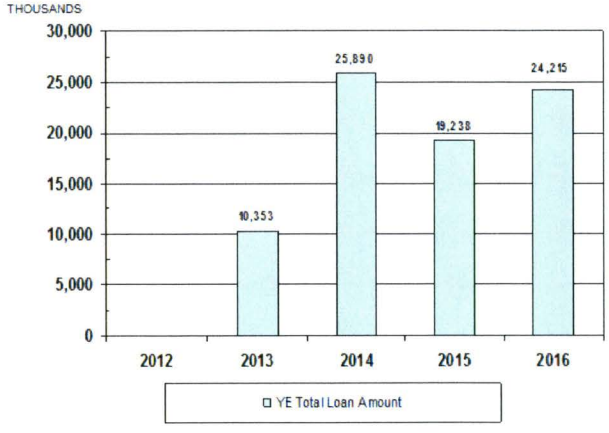


2015-2017 Biennium Flex PACE Buydown Fund	
Total Available FLEX (includes carryover from prior biennium)	$10,002,405*
Flex Buydown Funds – Funded/Committed Loans	$ 8,459,464
Remaining Buydown Funds	$ 1,542,941

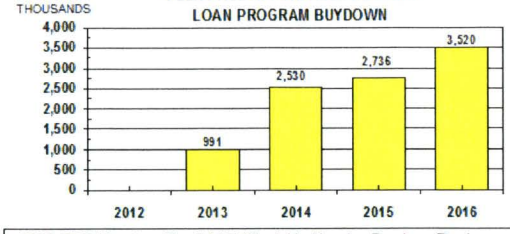
*Includes carryover and adjustments of $2,405.

A total of 87 Flex PACE Loans were funded in 2016 compared to 99 in 2015. Flex PACE buydown demand continues due to the financing of essential community approved businesses throughout North Dakota.

FLEX PACE AFFORDABLE HOUSING LOAN PROGRAM



FLEX PACE AFFORDABLE HOUSING LOAN PROGRAM BUYDOWN

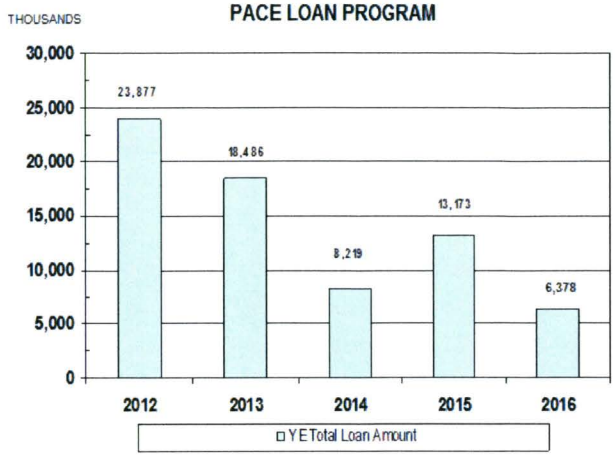


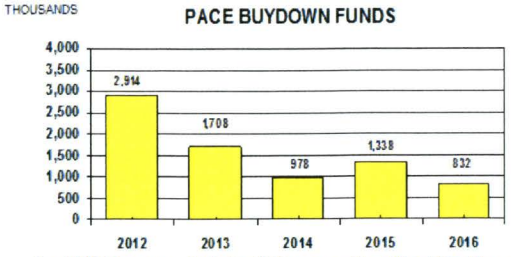
2015-2017 Biennium Flex PACE Affordable Housing Buydown Fund	
Total Available Funds	$13,238,260
Funded/Committed Loans	$ 7,598,236
Remaining Buydown Funds	$ 5,640,024

*Includes carryover and adjustments of $1,238,260

There were 14 new Affordable Housing PACE loans funded in 2016 accounting for 186 affordable rental units and 3 daycare facilities. There are a total of 15 loans pending with a total loan amount of $30,266M which account for 303 affordable rental units and three daycare facilities.

PACE PROGRAM HIGHLIGHTS
2012 – 2016

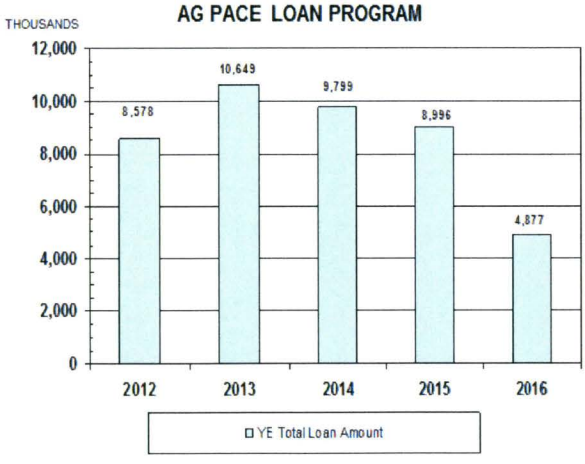


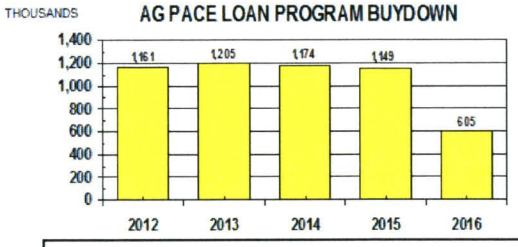


Four PACE loans were funded in 2016 compared to eight in 2015. Three of the loans funded in 2016 were committed to in 2015.

2015-2017 Biennium PACE Buydown Fund	
Total Available Funds	$ 6,229,663*
PACE Buydown Funds - Funded/Committed Loans	$ 1,282,476
Remaining Buydown Funds	$ 4,947,187

*Includes carryover and adjustments of $229,663.





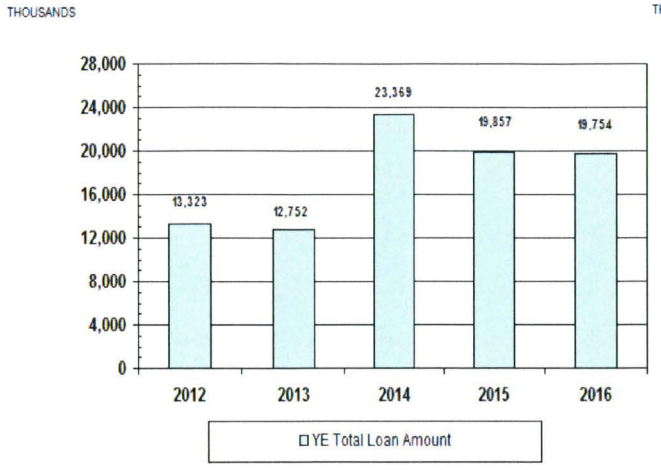
2015-2017 Biennium Ag PACE Buydown Fund	
Total Available Funds	$3,061,388*
Buydown Funds - Funded/Committed Loans	$ 1,208,454
Remaining Buydown Funds	$1,852,934

*Includes carryover and adjustments of $61,388.

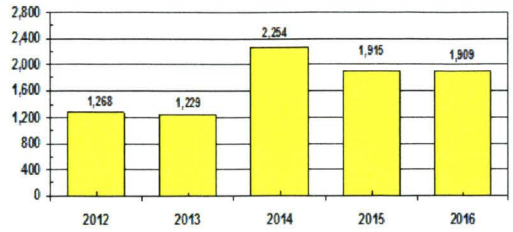
Thirty-nine Ag PACE loans were funded in 2016 compared to 70 in 2015. The majority of the loans funded in the last three years were for field tiling projects.

FARM PROGRAM HIGHLIGHTS
2012 – 2016

BEGINNING FARMER REAL ESTATE LOAN PROGRAM



BEGINNING FARMER RE BUYDOWN

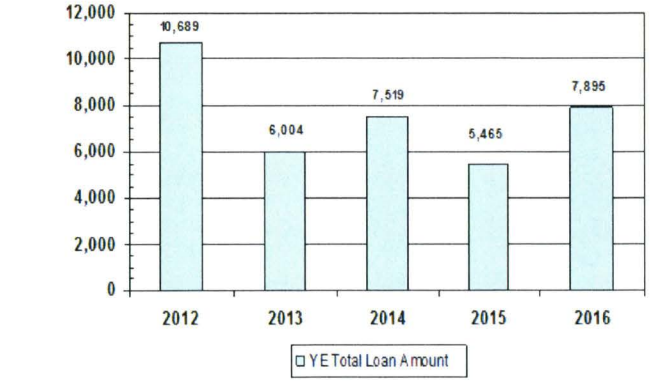


A total of 77 Beginning Farmer RE Loans were funded in 2016 compared to 70 in 2015. The large increase in loan amounts is a result of land transitioning from one generation to another.

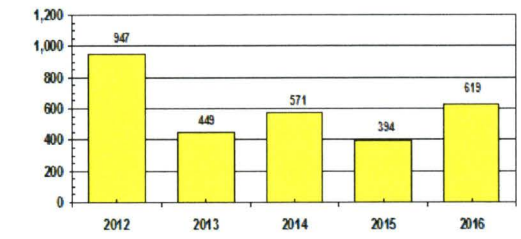
2015 – 2017 Biennium Beginning Farmer Buydown Fund	
Total Funds Available	$ 7,000,000
RE Buydown – Funded/Pending	-3,527,228
Chattel Buydown – Funded/Pending	- 758,608
Remaining Funds	$ 2,768,620*

*In addition, there is $3,554,300 remaining in the cash balance in the Beginning Farmer Revolving Loan Fund. The cash balance could be further reduced by possible draws of $1 million for Envest and $900,000 for potential PSC litigation costs.

BEGINNING FARMER CHATTEL LOAN PROGRAM



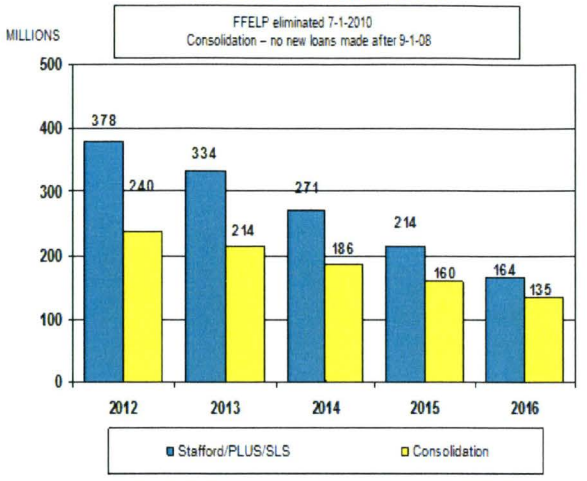
BEGINNING FARMER CHATTEL BUYDOWN



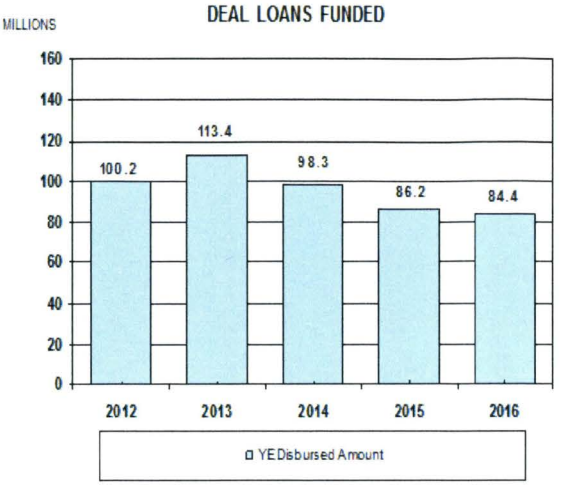
A total of 73 Beginning Farmer Chattel Loans were funded in 2016 compared to 57 in 2015.

STUDENT LOAN PROGRAM HIGHLIGHTS
2012 – 2016

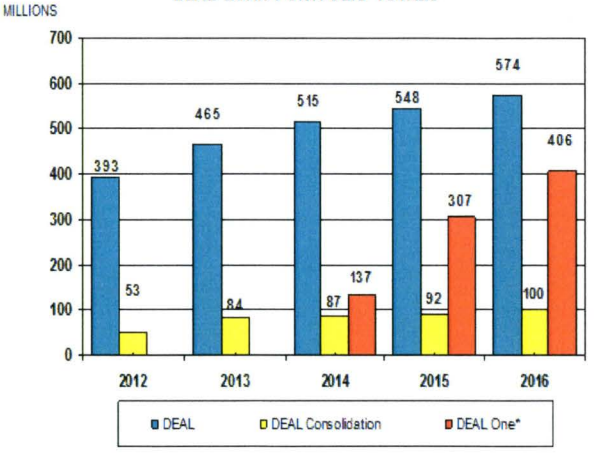
FFELP LOAN PORTFOLIO TOTALS



DEAL LOANS FUNDED

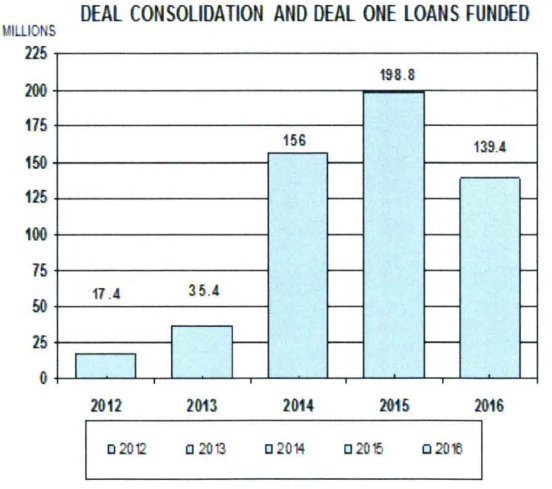


DEAL LOAN PORTFOLIO TOTALS

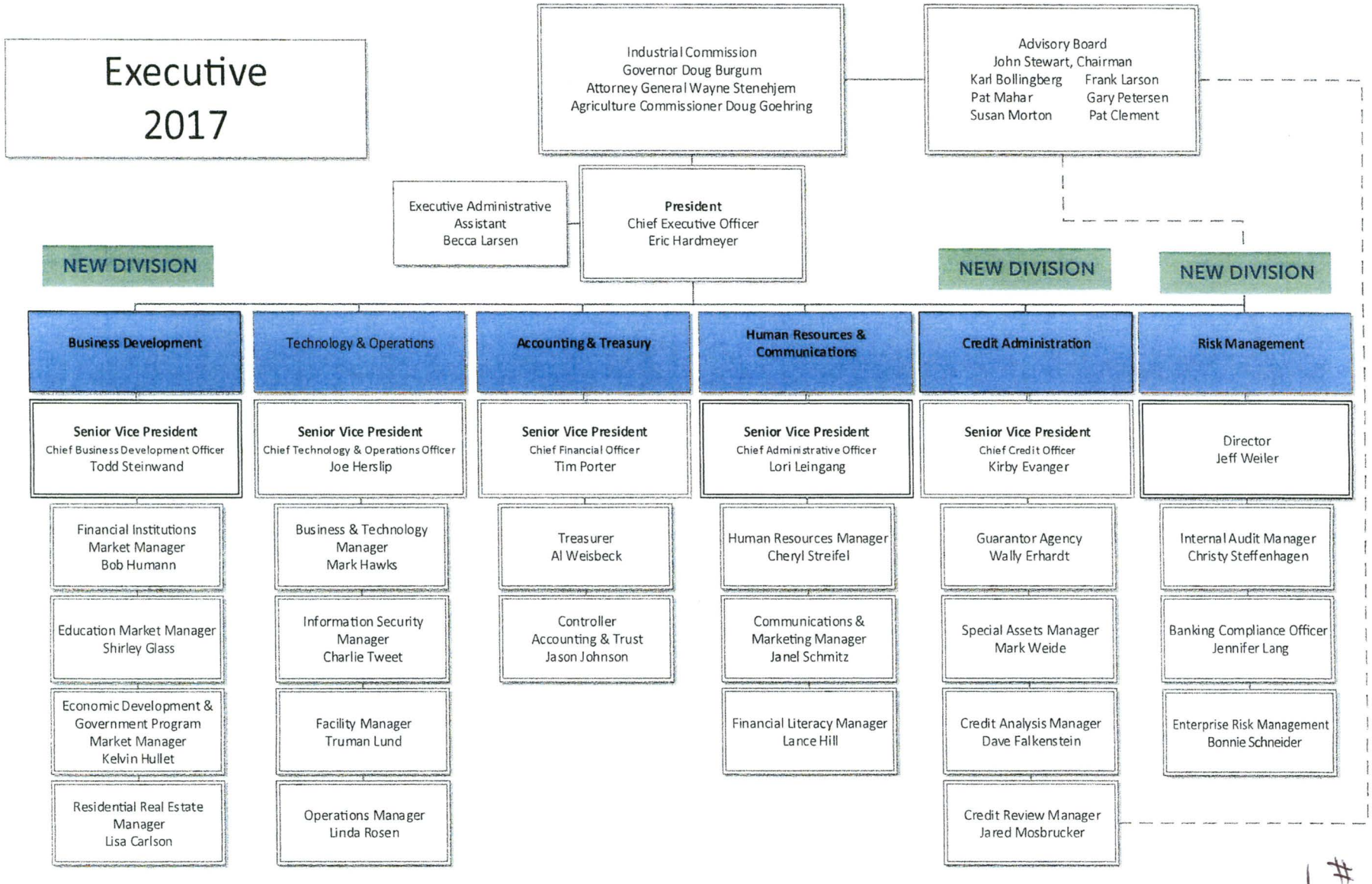


*Deal One Consolidation loan program began in 2014

DEAL CONSOLIDATION AND DEAL ONE LOANS FUNDED



BND Organizational Structure



SB 2014/2074
1-19-17
#3

(1)

NORTH DAKOTA housing FINANCE AGENCY

Jolene Kline Executive Director

INDUSTRIAL COMMISSION
Doug Burgum Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

SB 2014 and 2074
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0
Testimony of Jolene Kline, Executive Director
Senate Appropriations Committee

January 19, 2017

SB2014 - SB2074
#1

Chairman Holmberg and members of the Senate Appropriations Committee:

The North Dakota Housing Finance Agency's budget is in subdivision 4 of Section 1 of Senate Bills 2014 and 2074. This budget is funded exclusively with federal and Agency-generated special funds. There are no state general funds in this budget.

The proposed budget is seeking appropriation from Agency special funds including bond trust indentures, federal grant programs, and Agency reserves. There are no one-time spending items in the proposed budget. There are no changes to FTE authority which stands at 46.

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$7,745,034	$513,023	$8,258,057
Operating expenses	3,744,275	1,015,630	4,759,905
Grants	25,930,780	5,974,048	31,904,828
Contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,502,701	$45,022,790

The enhancements in SB 2074 are due almost entirely to a new federal grant administered by the Agency and increased service release premium due to increased home loan purchase activity. I will go into greater detail on these points in this testimony.

The directive from Legislative Council asked for information on budget reductions and proposed changes from the executive recommendation. We are asking that the enhancements and Section 19 of SB 2074 be included in SB 2014.

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www.ndhfa.org
hfainfo@nd.gov

Because the Agency is a special fund agency that does not rely on general fund appropriations, we were not subject to the allotment and budget adjustments made during the special Legislative Session in August 2016. We were directed by Governor Dalrymple in preparing our budget for the 65th Legislative Assembly to find cost savings. Attached is a listing of budget reductions on the operating expenses of the Agency.

The requested increase in the operating expenses line is due largely to increased service release premium. Service release premiums are paid by the Agency to our lender partners who originate mortgages for first-time and other low- and moderate-income borrowers under our programs. We purchase the actual mortgage from the originating lender, but they have the right, as such, to service the loans if they choose. Service release premiums purchase from the lenders those servicing rights. Because growth in our mortgage portfolio exceeded projections for the current biennium, the Agency sent an appropriation adjustment for the 2015-17 biennium to the Office of Management and Budget in June 2016 in the amount of $970,000 for service release premium. That amount was not included in the base level, but instead is reflected in the enhancement amount of the operating expenses line. We expect increased mortgage loan purchases in the 2017-19 biennium and so service release premiums will increase further. We are budgeting an additional increase to service release premiums of $222,890. That one line item of $3,077,480 (with the adjustments) makes up nearly two-thirds of the operating expenses and if it was removed, the Agency would show a 9.5 percent decrease in operating expenses amounting to $177,260. It is also important to note that the revenue generated from our portfolio of mortgages is expected to exceed the costs of the service release premiums.

On the grants line item, some of the adjustments being proposed include removal of the one-time State Disaster Relief Fund grant for the Souris Basin flood of $1,292,795; the addition of $5,400,000 from the National Housing Trust Fund; and an increase in HUD funding for project-based contract administration housing. Of the total $31.9 million grants, $31.2 million are from federal sources, with the majority being HUD Section 8 rental assistance programs.

The Agency's Property Management Division performs contract administration for the HUD Section 8 and Moderate Rehabilitation programs in North Dakota. Total biennium grant disbursements under HUD Section 8 for rental assistance are budgeted at $24,488,798 which is $1,537,978 more than the 2015-17 levels. This assists 2,948 units in 97 projects.

Mod Rehab grant disbursements are $1,186,030, assisting 157 units in 10 projects. This amount is a decrease of $252,930 for 2015-17 levels. These are all federal funds that are passed through to the owners of the projects to benefit very low-income tenants and are determined by HUD.

The Agency's Planning and Housing Development division administers our multifamily development programs and Agency-funded initiatives targeted to housing rehab and technical assistance for rural communities, as well as compliance monitoring for federal Low Income Housing Tax Credit (LIHTC) and Housing Incentive Fund (HIF) projects as they are placed into service.

The National Housing Trust Fund is a new pass-through grant fund from HUD which can only be used for extremely low-income households (30 percent of Area Median Income). It was authorized by Congress in the Housing and Economic Recovery Act of 2008, but funding, which comes from the government sponsored enterprises, was blocked until 2015. North Dakota receives the small state minimum amount of $3 million per year. The first allocation of funds was sent to the states in 2016 and the Agency awarded those funds in October. Three projects, all of which will serve homeless persons, were conditionally committed funds. The Agency collects a 10 percent administrative fee so the budgeted amount for the biennium is $5,400,000. When the projects are placed into service, they will undergo compliance monitoring similar to LIHTC and HIF projects. Likewise, it is a one-time upfront development subsidy and there is no ongoing assistance for the projects, which must maintain affordability for at least 30 years.

The Planning and Housing Development Division also administers several grants funded through Agency reserves. Revenue generated by our homeownership programs is used to fund the Housing Market Survey, Helping Housing Across North Dakota, Rehab Accessibility and Technical Assistance grant programs. Altogether there is $660,000 budgeted for these programs in the coming biennium which is a $40,000 decrease from the current biennium.

This budget, as with past budgets, includes a provision which appropriates any additional or unanticipated funds that may become available to the Agency during the biennium (see Section 4). Previously, we have relied on this provision to apply for federal funds for new programs that became available following the Legislative Session. Continuing this provision

during the upcoming biennium will provide the Agency with the flexibility to capitalize on new funding opportunities and continue to meet the state's housing challenges.

Section 19 of SB 2074 reauthorizes the Housing Incentive Fund for the coming biennium and eliminates the required report to the Budget Section on Essential Service Worker housing. There is no additional funding for the program that is being appropriated or requested in this section, but it is necessary to extend the Agency's ability to disburse funds from the current biennium to projects already committed.

The program was reauthorized during the 64th Legislative Assembly in 2015 with $30 million in tax credit authority and a transfer of $5 million from profits of the Bank of North Dakota. An additional $5 million transfer was contingent on Bank profits reaching a certain threshold for calendar year 2015, which was achieved.

There are a number of projects which received a commitment from HIF and are under development now. While HIF funds are often some of the first dollars into a project, not all projects will be able to draw their entire award by the expiration of the program, especially those that receive a commitment out of the March funding round. The Agency has 30 days after the sunset date of June 30 to completely disburse the funds before they are turned over to the general fund. HIF commitments are used to leverage other public and private financing and if the Agency is not able to fulfill those commitments, we could be liable to the projects and their lenders. Simply cancelling the obligations on July 31 is not an option without exposing the Agency to significant legal and financial ramifications. Currently, there is $17.9 million in unspent funds in the HIF account and it is expected that while some of these funds will be disbursed by the sunset date, not all of them will be. An extension of the sunset date will allow projects under development to spend down their commitments.

While the language in this bill for the HIF program is identical to the previous biennium including a priority for housing for essential service workers (ESW), there is a deletion of the reporting requirement to the Budget Section. As you can see in the language here, NDHFA has been required to keep a register "reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers." The Agency has periodically surveyed those on the register and reported

to the Budget Section on a quarterly basis throughout the past two interims. In December, the Agency reported decreases in the number of owned and master leased units and discussed the plans of nearly all of the public entities to end rental subsidies within the coming year. The report also detailed that many of those public entities owning housing units (the majority of which are school districts) do not have plans to divest themselves of the units because they are needed to recruit and retain staff. All of the master leased units are by medical facilities which are largely non-profit businesses and not public entities. Without additional funding, we do not anticipate new ESW targeted units so feel the report would not be as useful to the Budget Section as it was when it was first adopted.

For your information, Senate Bill 2192 was heard yesterday which would also reauthorize the program, make a change to the priority of the funding and provide $20 million in tax credit authority and a $20 million general fund appropriation.

The Housing Incentive Fund has been a model of public-private partnership in developing affordable housing options in North Dakota. It has had a significant impact in developing new housing and we are very proud of what we have accomplished. In order for all HIF projects to be completed and eliminate the legal risks to the state, it is critical that the program be reauthorized as presented in Section 19.

The requested enhancements to the budget as well as extension of the sunset date of the Housing Incentive Fund program will not have a cost to the state general fund as proposed here. All of the enhancements are paid for with federal funds or Agency revenues.

North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0

Attachment 1

Budget Savings from the 2015-17 Appropriation

Expense	Savings	% Reduction
Travel	$22,995	11.2%
Supplies – IT Software	$7,180	18.9%
Office supplies	$4,310	12.4%
Postage	$15,370	13.4%
Printing	$8,040	21.3%
Insurance	$1,690	36.7%
IT – Data Processing	$800	0.6%
IT – Communications	$2,040	3.9%
Professional Development	$12,180	9.8%
Fees – Professional Services	$134,145	31.3%
TOTAL REDUCTION	$208,750	17.7%

Budget Increases from 2015-17 Appropriation

Expense	Increase	Reason
IT Equipment Under $5,000	$6,600	Replace computers/monitors
Rentals/Leases – Equip & Other	$4,680	Replace printers/copiers
Rentals/Leases – Bldg/Land	$10,580	Increased office rent
IT – Contract Service/Repair	$9,630	Increased costs from providers
Operating Fees and Services	$222,890	Service Release Premium
TOTAL INCREASES	$254,380 (7.38%)	

Line items remaining unchanged from 2015-17 Appropriation

Other equipment under $5,000

Interest expense

SB 2014-2074
1-19-17
#2

SENATE APPROPRIATIONS

TESTIMONY IN SUPPORT OF SB 2074: "Housing Incentive Fund Continuing Appropriation"

Senator Holmberg and Committee Members. I am John Phillips Director of Real Estate Development for Lutheran Social Services Housing. We are a non-profit housing development organization that works across North Dakota to help communities address housing challenges they may be facing. We work primarily in rural North Dakota, with projects in almost every corner of the state.

I realize that there is a perception that housing needs in the oil impacted counties, as well as in other areas of the state, have been alleviated by apartments that have already been constructed with the assistance of the HIF funds appropriated in past legislative sessions. Many of us have been made aware there are now a number of housing vacancies in selected "rapid growth cities", as well as a much more competitive rent environment that allows more people to afford housing than was the case in the height of the oil activity. But has the problem been entirely resolved?

Reading the 2016 North Dakota Statewide Housing Needs Assessment. Conducted by Nancy Hodur and her team, projected housing need is expected to increase by 21% from 2014 – 2029; residents aged 65 and older are projected to increase by 52% and continue to pursue housing suitable to their needs; the number of residents ages 25 - 44 is projected to increase by 30%; and the housing needs of seniors as well as the first time homebuyer needs add unique considerations as well.

I think we all recognize that the availability of affordable housing is a fundamental element that provides North Dakota communities the ability to sustain their economy, allowing individuals to stay in the community and to move to the community if they wish, which helps bolster local workforce.

Continuing to study the Statewide Housing Needs Assessment it is apparent we are lacking in the availability of affordable housing. Developing communities continue to have an unmet housing need, and many communities continue to struggle trying to address housing for the low and moderate income individuals and families. There is a defined need for housing projects that address the needs of the lowest income individuals, as well as for projects that have rent

restrictions at or below Fair Market Rents (set by the Department of Housing and Urban Development.

Our challenge statewide is to answer the questions "**WHERE WILL WE LIVE"? Without quality "AFFORDABLE" housing for those in need how do we support continued community vitality? That can only be done through the development of additional housing and housing related services.**

Communities, employers, and families often relay the same message to us: Workers can't work without housing and without safe affordable housing, families can't relocate and make the community their home.

In addition, we often hear the question asked: With the economic success we have been experiencing in North Dakota, why do we need to talk about affordable housing? Won't the market just take care of the needs?

Unfortunately the market can't address affordable housing in a significant way without tools that are designed to help offset the cost of creating the housing; these tools help developers be able to offer lower rents to tenants. The Housing Incentive Fund is one tool that has proven itself both effective and successful in creating affordable housing in North Dakota's often unique environment.

The Housing Incentive Fund is targeted to help reduce construction costs, which reduces debt service as an operating cost, which allows a project to offer lower rents than they would otherwise be able to. People who work to create affordable housing, like LSS Housing and many others, are always trying to think creatively about how to make rents more affordable. HIF is a critical tool that helps affordable housing developers solve this equation in North Dakota.

In addition to communities where housing shortages are the primary challenge, there are many, many communities across North Dakota that are faced with the challenge of preserving and modernizing the affordable housing that already exists in their community. This **preservation of a critical housing resource** is **as important** as the creation of new units for many communities. You are probably familiar with affordable housing that was developed in the 1970s and 1980s through

USDA Rural Development or the Department of Housing and Urban Development. Thousands of housing units were built in both rural and urban communities across the state with the help of low interest loans made available by HUD and USDA. In addition, these properties often were able to offer a rent subsidy to the low income tenants who lived in the units. This subsidy comes from HUD or USDA, and pays the difference between what the low income tenant can afford and what the rent is at the property. It is a lifeline resource for many of the fixed income households who live in these units in our communities. The challenge we are facing today is that this housing stock is aging and needs re-investment to remain viable. If we can identify resources to help preserve and renovate existing affordable housing we know it can be a cost effective and practical way for communities to make sure their housing needs are addressed. We are often able to renovate and preserve this affordable housing at a much lower cost than it would take to build new replacement units. And it is an existing housing stock that already is served with infrastructure and should be able to continue to meet the needs of those community residents with thoughtful re-investment.

As we talk with city leaders and others in the smaller communities, they talk about their need to figure out how to address the housing needs of seniors and households with limited incomes. They talk about how they have some housing units in their communities that "need work" to make them a desirable place to live again. Those community leaders recognize they are probably not going to attract developers to build new projects to address that need in their communities and they recognize that they have to preserve the asset they have.

The Housing Incentive Fund can be an important and cost effective tool in facilitating the preservation of existing affordable housing properties across North Dakota. Your support for the HIF Incentive program will give those developers that focus on this unmet housing need, an opportunity to leverage private resources to help ensure that we can house the people who live in our state. It provides an opportunity to not only pursue new construction but also the opportunity to rehab existing housing in support of those communities where the existing units are their best opportunity to provide affordable housing for community members with that need.

Who needs affordable housing?

The popular perception of oil country in western ND is one of instant millionaires and widespread prosperity even in the downturn of that industry. I suppose this is true in a limited sense. Fortunes

have turned for many families because of the declining oil revenues and energy-related employment. But for others, the rapid change in the housing market has caused financial hardship and thrown them into personal economic crisis that still hasn't been resolved.

1. Housing units that had previously been "affordable" to low and moderate income wage earners and retirees suddenly became unavailable because they are sold to new owners and re-purposed to meet other housing needs. Those families were then required to move and search for housing that often did not exist. The properties that "left" that affordable program have not been replaced.
2. Even if physical displacement does not occur, economic displacement did. Rents statewide in many housing projects that were previously affordable were increased due to the robust economy. While there is no doubt that some market adjustment was probably warranted (because rents were too low to be sustainable before), the extreme changes in price seen in many communities has caused significant financial hardship for low and moderate income households.
3. Housing demand has far outstripped housing supply in many communities statewide as the Bakken impact had a very broad spectrum. As such, many families who have moved to ND to work are forced to live in marginal conditions, often homeless while waiting for suitable housing to become available even now.
4. This issue doesn't just affect new arrivals into the state. Individuals who lose housing because they can no longer afford market rents can be thrown into homelessness or an otherwise precarious housing situation because they have no viable options.

The question we need to ask ourselves when making a decision whether or not to support SB 2074 is, if we built more housing would the problem be solved? Certainly more housing takes the pressure off the supply side of the market. But since the market will only produce units it can afford to produce, can we expect this housing to serve everyone's needs? I think the answer will be no. In the current market without housing that is specifically tied to affordability requirements, market pressures will eliminate any affordability.

Very simply, I would ask you to consider that housing markets in North Dakota have been stressed by the economic success of the state and now the downtown in the economy. Increased development of affordable rental housing in North Dakota is important for continued business and

community sustainability, maintaining a quality of life for our limited-income seniors, providing for employee and workforce needs, and most importantly as a necessary component of individual and family stability and success.

The Housing Incentive Fund passed in the last session was a success and many individuals and families were able to secure housing in the state because of the activity generated by the investment. But housing continues to be a challenge in our state. The program needs to continue. We would encourage your support of SB 2074.

John Phillips, Director
Real Estate Development
Lutheran Social Services Housing (LSS Housing)

SB 2014/2074
1-19-17
#3

Testimony in Support of SB 2074
Senate Appropriations
Chairman: Senator Holmberg
January 19, 2017

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter Inc. (BSI),
701-730-2734, dmadler@beyondshelterinc.com, Lobbyist #29

Chairman Holmberg and members of the Committee, thank you for the opportunity to be heard.

My name is Dan Madler and I am the CEO of Beyond Shelter, Inc. (BSI), a mission driven North Dakota nonprofit developer of affordable housing.

Since the Housing Incentive Funds (HIF) inception and through today, BSI has closed on the financing of 346 HIF units, providing quality affordable housing to Elderly and Physically Disabled households, Law Enforcement, and Essential Service Workers living in the communities of Dickinson, Minot, Burlington, and Fargo.

I have found the HIF to be a great tool for Community and Economic Development and its design to be very nimble. BSI has been able to put the HIF funds to work quickly, leveraging approximately $11M in HIF's to produce $62.3M in long-term quality affordable housing assets. Essentially for every $1 of HIF investment, BSI has been able to produce $5.65 in long-term affordable housing assets.

In regards to SB 2074, I have 2 main talking points that I would like to comment on.

The first comment relates to the importance of reauthorizing the HIF through June 30, 2019. Without reauthorization, HIF funding commitments made to projects that are under development now, could go away. For example, in the community of Fargo, where I live, there is a $2.2M HIF commitment to the Jeremiah Project, a 20-unit apartment campus for low-income single mothers and their children. The Jeremiah Project is close to securing all of the capital needed and is hoping to start construction of the 20-unit project in April 2017. If the HIF is not reauthorized, the Jeremiah Project would lose all HIF's not drawn by June 30, 2016. Reauthorization of the HIF is critical, not only for the Jeremiah Project, but for several other HIF projects that face similar circumstances. These projects need to be able to draw all of their HIF's.

The second comment that I have relates to respectfully requesting your consideration to provide funding to the HIF through June 30, 2019. The need for quality, safe, and affordable housing is ongoing and is statewide. In support, I offer the following examples:

1) In the community of Fargo, on October 13, 2016, BSI received a certificate of occupancy for a 30-unit affordable housing project that serves low-income elderly households. The 30-unit project was fully leased in less than 45-days.

2) In the community of West Fargo, on this past Monday night, the City Commission of West Fargo unanimously agreed to sponsor a funding application that could be the first secured funding for a proposed YWCA permanent supportive housing project that will serve women and children that have been victims of domestic abuse.

3) I have and/or will be having conversations with the communities of Bismarck, Minot, and Dickinson as it relates to developing permanent supportive housing for long-term homeless individuals and possibly homeless families.

The need for affordable housing that serves our most vulnerable populations like seniors and people with disabilities is not going to go away anytime soon. The HIF will be and is needed to serve as a critical gap filler in the financing of affordable housing. For example, since the presidential election, the private investment market for Federal Low Income Tax Credits (LIHTC) has been turned upside down. The LIHTC is currently the most powerful Federal tool used to produce affordable housing. It truly is a private-public partnership as private investors purchase federal tax credits and the capital raised from the sale of the tax credits is invested in an affordable housing project. Because of the possibility of Federal tax reform, the price that investors are willing to pay for LIHTC's has decreased in value by 10-12 cents on the dollar. What does that mean? Well, if BSI had a $500,000 LIHTC award 1 penny is worth $50,000. $50,000 times 10-12 cents equals a $500,000 - $600,000 loss in private capital and thus creating a $500,000 - $600,000 funding gap for an affordable housing project. If funded in the next biennium, the HIF could be used to fill the funding gap and allow LIHTC affordable housing projects to move forward.

Funding the HIF is a long-term investment in North Dakota communities and in the state of North Dakota. If a community and state want to be strong economically, they need to provide a balance of housing stock to its residents. There needs to be housing for all income levels. The HIF program helps ND communities and the state of ND provide this balance.

In closing, I respectively request your support for the Reauthorization of the HIF and your consideration in funding the HIF in the next biennium. Doing so would be a continued long-term investment in ND communities, offering great financial leverage, while providing quality affordable housing options that will enable local families, longtime residents, and those on fixed incomes to affordably live in the ND community that they call home.

Thank you for your time and consideration and I stand for any questions that you may have.

SB 2014/2074
1-19-17
#4

Testimony in Support of SB 2074
Senate Appropriations
January 19, 2017

Chairman Holmberg and members of the Committee,

Today you will hear testimony regarding the reauthorization and funding for the Housing Incentive Fund via discussion on Senate Bill 2074. I am writing to share with you one story about the significant impact this program has on the lives of people who need access to safe and affordable housing in the state of North Dakota.

Jeremiah Program is a non-profit that assists determined single mothers with very young children living in poverty, by providing them with wrap-around supports including affordable housing that includes an early childhood education center, and Empowerment and Life Skills training and career/coaching assistance. Their participation in our program is predicated on their pursuit of a two or four year college degree so they can obtain a career track job to lift their family out of poverty permanently.

In 2015, Jeremiah Program applied for a grant from the Housing Incentive Fund in order to raise the necessary capital to build our affordable apartment building in Fargo. We were awarded $2.2 million through this competitive process and *that award was the game changer for our ability to go out and raise the rest of the funds from other sources, both public and private*!

The Housing Incentive Fund is instrumental in assisting innovative affordable housing programs with the critical capital funding for a variety of critical housing programs that benefit low income families, seniors, children and native tribes in North Dakota. And it does this by soliciting support from businesses who contribute to the fund and give back to their communities and state. The Housing Incentive fund is a win/win/win!

Thank you for your previous support of this innovative program and I urge you to pass all necessary legislation to authorize and fund it to continue to serve more North Dakota families well into the future.

Sincerely,

Diane Solinger
Executive Director
Jeremiah Program Fargo-Moorhead
701-212-8849
dsolinger@jeremiahprogram.org

1

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA
EDND
PO BOX 1091 • BISMARCK, NORTH DAKOTA 58502

SB 2014-2074
1-19-17
#5

Testimony of Connie Ova, Vice President
Jamestown/Stutsman County Development Corporation
In Support of SB 2074
January 19, 2017

Chairman Holmberg and members of the Senate Appropriations Committee. I'm Connie Ova, vice president of the Jamestown/Stutsman County Development Corporation and president of the Economic Development Association of North Dakota. On behalf of Jamestown/Stutsman County Development Corporation and EDND, I would like to express our support for SB 2074, which includes the appropriation for the Bank of North Dakota and the support they provide our rural and urban communities and counties.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

The Bank of North Dakota programs are very important to and widely used by economic developers across North Dakota. PACE and Flex PACE provide flexibility for businesses and development agencies to support new and growing businesses in a fiscally safe manner. I am here today to support the recommendations for appropriating $31,000,000 in BND capital to fund the PACE buy-down programs. As was noted in the BND testimony, these programs have generated substantial investment in North Dakota in a cost-effective way and support economic progress that creates attractive and viable communities. The Jamestown Stutsman Development Council has approved sixteen business expansions or new developments with these programs in the last three years. These programs increased property taxes, expanded business capacity, create new and highly skilled jobs, and helped entrepreneurs in rural communities throughout the county.

Statewide, you see these examples in small and large communities. Baker Boy and Steffes Manufacturing, small local companies that are now globally competitive growth companies, were supported by Stark County Development Corporation. Both of

these companies have created long-term, high-impact, skilled workforce and are examples of diversification, a key to moving our state economy forward.

The downturn in oil and agriculture has stimulated considerable discussion regarding supporting entrepreneurs and start-up companies, expanding existing businesses and attracting and retaining talent. The PACE programs of BND are essential to these efforts. In fact, skilled labor and technician jobs rose to the top as the kind of job creation most often facilitated by programs in the BND survey. In addition, helping existing companies expand was the number one response in support of the PACE Programs.

In reviewing the appropriation recommendation for the next biennium, we note an increase in the Flex PACE programming from $10 million to $12 million. This is an accurate reflection of what is happening in the marketplace. In the last decade, we have noted a substantial swing from the utilization of PACE to Flex PACE. Flex PACE offers communities of any size the opportunity to self-determine what types of companies are important to their local economy growth.

EDND understands the difficult position you have to determine the state's future, and we appreciate all the thoughtfulness you have put into managing this responsibility. Please consider how programs and resources support the communities in the entire state as you make these decisions.

I urge the committee's support of SB 2074.

SB2014-2076
1-19-17
#6

Senate Appropriations Committee

Senate Bill No. 2014/2074 Budget No. 475
North Dakota Mill & Elevator Association
January 19, 2017

Mr. Chairman and Senators:

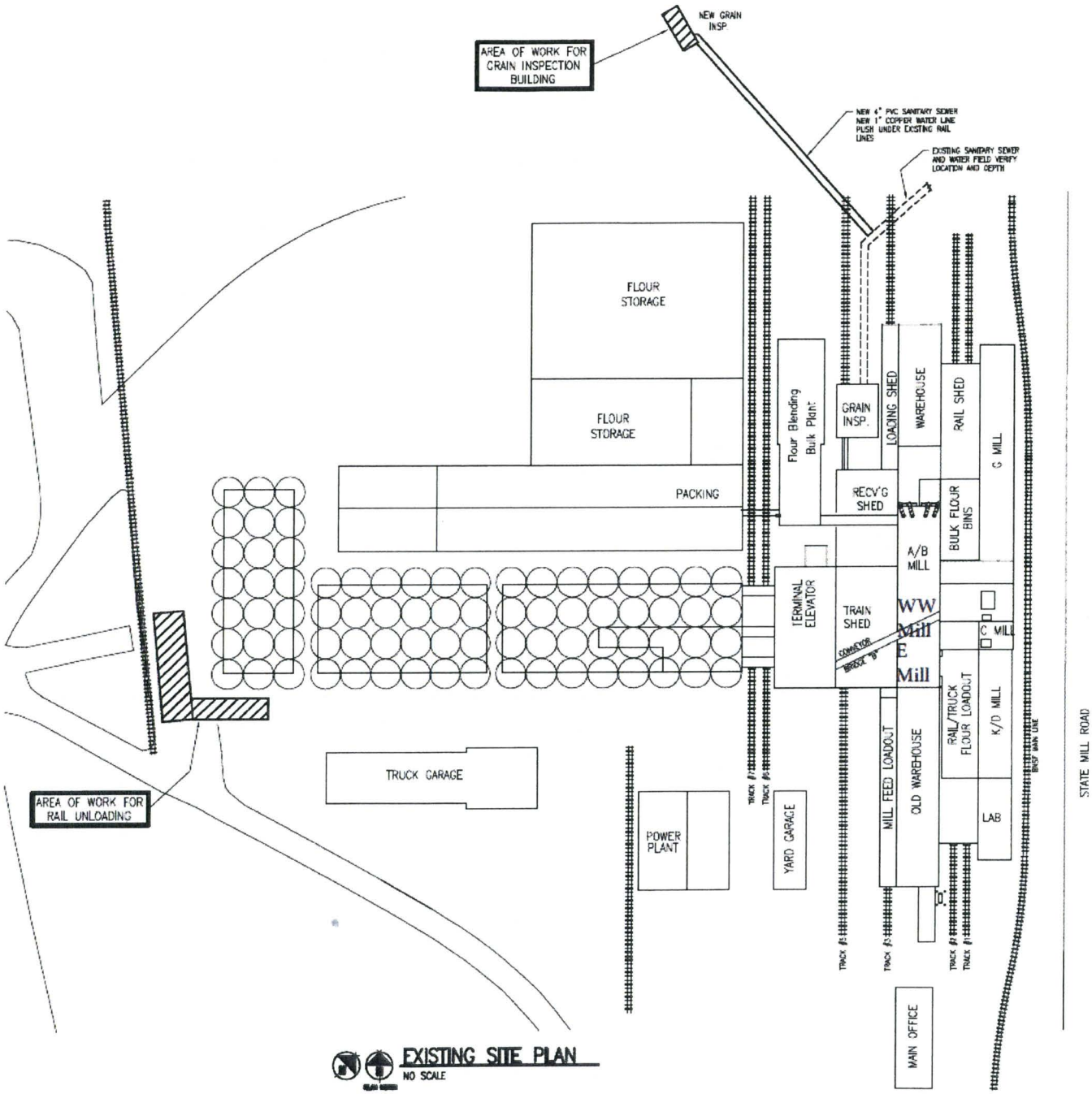
I am Vance Taylor, President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour mill and the 7th largest wheat milling company in the United States with sales approaching $300 million per year.

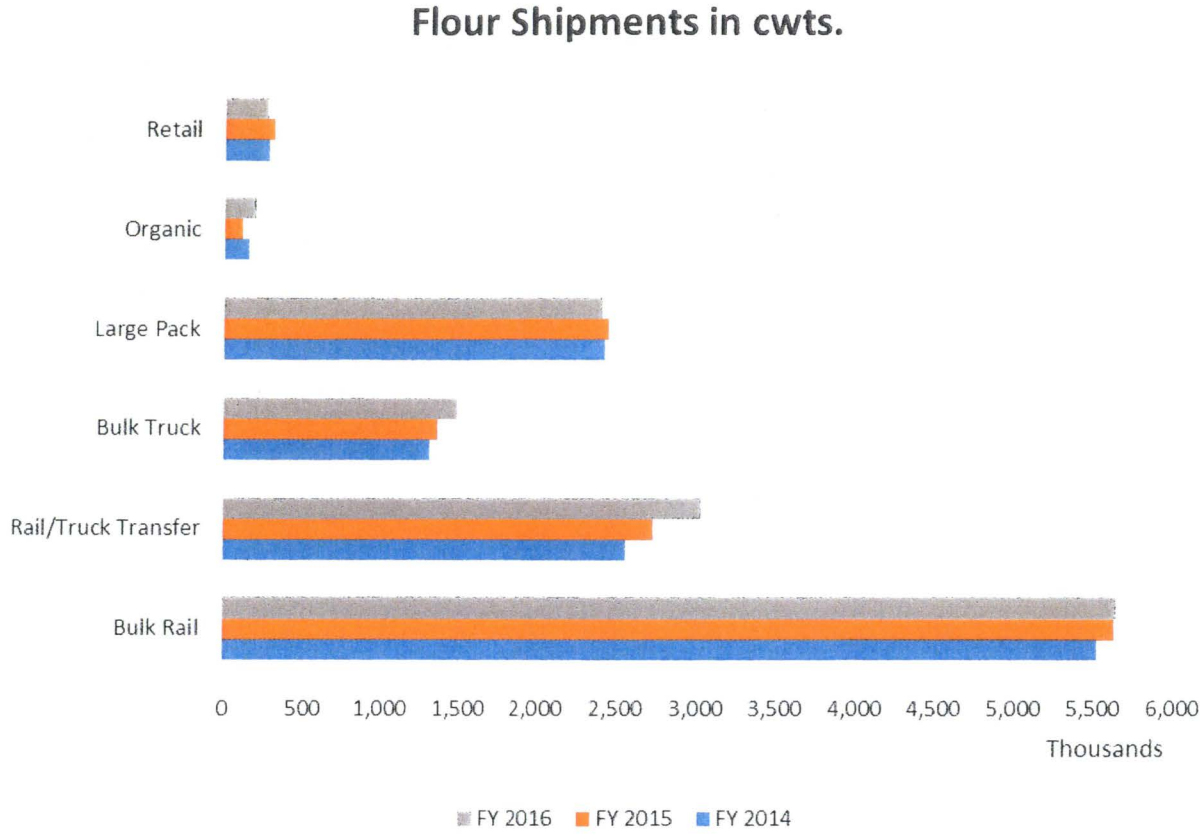
Our milling complex includes 8 milling units with the capacity to produce 4,950,000 lbs. of finished product per day, a terminal elevator with total available storage of over 4,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing and shipping large quantities of various sized bags of milled products. We process over 100,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 30,000,000 bu. per year. All facilities are located in Grand Forks.

The Mill normally operates 24 hours per day, 5 to 7 days per week. Our total current staffing is 147 full time employees.

Our milling units process about 90% spring wheat and 10% durum. Approximately 75% of our products are shipped in bulk trucks or railcars and 25% is shipped in bags or totes. The Mill produces conventional and organic products. At present organic products make up about 1% of our total shipments.



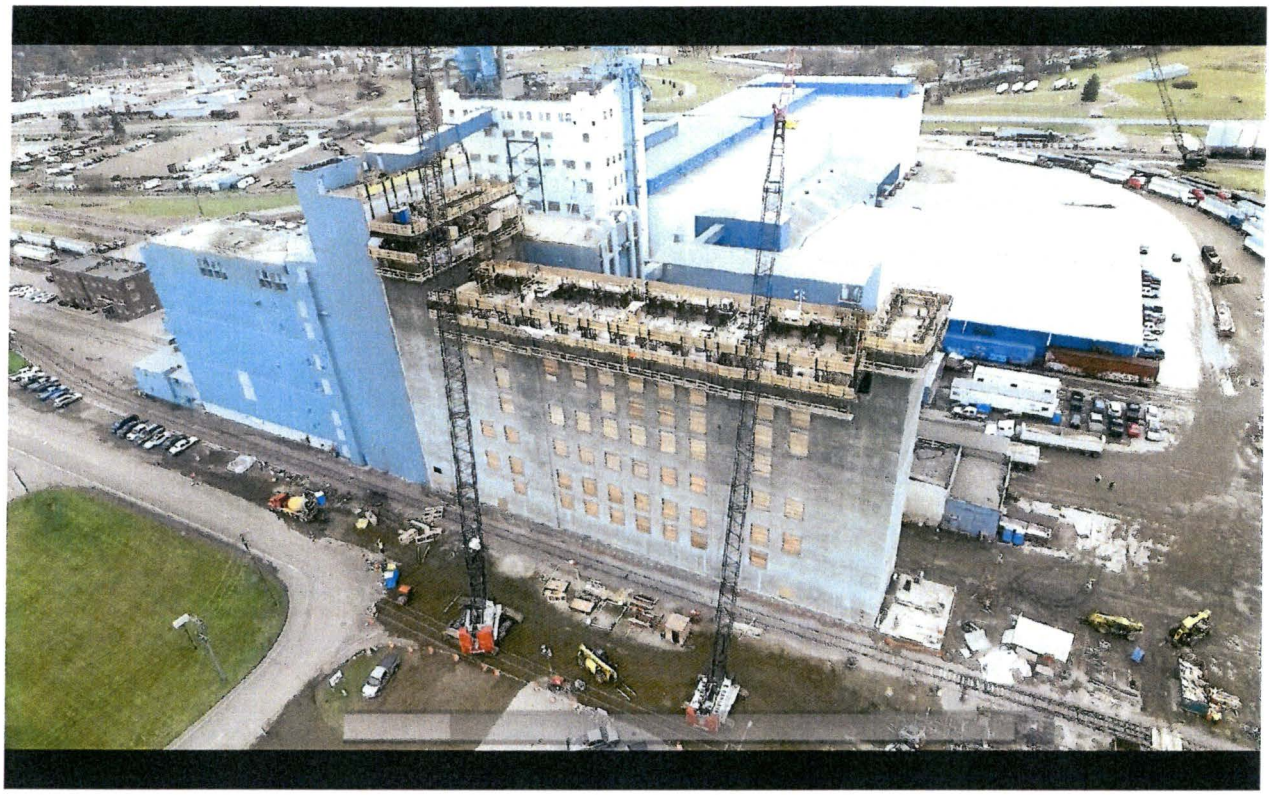
EXISTING SITE PLAN
NO SCALE



Projects and Business Growth

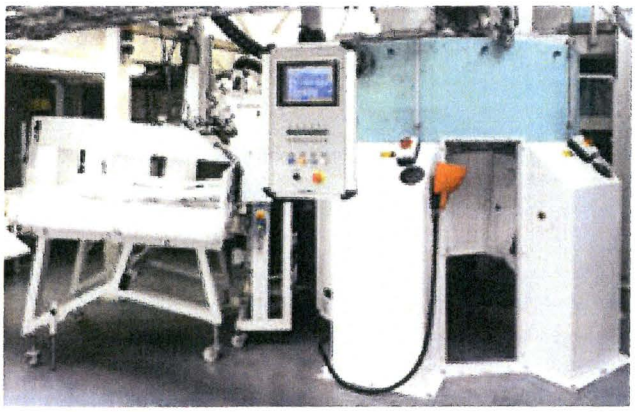
In 2001 we had a milling capacity of 27,000 cwts of flour per day. Since that time we have completed multiple expansion projects listed below, including the recent start-up of our new G Mill. These projects have grown our milling complex to a total of 49,500 cwts. of flour per day. Increasing our capacity has allowed us to service additional demand from current and new customers as well as improve profitability and increase the number of bushels purchased from North Dakota farmers.

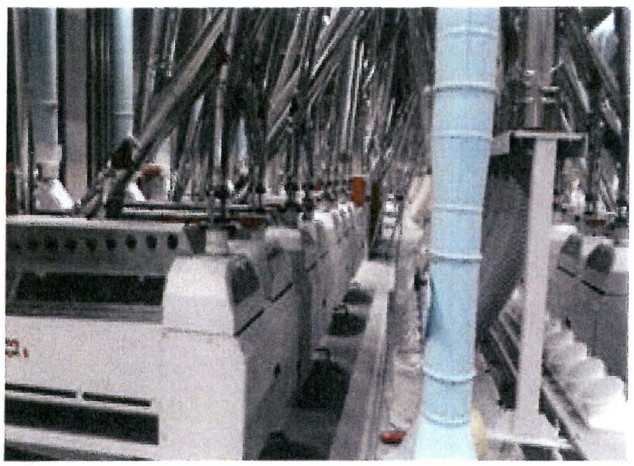
- 2001 Renovation and Expansion Project $19.5 million
- 2005 Whole Wheat Mill Expansion Project $1.7 million
- 2007 C Mill Addition $6.3 million
- 2009 E Mill Addition $2.4 million
- 2010 D Mill Expansion $2.4 million
- 2013 K Mill Renovation and Expansion $8.4 million.
- G Mill Addition and Flour Storage $38.7 million
- High Speed Truck and Rail Wheat Unloading System $9.3 million

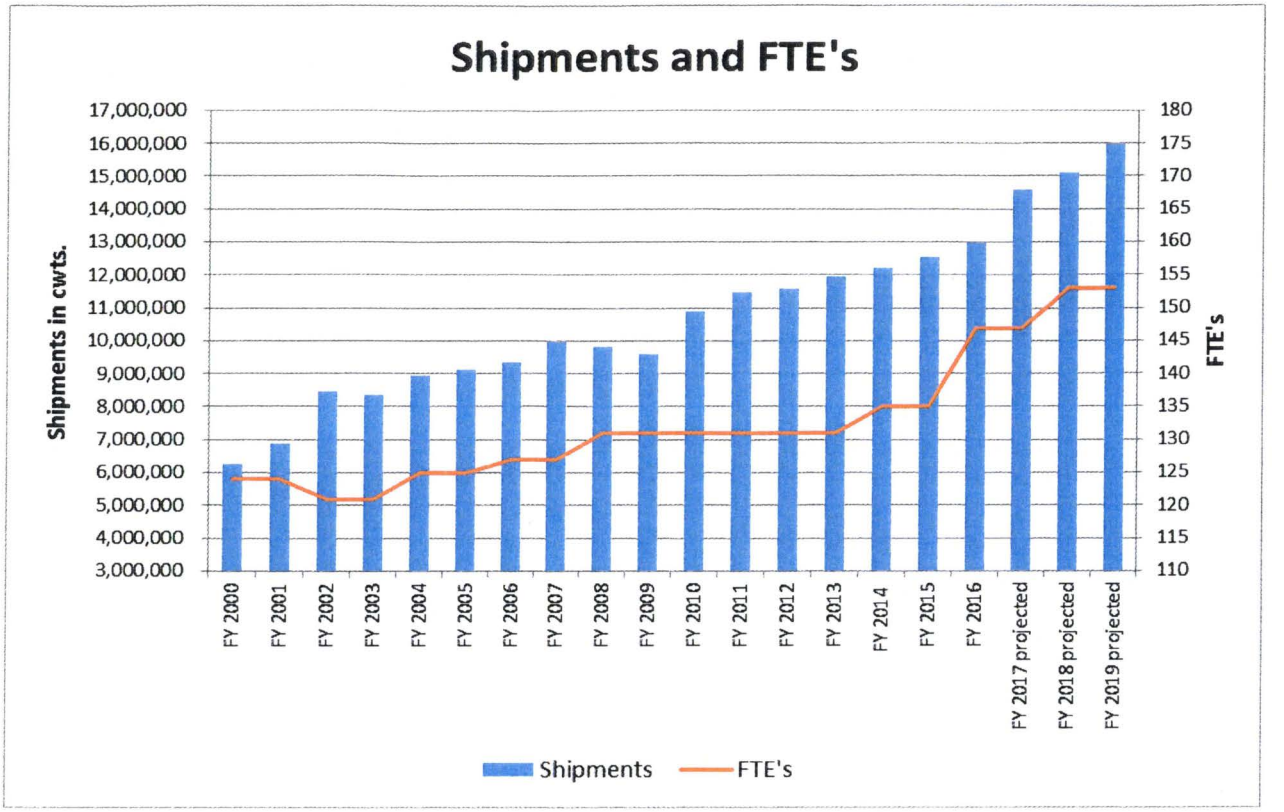


Again our need to expand has been driven by increasing demand from our current customers and the addition of new customers. The completion of these major projects has been vitally important for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State. Below are five additional projects that when completed will increase State Mill profitability and increase transfers to the General Fund.

- Increase Packaging Capacity $1.5 million
- Increase Whole Wheat Milling Capacity $2.5 million
- Increase Durum Milling Capacity $3.5 million
- Phase 2 Shuttle Unloading Project $9.5 Million
- Increase Wheat Storage Capacity $9.5 million






Shipments and FTE's
Shipments in cwts.
FTE's
17,000,000
16,000,000
15,000,000
14,000,000
13,000,000
12,000,000
11,000,000
10,000,000
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
180
175
170
165
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155
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135
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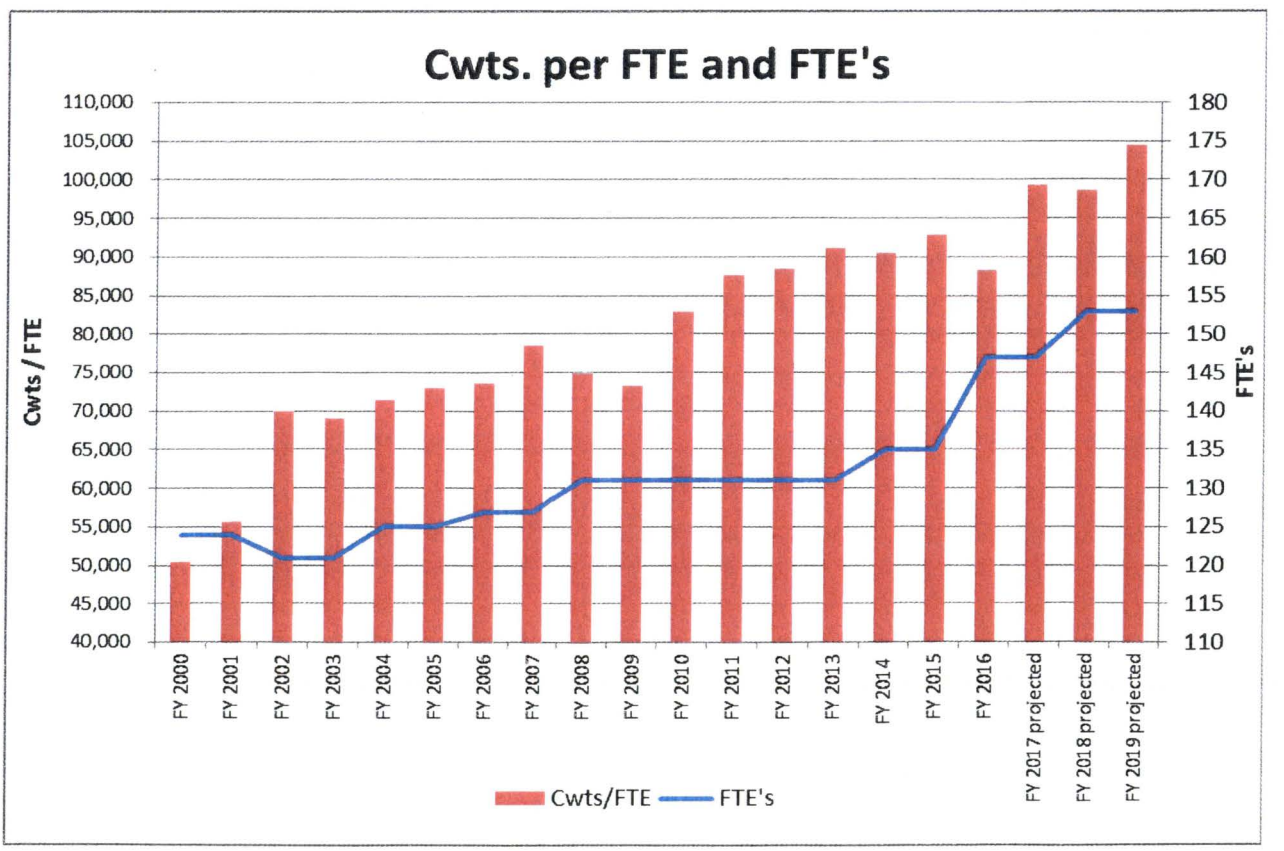
125
120
115
110
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015
FY 2016
FY 2017 projected
FY 2018 projected
FY 2019 projected
Shipments
FTE's


Cwts. per FTE and FTE's
Cwts / FTE
FTE's
110,000
105,000
100,000
95,000
90,000
85,000
80,000
75,000
70,000
65,000
60,000
55,000
50,000
45,000
40,000
180
175
170
165
160
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150
145
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130
125
120
115
110
FY 2000
FY 2001
FY 2002
FY 2003
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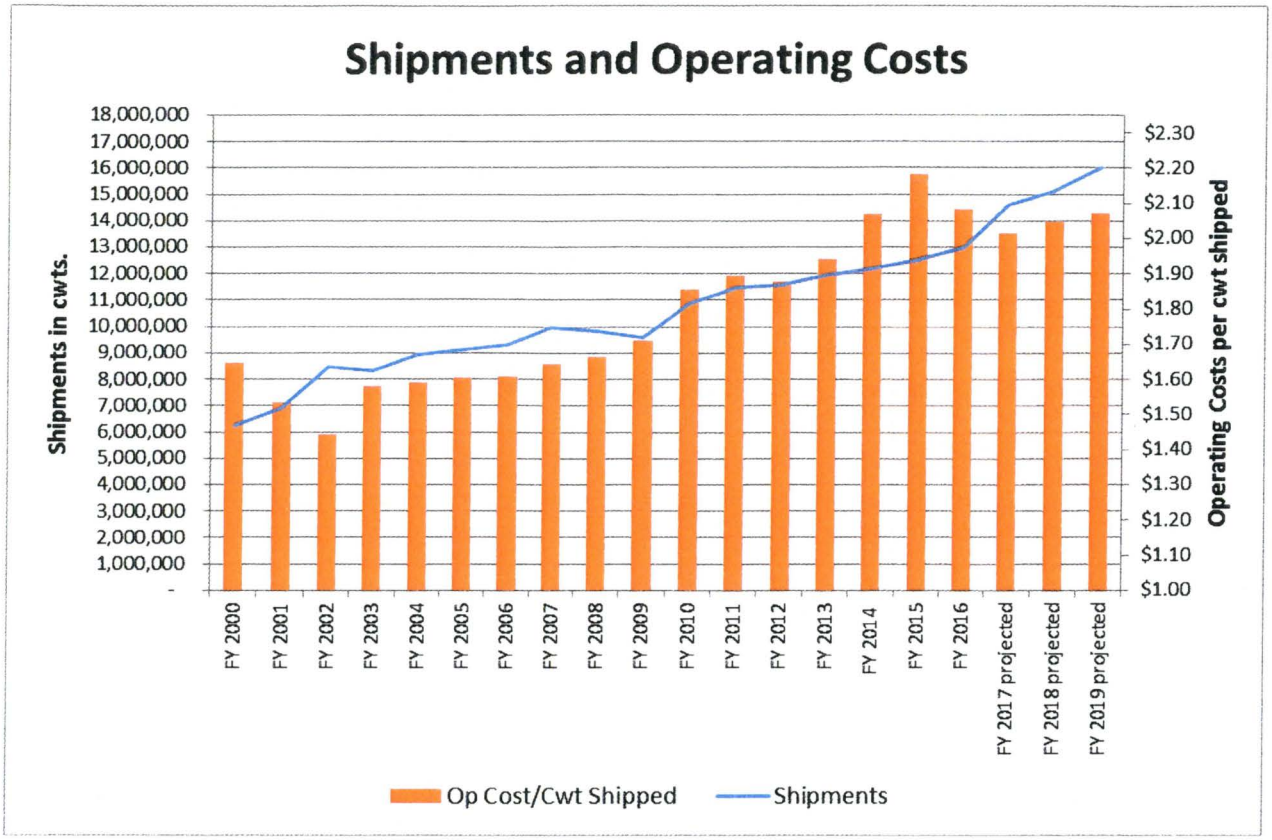
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015
FY 2016
FY 2017 projected
FY 2018 projected
FY 2019 projected
Cwts/FTE
FTE's


Shipments and Operating Costs
Shipments in cwts.
Operating Costs per cwt shipped
18,000,000
17,000,000
16,000,000
15,000,000
14,000,000
13,000,000
12,000,000
11,000,000
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8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
$2.30
$2.20
$2.10
$2.00
$1.90
$1.80
$1.70
$1.60
$1.50
$1.40
$1.30
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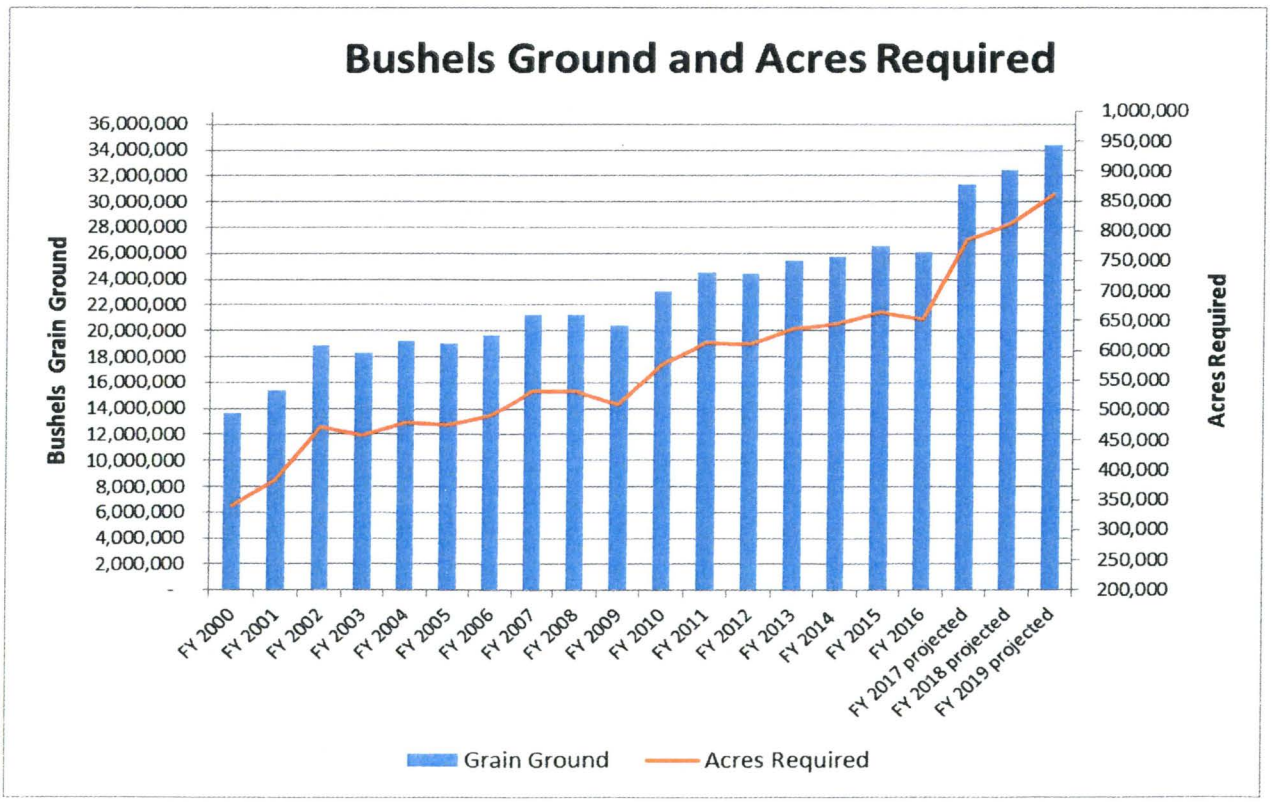
$1.00
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015
FY 2016
FY 2017 projected
FY 2018 projected
FY 2019 projected
Op Cost/Cwt Shipped
Shipments


Bushels Ground and Acres Required
Bushels Grain Ground
Acres Required
36,000,000
34,000,000
32,000,000
30,000,000
28,000,000
26,000,000
24,000,000
22,000,000
20,000,000
18,000,000
16,000,000
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12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
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FY 2015
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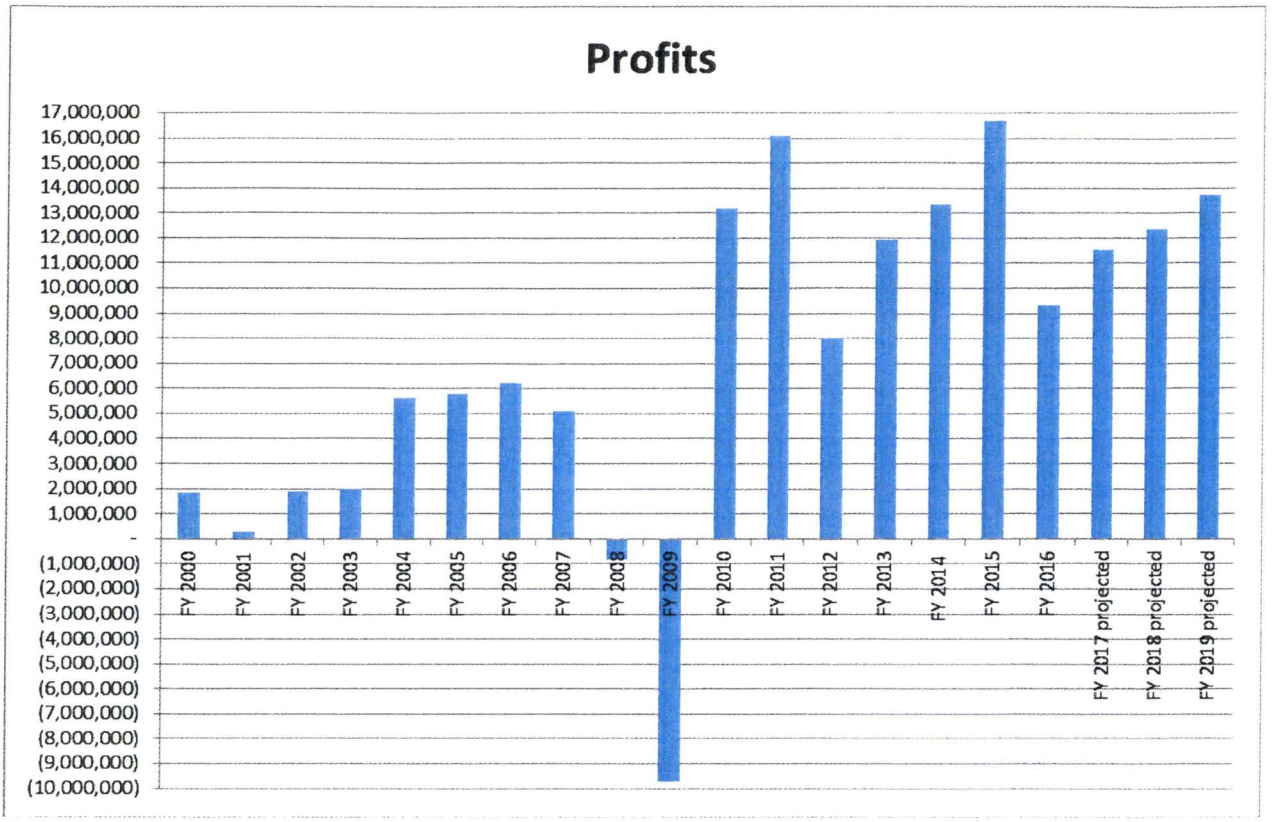
FY 2017 projected
FY 2018 projected
FY 2019 projected
Grain Ground
Acres Required



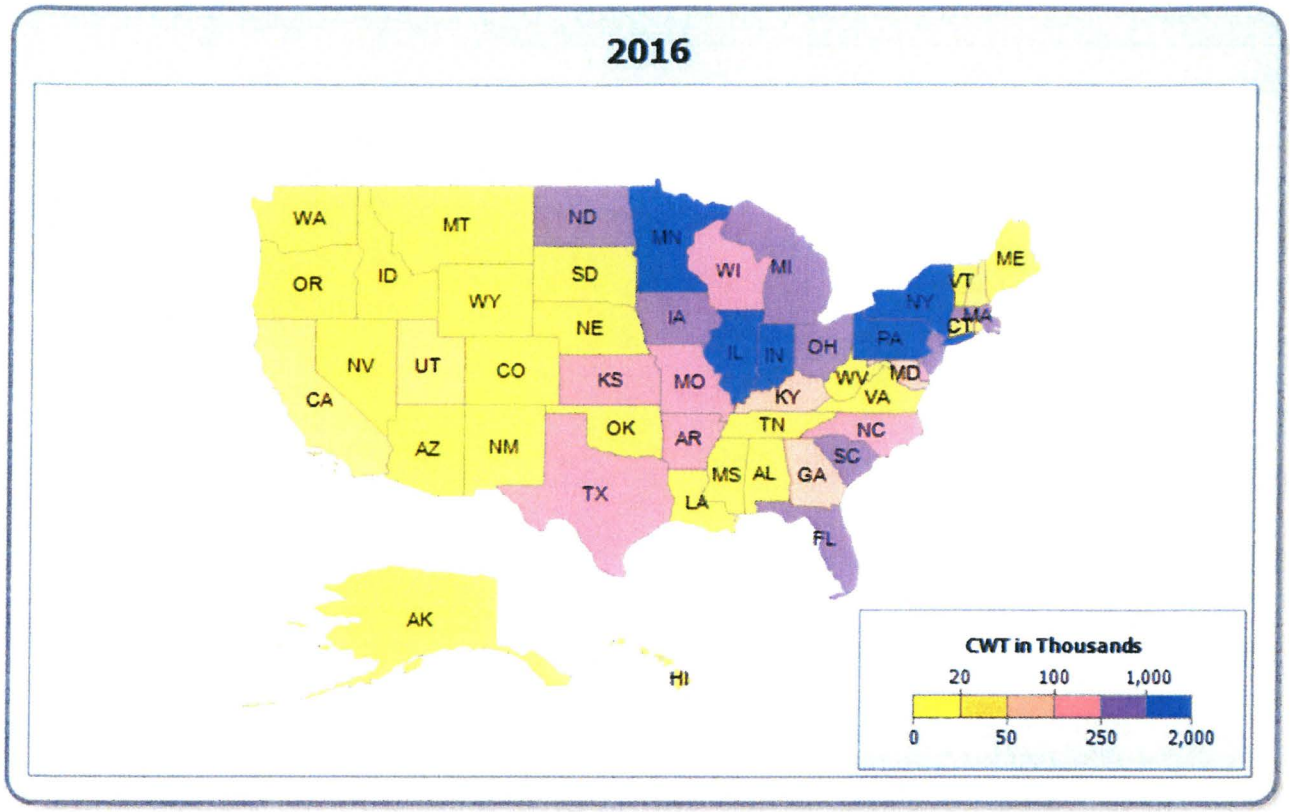
Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean Islands, and the Pacific Rim. Our customers include bakery flour distributors, retail distributors, large bakeries and pasta companies. Sales are made by our in-house sales staff and food brokers.

We compete with large milling companies such as Ardent Mills, ADM, Grain Craft, General Mills and others. The outstanding quality of our products is verified by our FSSC 22000, ISO 22000:2005, ISO/TS 22002-1 & ISO 9000 certifications.

Going forward, we intend to continue to increase production volume using the additional production capacity of our new milling unit; increase the percentage of bagged products sold; continue to aggressively market family flour and retail mixes; grow our organic flour business and investigate new markets, new products and extensions of current product lines.

We will continue to leverage our greatest strength – our employees, whose efforts have given us an excellent reputation for product quality and customer service in the market place.



Economic Impact

A North Dakota State University study stated that for every dollar in direct economic activity from wheat processing, another $2.32 was generated in secondary economic activity. During Fiscal Year 2016, the Mill generated $195,584,000 in direct economic activity resulting in an additional $453,755,000 in secondary economic activity. This results in a total economic impact to the region of more than $649,339,000 during the last fiscal year.

Strategic Plan 2017

Working with the UND Office of Work Force Development, the State Mill management team has developed the following strategic objectives for Fiscal Year 2017:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Increase Profitability
- Grow our Customer Base
- Invest in our Employees

Budget Request

All operating funds are generated internally at the Mill. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The budget request is for $68,930,168. This is a $4,614,270 increase over the last biennium budget. This increase represents increases in both wages and benefits and other operating expenses.

We need six (6) new FTE's for the new biennium. The six FTE's will cost the mill $763,892 over the biennium.

Two (2) of these new FTE's are for the packing department as bag flour customers have been requesting more product and we have not been able to meet their needs. Bag product sales were constrained in FY 2016 due to the inability to produce enough flour for both the bulk sales and bag sales. Now with the G Mill operational, we have the flour available to grow this business. These two (2) FTE's cost $248,248 in salary and benefits.

Two (2) of the positions are for the terminal department to assist in receiving the additional grain needed to feed the G Mill and maintain the new grain unloading pit. The cost of these positions is $280,549 in salary and benefits expense.

We are adding one (1) lab tech and one (1) utility worker to assist in Food Safety and Security. There has been an increase in awareness of Food Safety and Security. Along with this awareness has come more rigorous inspections (by customers and certifying boards) which has required more manhours to meet the requirements for the FSSC 22000 certification and other inspections. The lab tech cost $129,102 and the utility worker cost $110,993 in salary and benefits.

In the first year of the current biennium, the Mill spent $14,264,026 on wages and benefits. This leaves a balance of $22,014,872 for the current fiscal year. The mill delayed hiring the additional FTEs authorized until necessary resulting in a savings. In addition, while the mill had overtime, it was significantly less than budgeted and subsequently the gainsharing expense was also less than budgeted. Benefits are also running less than anticipated. For the 2017-2019 Biennium we are requesting $40,025,168 in salary and benefits which includes the $763,892 for the six new FTE's.

In the first year of the current biennium, the Mill spent $3,399,814 on utilities leaving $8,825,186 for the current fiscal year. The largest portion of our utility bill is the electrical

expense. The Western Area Power Administration (WAPA) supplies a significant portion of our electrical power. We budgeted part of the electrical expense increase based on the historical increases received from WAPA; however, WAPA did not increase the rates as they had in the past. The remaining portion of our electrical power comes from Nodak Electric. In the 2015-2017 biennium, the mill built a new milling unit which added over 30% capacity with all the power coming from Nodak Electric. The startup of this mill was delayed by several months and the corresponding utility use was also delayed. Thus, our utility useage in the first year of this biennium was much less than expected. With the new G mill and Grain Unloading pit, we anticipate needing $12,600,000 to cover our utility expense in the 2017-2019 Biennium.

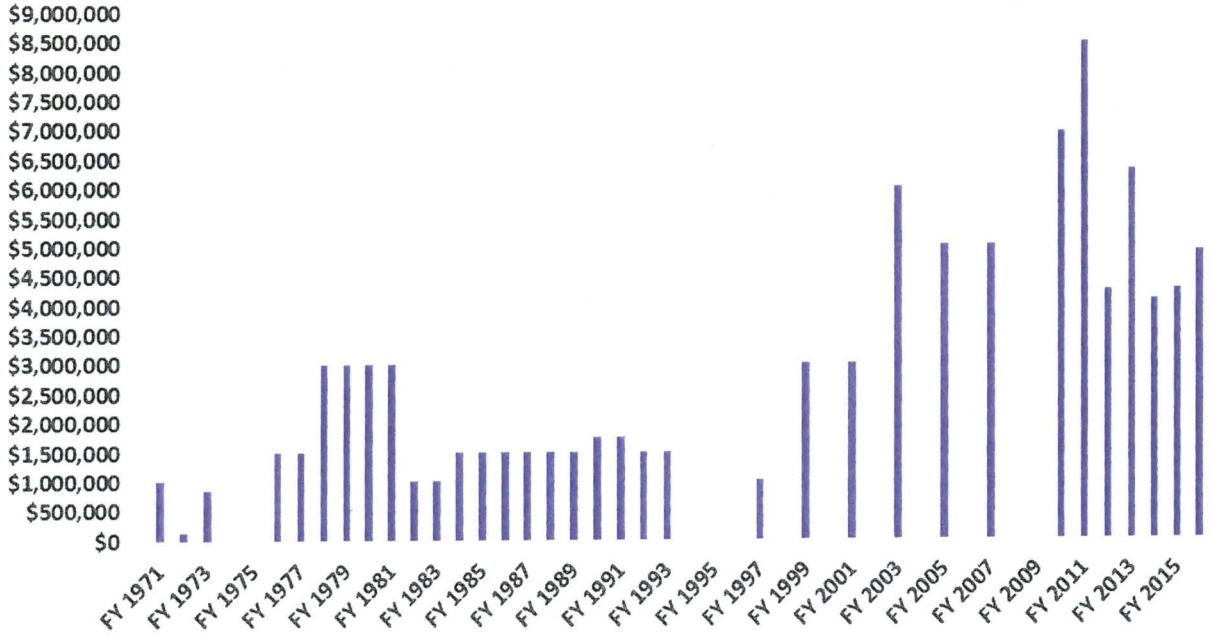
In the first year of the current biennium, the mill spent $2,069,150 on repairs leaving $4,095,850 for the current fiscal year. As the milling equipment purchased in fiscal year 2001 begins to get older higher maintenance costs will drive this expense higher as well as rail car repairs. With our growth and expansion over the past several years, we have increased the amount of equipment at the mill which requires maintenance and repairs. This is projected to cost $6,350,000 in the 2017-2019 Biennium.

In the first year of the current biennium, the mill spent $883,589 on insurance which leaves $1,641,411 for the current fiscal year. The insurance market has been soft and we have been able to obtain better than expected rates. This may not continue into the future and insurance rates are expected to climb. As we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values. We will also have additional rail cars and the new mill building and a new high speed grain unloading area to insure for the biennium. We anticipate our insurance costs to be $2,600,000 in the next biennium.

Four items, wages and benefits, utility expense, repair and demurrage expense, and insurance expense reflect the increase of $4,381,270 in our requested appropriations or 95% of the request. A large share of these expenses is driven by the volume of production and sales at the Mill. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2016 reaching 12,992,668 cwts., a 3.5% increase over the previous fiscal year. This represents grinding more than 26,100,000 bushels of spring wheat and durum. In the first six months of Fiscal Year 2017 we have achieved sales of 7,170,205 cwts, an increase of 9.6% over Fiscal Year 2016.

The Mill currently transfers 5% of profits to the Agricultural Fuel Tax Fund and a portion of the remaining profits to the General Fund. In fiscal year 2016, the Mill transferred $466,831 to the Agricultural Fuel Tax Fund and $4,434,894 to the General Fund. In the past seven (7) years, the mill has transferred as much money to the general fund as it had transferred in the previous twenty seven (27) years ($39,100,000 compared to $39,500,000).

Transfer to General Fund & APUF



In the 2017-2019 biennium, 5% of estimated Mill profits is budgeted to be transferred to the Agricultural Product Utilization Fund. In the Senate Bill No. 2074, Section 21, the amount of transfer to the General Fund is set at 90% of the remaining Mill profits. Transfers to the General Fund at this level would lead to higher debt levels leading to a reduction of capital projects necessary to service our customers and would reduce profits and future transfers. We are requesting that you change the amount of the General Fund transfer back to 50% of the remaining profits.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

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Lignite Energy Council
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Fax: (701) 258-2755

Testimony in Support of SB 2074
Submitted by the Lignite Energy Council before the Senate Appropriations Committee
January 19, 2017

Mr. Chairman, members of the committee, please accept these comments on behalf of the Lignite Energy Council (LEC) in support of Senate Bill 2074. In particular, sections 8, 16, 17, and 21 of this bill provide funding designated for advanced energy technology research. This funding will play a critical role in helping our state's lignite industry develop technological solutions to its single greatest challenge: the problem of CO2.

We have discussed this problem in the past, in the context of the Clean Power Plan, which, unchanged, would have required North Dakota to shut down almost half of its entire coal fleet, at the cost of thousands of jobs and increased electric bills. Although the Clean Power Plan has been temporarily stayed by the Supreme Court, and it is likely that President Trump may make significant changes to the timeline, the Clean Air Act still requires the EPA to regulate Carbon Dioxide.

For North Dakota, that anticipated regulation means that our $8B in assembled assets are at risk, since there is not at present commercially available retrofit technology that can capture significant amounts of CO2 from our existing assets. It also means that unless we bring forward new technology, North Dakota will never build another coal power plant, stranding billions of dollars of coal under the prairie.

The twin challenges of building new power plants and extending the working life of our existing plants are recent additions to our R&D priorities. By way of background, the lignite R&D program is currently funded through the North Dakota coal severance tax of 37.5 cents on every ton of coal mined in the state, a two-cent per ton R&D tax, and a portion of the coal conversion tax. The focus of the Lignite Research Fund has traditionally revolved around identifying technological solutions to address criteria pollutants, improve power plant efficiency and operation, help launch new lignite conversion facilities, and activities that mutually-benefit the State of North Dakota and lignite industry as a whole.

Promising projects currently receiving funding involve extracting rare earth minerals from North Dakota lignite, better understanding the relationship between environmental pollutants and human health, and a host of CO2 related projects.

As we look more closely at the industry challenges presented by the regulation of CO2, our industry has recognized that we can't simply rely upon state and federal funding, and has independently increased its own commitment to the pursuit of solutions, adding additional R&D dollars as well as paying a portion of the costs associated with the state's successful Next Generation Act lawsuit.

When we increased our focus on R&D funding to tackle this issue, we have asked the state to do the same. Last session, as we evaluated the challenges associated with building the next generation of coal power in North Dakota, the legislature, and this committee in particular, was instrumental in making a one-time appropriation of $5 million dedicated to CO2 capture and next-generation power technology.

Over the last two years, the Industrial Commission has put those funds to use in partnership with the EERC on significant research with a new option for power generation known as the Allam Cycle, for which Mike Holmes will provide an update. Other foundational work for the Allam Cycle continues in Houston, Texas, where an Allam Cycle pilot plant utilizing natural gas is currently being constructed – on-schedule and on-budget.

Further, given that the state currently has several billion dollars in existing power plant infrastructure, much of which has many decades of remaining useful life notwithstanding CO2 regulations, the industry has also focused on identifying a retrofit solution to capture CO2 from existing plants. This effort is currently being led by Minnkota Power Cooperative and ALLETE Clean Energy with a potential project for the Milton R. Young Station. Again, the specific technology is based off that which has just been put into operation – on-schedule and on-budget - at the W.A. Parish Generating Station, known as the Petra Nova Project, outside Houston, Texas.

Again, sections 8, 16, 17, and 21 of this legislation are important steps to achieving commercial development of carbon capture technologies that will allow North Dakota to continue enjoying the benefits provided by the lignite industry for the next generation of North Dakotans and beyond. We request your favorable consideration of these provisions.

I will now turn to our Vice President of Research and Development, Mike Holmes, for a more in-depth report of the Allam Cycle and a report on how we spent the $5M appropriation from last session. After that, both Mike Holmes and myself would be glad to take any questions.

Mike Holmes Testimony:

As a result of the North Dakota legislature's appropriation, the Industrial Commission was able to invest in the Pathway to Low-Carbon Lignite Utilization – Allam Cycle project. The project is in partnership with a team comprised of Basin Electric including Dakota Gasification Company and Basin Electric Power, ALLETE including Minnesota Power, BNI Clean Energy and the EERC (Including support from the Department of energy) as well as the technology developer 8 Rivers Capital. The LEC initiated the project in June of 2015 through a contract with the team led by the EERC to address challenges identified with application of the technology to lignite.

The lignite industry has identified both carbon capture and economic power production as critical goals as they look toward future growth in electrical demand in North Dakota. The Allam Cycle technology

has the potential to meet these goals of the lignite industry. Initial targets of the technology include near zero emissions of CO2, economic power production ($0.04 to $0.07 / kWh depending on the value of the CO2), and more than 40 percent improvement in efficiency over the U.S. coal fleet average. Most of the increased electrical demand for North Dakota is forecast to be in support of Bakken oil production and the opportunity for CO2 based Enhanced Oil Recovery (EOR) can help offset the costs for new electrical generation assets that include carbon capture.

The project leverages the $140 million effort outside of Houston, Texas that Jason referenced where a plant is under construction to demonstrate the technology using natural gas as the feedstock. This Texas demonstration is targeting the Summer of 2017 for start-up of the system. The project team and North Dakota stakeholders have made several trips to the Texas to take advantage of the learnings from this parallel effort.

The lignite fueled version of the technology involves replacing the natural gas with syngas supplied by coal gasification. The EERC team has been addressing previously identified barriers to application of the technology with lignite. These projects include gasification technology selection, identifying and managing any materials corrosion issues, controlling coal related impurities in the syngas, and redesign of the combustion system to account for the changes with syngas. Several tests have been completed with a large test planned for May of 2017 that will combine lignite gasification, syngas impurity removal, and corrosion evaluations. Results from these tests and the related engineering efforts are critical steps to enable the next Allam Cycle plant to be constructed in North Dakota, utilizing North Dakota lignite. It is important to note that these technology developments including gasifier technology evaluations, syngas impurity removal, and corrosion management are also applicable to lignite based polygeneration of fuels, fertilizers, and other chemicals along with electricity.

The Allam Cycle

In order for North Dakota's energy future to allow prosperity for future generations and the ability to use our abundant natural resources, it must be able to build **new coal fired power plants** to provide power, jobs and revenue for the state.

What is the Allam Cycle?

- A technology that will allow new coal-fired power plants to be built in North Dakota.
- A new thermodynamic cycle for generating electricity that is smaller, more efficient and has less emissions than traditional steam generation.
- Turbines in an Allam design would be driven by a stream of compressed CO2, not steam.
- Because the Allam Cycle is a completely new process, it cannot be retrofitted to the existing power plants in North Dakota. It is not a "CO2 scrubbing" solution.

Why should we pursue the Allam Cycle in order to build new power plants?

- The Allam Cycle captures 100 percent of its CO2, allowing it to meet or exceed EPA air regulations.
- An Allam Cycle plant would produce electricity at a cost per kilowatt hour that is at or below current technologies.
- As environmental regulations multiply, new technologies are the only way North Dakota can seize control
- of its own destiny and continue to develop its fossil fuel resources.
- The cycle also captures a stream of pure CO2 that can be directed to enhanced oil recovery or other purposes.

Who is involved?

- The project is being led in North Dakota by ALLETE, Inc. and Basin Electric Power Cooperative. Research is primarily conducted at the EERC.
- 8 Rivers, Inc. represents the technology ownership as it pertains to coal.
- Net Power, Inc. represents the technology ownership as it pertains to natural gas.

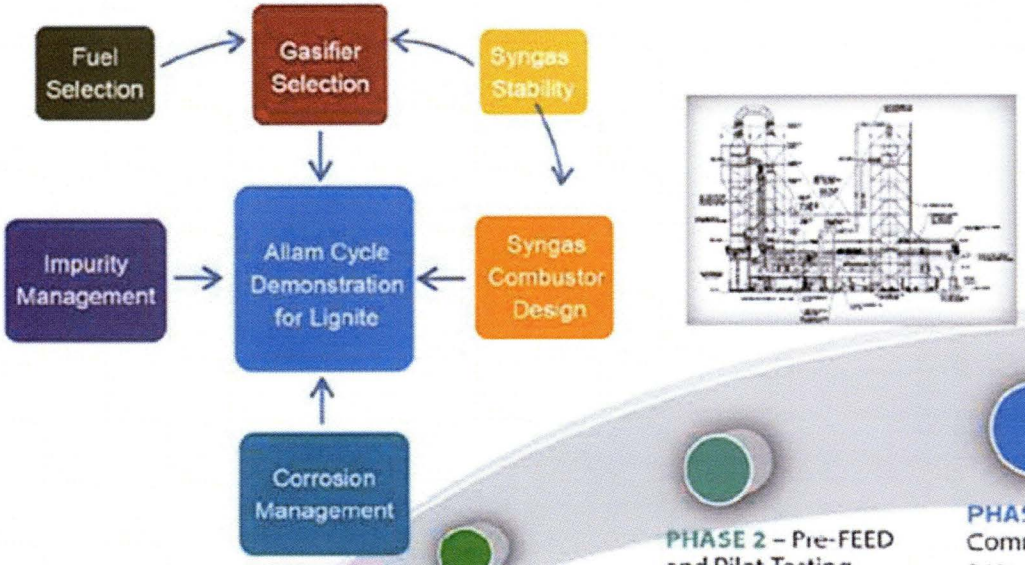
What is the status of development of the Allam Cycle?

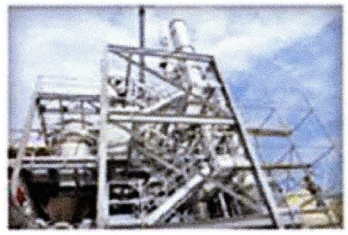
- Research, engineering, and modeling has been successfully conducted with assistance from the Lignite Research Council and an additional appropriation from the state.
- A 25 MWe natural gas-fired demonstration plant is being constructed in Texas.
- Although our North Dakota team is following the Texas project, that project is independently funded and managed.
- Once the natural gas cycle has successfully proven the technology, the North Dakota partnership will work on a "fuel switch" to demonstrate the technology with gasified North Dakota lignite.

What will it cost?

- Exact estimates are difficult, but we believe total costs would range from $500-900M.
- We are working with DOE to secure the largest single part of that amount, with the remainder to be secured by the industry participants, along with the State of North Dakota.

Lignite-Based Allam Cycle Technology Development Road Map





PHASE 1a – Addressing Technical Challenges, $3.18 million
- January – November 2016

PHASE 1b – Key Development Pathways, $5 million–$10 million*
- June 2016–December 2017
- Additional Follow-Up R&D Identified in Phase 1a
- Syngas Combustor Pilot Test

PHASE 2 – Pre-FEED and Pilot Testing, $20 million–$50 million*
- August 2016 – July 2019
- Preliminary Engineering of Commercial Plant
- Engineer, Procure, Construct, and Operate Pilot Plant
- 5–10-MWe System

PHASE 3 – FEED for Commercial Plant, $10 million–>$30 million*
- August 2019 – July 2020
- Up Through Preliminary Design and Estimates of Commercial Operation

PHASE 4 – Commercial Demonstration, $500 million–>$900 million*
- July 2020–2024
- 100–300-MWe System
- Detailed Engineering, Procurement, Construction, and Operation

*Costs are estimated and include matching support from federal and industrial sponsors.

EERC JS51631.AI

Project Tundra

In order for North Dakota to continue to have a vibrant coal industry that supports thousands of jobs and provides $100M in tax revenue per year, we must protect our **existing power plants** from premature retirement, which results in billions of stranded assets and economic losses.

What is Project Tundra?

- ALLETE Clean Energy, in partnership with North Dakota-based Minnkota Power Cooperative, are spearheading Project Tundra, a project to capture carbon dioxide emissions from a large, existing coal-fired power plant owned and operated by Minnkota in Center, North Dakota.
- An integrated platform to remove CO2 from the power plant and a new source of CO2 for enhanced oil recovery.

Why should we pursue retrofit solutions like Project Tundra?

- The project builds upon prior federal investments in Petra Nova by scaling up the application to capture more flue gas, and apply to a cold weather climate and low rank (lignite) coal. The ultimate goal is to create a new benchmark – a large-scale demonstration at an existing plant that can be commercially and economically replicated across the region, country and the world.
- Help to provide continued reliability and affordability of electricity from the power plant, while also preserving and creating jobs and economic development opportunities for the state. With billions of dollars invested in our infrastructure over the past decade, premature retirement of power plants will result in lost jobs and lost revenue unless these plants can be saved.
- The Clean Power Plan requires North Dakota to reduce its CO2 emissions by 45 percent.
- The technology required to build new coal plants is not yet fully developed; retrofit solutions offer a bridge to the future while preventing billions in stranded assets and economic losses.

Who is involved?

- ALLETE Clean Energy, BNI Energy and Minnkota Power Cooperative.
- NRG developed the Petra Nova project being explored as a model for Tundra.
- Senator Hoeven is leading efforts to prioritize Department of Energy funding.

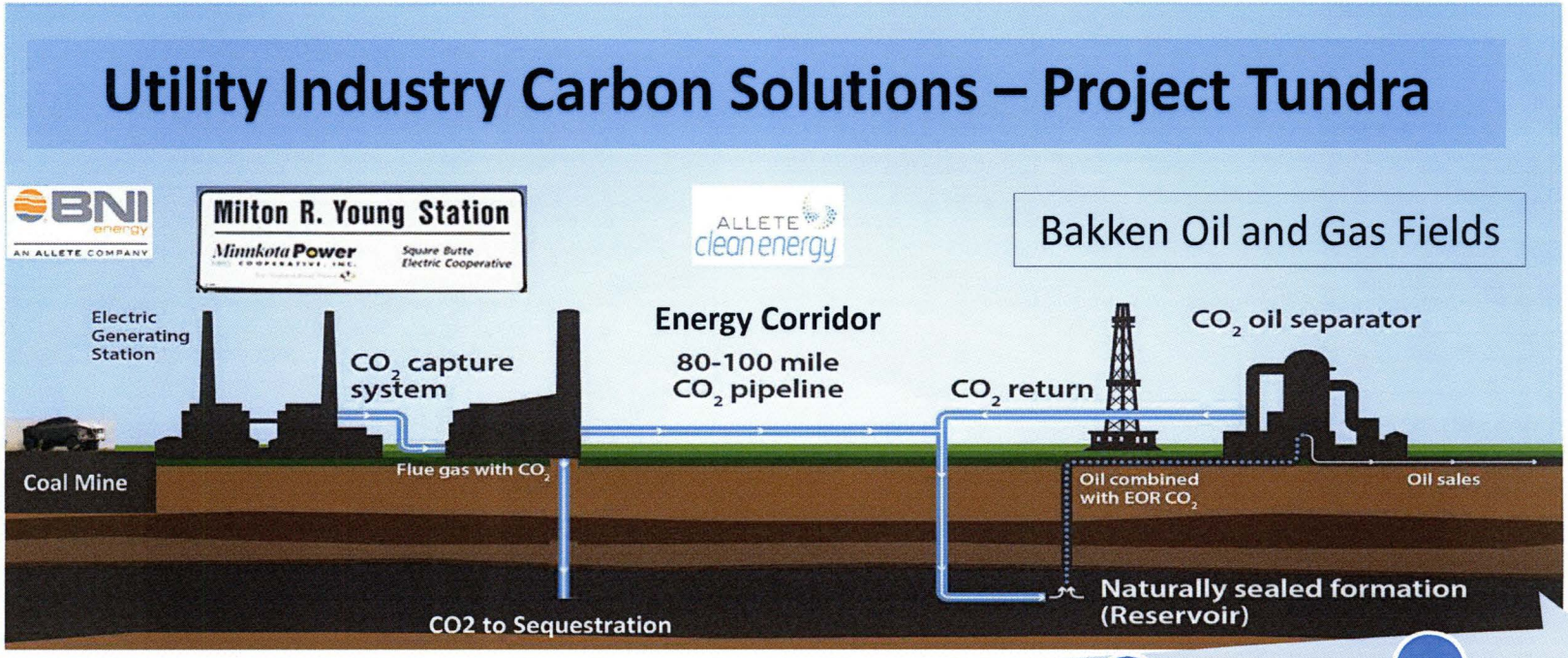
What is the status of development of Project Tundra?

- The technology used in Petra Nova can be adapted to the Young Station, so large scale research is not needed.
- Chemistry challenges specific to North Dakota Lignite remain, including aerosol formation, and must be solved before the project can move forward.
- The DOE has expressed interest in Project Tundra, and the project is pursuing opportunities for funding.

What will it cost?

- A large retrofit solution with the associated EOR infrastructure such as Project Tundra is estimated to cost around $1.1B.
- In conjunction with federal support, project support will also need to be secured by industry participants, along with the State of North Dakota.

Utility Industry Carbon Solutions – Project Tundra



Project Tundra Roadmap

Key Technology Improvements

Addressing the key technical challenges from recent projects to improve efficiency and performance.

Tundra Design – Gen 2.0 Project

Advance technology: Scale-up and broaden design and its application for industry.

Federal and State, funding, and tax credit support.

CO2 for EOR and Sequestration

Identify locations & partners; design and test sequestration; permit corridor for CO2 pipeline and infrastructure for EOR and sequestration.

Pre-FEED and FEED & Pilot Testing

FEED for full project, and agreements for offtake and sequestration.

Pilot testing at MR Young Station.

Finalize Federal and State support.

Commercial Application

Detailed engineering, procurement, & construction.

Operation and affirmation of capture, EOR, and sequestration solutions for industry.

Timeline and Cost Estimate	2015–2016	2016–2017	2017-2018	2018-2019	2020-2022
	$1 million	$5 million	$50 million	$100 million	$1.1 billion

Industrial Commission
of North Dakota

Doug Burgum
GOVERNOR

[redacted]e Stenehjem
ATTORNEY GENERAL

Doug Goehring
AGRICULTURE COMMISSIONER

North Dakota Public Finance Authority

SB 2014 - 2014
1-19-17
#8

Senate Bill 2014
Senate Appropriations Committee
Testimony of DeAnn Ament
North Dakota Public Finance Authority
January 19, 2017

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority (PFA). I am providing this testimony in support of the Industrial Commission's requested appropriation for the Public Finance Authority for the 2017-2019 biennium in the amount of $794,671. The requested biennial appropriation is $9,988 or 1% less than the current biennial appropriation of $804,659. The 2017-2019 budget includes the recommended salary and benefit adjustments outlined in the Executive Budget. The overall budget decrease is due to operating expense adjustments.

Expenditures for the first 18 months of the biennium total approximately $408,629 or 51% of the 2015-2017 appropriation. It is anticipated that total 2015-2017 biennium expenditures will be approximately $558,000 or 69% of the appropriation.

The PFA is a state agency that operates under the supervision and authority of the Industrial Commission. **It is a self-supporting state agency and receives no money from the General Fund.** The staff of the Public Finance Authority currently consists of 2 FTE's -- an Executive Director and a Business Manager.

The Public Finance Authority continues to develop programs as needs arise for financing municipal, economic development, agriculture, disaster and energy projects in North Dakota. At this point, we are uncertain how the development of any other programs will affect the Public Finance Authority's staffing needs. The budget for the 2015-2017 biennium includes salaries for 2.75 FTE's. The vacant .75 FTE within the current budget is for a loan officer position that would help analyze the loan applications and financial statements of potential borrowers under all of the Public Finance Authority's programs. Therefore, I ask that you appropriate funding for this vacant position for the 2017-2019 biennium while we assess the demand for our services under existing programs as well as any potential new programs.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

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ndpfa@nd.gov – www.nd.gov/pfa

The Public Finance Authority administers the Capital Financing Program, the financial portion of the State Revolving Fund and the Industrial Development Bond Program. Detailed activity of all programs is contained in our annual report which is attached.

This past calendar year has been one of the busiest and largest on record for the State Revolving Fund programs. There were loan approvals of $3,492,373 and funded draws of $50,753,142 for the Clean Water State Revolving Loan Fund; the third largest amount in the history of the program. Clean Water projects financed recently include $1,425,000 for sanitary sewer improvements in LaMoure, $682,000 for sanitary and storm sewer replacement in Hebron and $100,000 for a new sewer lift station in Dwight. The Drinking Water State Revolving Loan Fund had approvals of $15,585,000 and funded loan draws of $30,252,681; the second largest year in the history of the Drinking Water program. Projects financed under the Drinking Water program include $5,000,000 to increase water treatment plant capacity in New Town, $1,706,000 for Stutsman Rural Water District to construct a new water tower and $79,065 to replace well #1 in Lehr.

These State Revolving Fund programs continue to require many changes for documenting, funding and reporting purposes. In June of 2014, Congress passed substantial amendments to the Clean Water State Revolving Loan Fund which has resulted in an increased workload as we work to implement fiscal sustainability plans, new fee guidance, affordability criteria and 30 year loan terms. These new requirements in addition to administering the many other recent changes such as Davis Bacon, additional subsidization (loan forgiveness) and green project reserve have increased the workload and will continue to do so into the foreseeable future.

Under the Capital Financing Program, the City of Watford City issued $23,655,000 of special assessment debt to finance infrastructure improvements for the new high school and events center in 2015. The City of Watford City also issued $35,550,000 of sales tax revenue debt to finance the Events Center in 2015. On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events. In short order, the PFA was able to establish loan parameters, construct a loan application and offer disaster assistance to political subdivisions until federal and state money was available and/or to assist in cash flowing local match requirements. The PFA has assisted 40 political subdivisions with loan approvals totaling $71,531,546. Approximately 30 of the loan applications were processed in a six month time period.

The written testimony below describes the Public Finance Authority and its financing programs. Also, a copy of the 2016 Annual Report for the Public Finance Authority has been included in the binder for your review. This Report describes in more detail the Public Finance Authority's programs and provides a complete history of all the Public Finance Authority's loans and bond issues.

The Public Finance Authority was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Public Finance Authority through the purchase of municipal securities issued by the political subdivisions in accordance with state and federal law. Loans are primarily made with the proceeds of bonds issued by the Public Finance Authority under the programs described below.

In certain instances, a direct loan may be made to a political subdivision from the Public Finance Authority's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Public Finance Authority may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Public Finance Authority may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Public Finance Authority Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the N.D.C.C. requires the Public Finance Authority to establish a debt service reserve in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding calendar year for the payment of the principal of and interest on its outstanding bonds.

Subsection 4 of §6-09.4-10 of the N.D.C.C. of the N.D.C.C. provides as follows:

> "In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the Legislative Assembly and paid to the Public Finance Authority for deposit in the reserve fund, such sum, if any, as shall be certified by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve."

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Public Finance Authority's bond counsel, there is no applicable provision of state law that would prohibit a future Legislative Assembly from appropriating any sum that is certified by the Industrial Commission as necessary to restore the reserve fund in an amount sufficient to meet the required debt service reserve amount. The legislative obligation imposed by the Legislative Assembly in subsection 4 of §6-09.4-10 is referred to as a moral obligation because the obligation to provide an appropriation for the Public Finance Authority's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Public Finance Authority under any of its programs prior to 2011 are moral obligation bonds unless the Industrial Commission approves a resolution to allow the Public Finance Authority to issue bonds under section 40-57 as a conduit issuer. The State Revolving Fund Program bonds issued in 2011, 2012, 2015 and 2016 do not contain the moral obligation provision. Under any of the Public Finance Authority programs, there has never been the need to request an appropriation to cover a shortfall in a reserve fund.

Advisory Committee

The Industrial Commission, by policy, has established a Public Finance Authority Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews each loan application for the purpose of making a recommendation

concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for $500,000 or less for the Capital Financing Program and $1,000,000 or less for the State Revolving Fund Program, the Committee may authorize the approval of the loan, and then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Public Finance Authority has four loan programs: the Capital Financing Program, the State Revolving Fund Program, the School Construction Financing Loan Program, and the Industrial Development Bond Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements.

Through December 31, 2016, the Public Finance Authority has made $259,088,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is $162,370,000. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "A+" to the Capital Financing Program Bonds.

The Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events. These loans assisted political subdivisions until federal and state money was available or aided in cash flowing local match requirements.

During times of crisis, the PFA was able to assist 40 political subdivisions. Loans approved under this program total $71,531,546 and $1,697,116 were outstanding as of December 31, 2016.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), and are deposited and held under the Program's Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Public Finance Authority provides the 20% state match. The federal capitalization grants must be held by the state in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, $205,914,688 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2016. Through December 31, 2016, 271 loans totaling $629,918,241 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2017 includes over $425,473,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, $188,182,767 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2016. Through December 31, 2016, 199 loans totaling $456,893,980 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2017 includes approximately $733,393,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate for most loans under the SRF Program is 1.5% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Public Finance Authority under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating. In 2015, the PFA obtained an additional rating for the North Dakota SRF Program bonds from Standard & Poor's Ratings Services which assigned their highest rating, "AAA," on June 29, 2015.

State School Construction Financing Program

The Public Finance Authority's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "AA" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999. The state aid intercept provision is found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Public Finance Authority to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Industrial Development Bond Program

The Public Finance Authority's Industrial Development Bond Program provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates. Bonds issued under this Program will be moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2005 Legislature passed the

legislation allowing the Public Finance Authority to issue industrial revenue bonds. Current Program limits are $2,000,000 per borrower. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits. The Public Finance Authority has made three loans under this program in the amount of $4,860,000.

Annual Report

The Public Finance Authority submits its Annual Report to the Legislative Council each year. The Annual Report provides a complete list of all loans made and bonds issued by the Public Finance Authority since its inception in 1975.

If you have any questions, feel free to contact me at 701.426.5723 or dament@nd.gov.

SB 2014 - 2074
1-19-17
#8A

North Dakota Public Finance Authority

2016 Annual Report

a.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Doug Burgum
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Robert Frantsvog
Minot

Keith Lund
Grand Forks

Linda Svihovec
Watford City

Staff

DeAnn Ament
Executive Director

Kylee Merkel
Business Manager

b.

NORTH DAKOTA
PUBLIC FINANCE AUTHORITY

2016 Annual Report

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C.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

The North Dakota Public Finance Authority (PFA) was established for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities which, in the opinion of the Attorney General of North Dakota, are properly eligible for purchase by the PFA. Subject to credit and program requirements, a loan can be made by the PFA to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money through the issuance of municipal securities. Certain types of municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may also be purchased by the PFA.

The PFA, which is under the operation, control and management of the Industrial Commission of North Dakota, is a self-supporting state agency. The costs and expenses of operation of the PFA are financed with earnings on program assets and fees paid by participating political subdivisions.

Obligations of the PFA which are issued to provide funds to purchase municipal securities do not constitute a debt or liability of the State or a pledge of the faith or credit of the State. All obligations of the PFA are payable solely from revenues or program assets pledged or available for their payment as authorized by law. The PFA has no authority to incur any indebtedness or liability on behalf of or payable by the State.

The PFA is authorized by statute (N.D.C.C. § 6-09.4-10(1)) to establish and maintain a reserve fund for its bonds. The Legislative Assembly has made a non-binding pledge to the PFA to replenish the reserve fund if it is depleted by the default of a political subdivision. Section 6-09.4-10(4) provides that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." There has never been the need to request an appropriation for the reserve fund.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

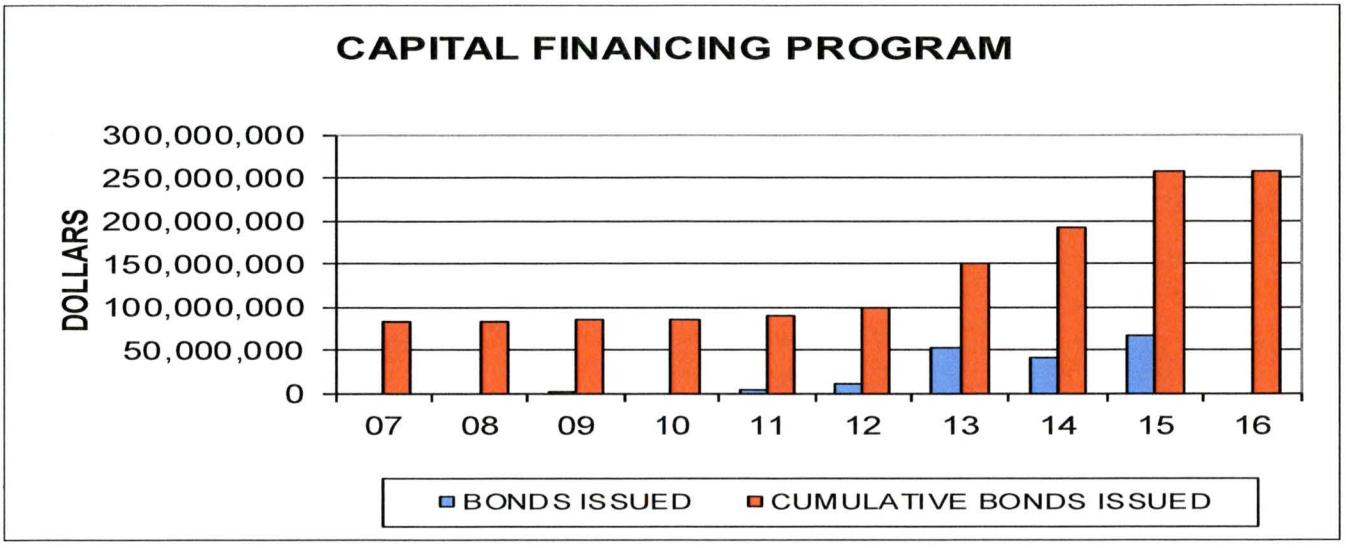
Vision Statement

A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority's (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as accessing account information or applying for additional financing. A PFA that leads a cooperative effort with other state agencies to combine available resources into programs that finance infrastructure and improvements for political subdivisions and other qualifying organizations. A State that recognizes the PFA as the leader in providing municipal financing for local projects.

CAPITAL FINANCING PROGRAM

Under its Capital Financing Program (CFP), the PFA makes loans for the purpose of financing projects or improvements for which political subdivisions are legally authorized to borrow money through the issuance of municipal securities. Subject to credit requirements and certain program requirements, financing is available in any dollar amount.

The interest rates payable by a political subdivision are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a political subdivision will pay on its municipal securities sold to the PFA.



On February 18, 2016 the Capital Financing Program was downgraded to a rating of "A+" by Standard & Poor's Ratings Group.

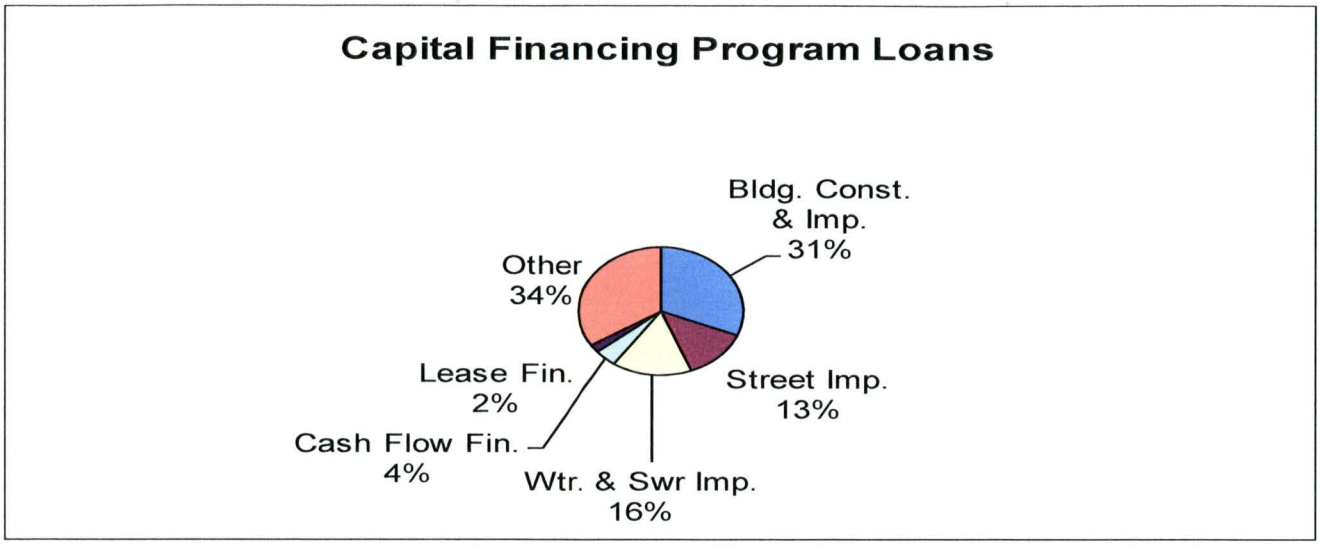
The PFA did not issue CFP Bonds in 2016.

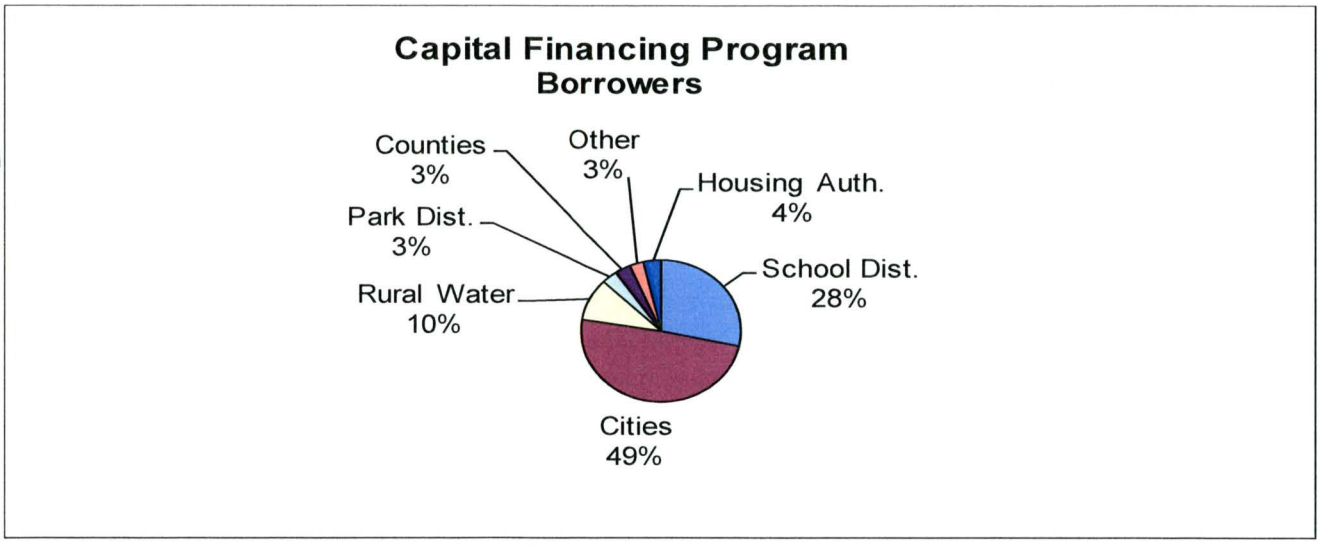
The total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2016, was $26,761,298. The CFP Reserve Fund Letters of Credit are issued to meet the requirement of the CFP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month period. The CFP Reserve Fund Letters of Credit are issued by Bank of North Dakota (BND).

As of December 31, 2016, the total cumulative amount of bonds issued under the CFP General Bond Resolution was $258,120,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was $162,370,000.

Part F of Attachment 1 beginning on page 1-6 of this Report contains a complete list, as of December 31, 2016, of all loans made by the PFA with proceeds of CFP Bonds issued under the CFP General Bond Resolution, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2016, of all series of Capital Financing Bonds issued under the CFP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of CFP Bonds.





CAPITAL FINANCING DISASTER LOAN PROGRAM

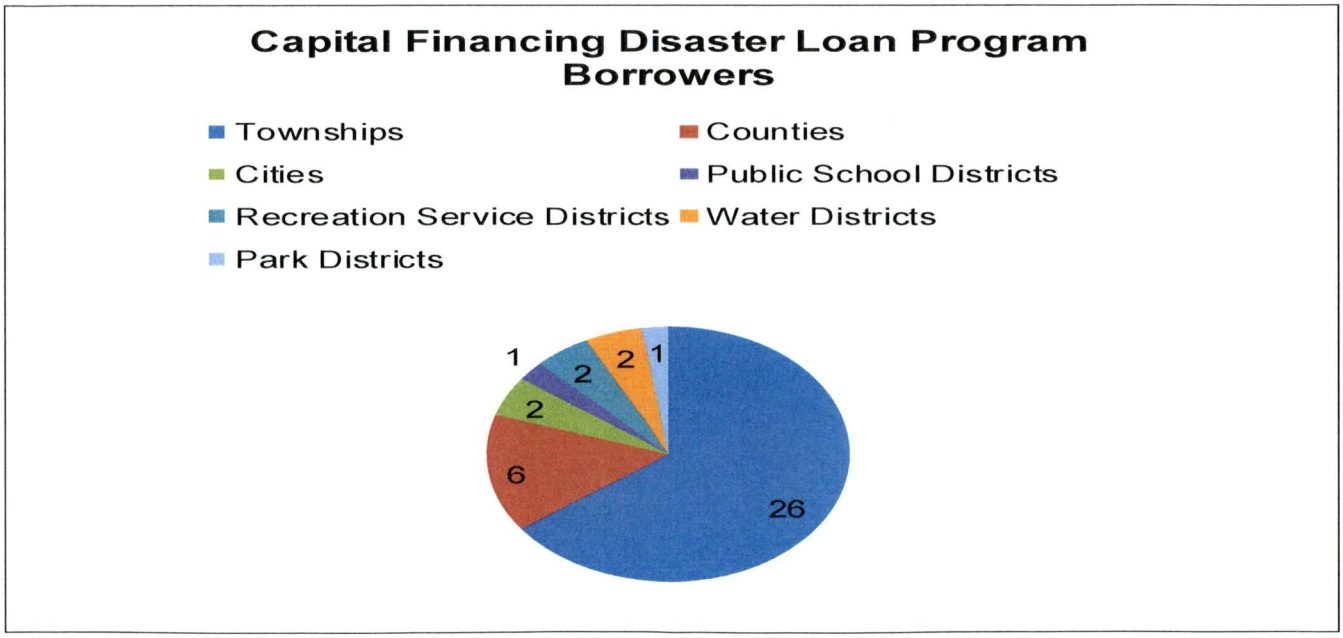
On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events. Under its Capital Financing Disaster Loan Program, the PFA makes loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money is available and/or to assist in cash flowing local match requirements.

Any North Dakota political subdivision that is within a county that has received a Presidential Public Disaster Declaration or a gubernatorial executive order or proclamation of a state disaster or emergency was eligible to apply. The political subdivision must show ability to repay the financing either from Federal or State government disaster payments or from tax receipts. The interest rate payable by a political subdivision is the 3 month LIBOR plus 1.25% adjusted monthly with a floor of 2.25%.

There were no Disaster Financing loans approved in 2016. Loans approved under this program total $71,531,546 and $1,697,116 were outstanding as of December 31, 2016. Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2016, of all loans made by the PFA under the Disaster Loan Program, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

The proceeds of the CFP Disaster Bonds have historically been used to make loans to political subdivisions approved for financing under the Disaster Loan Program. The PFA did not sell any CFP Disaster Bonds to Bank of North Dakota in 2016. As of December 31, 2016, the total cumulative amount of bonds issued under the Disaster Loan Program was $14,405,612 and there are no bonds outstanding under the Disaster Loan Program.

Part G of Attachment 2 on page 2-2 of this Report contains a complete list, as of December 31, 2016, of all series of Capital Financing Disaster Loan Bonds issued, including the original dollar amount and the outstanding principal amount of each series of Disaster Loan Bonds.



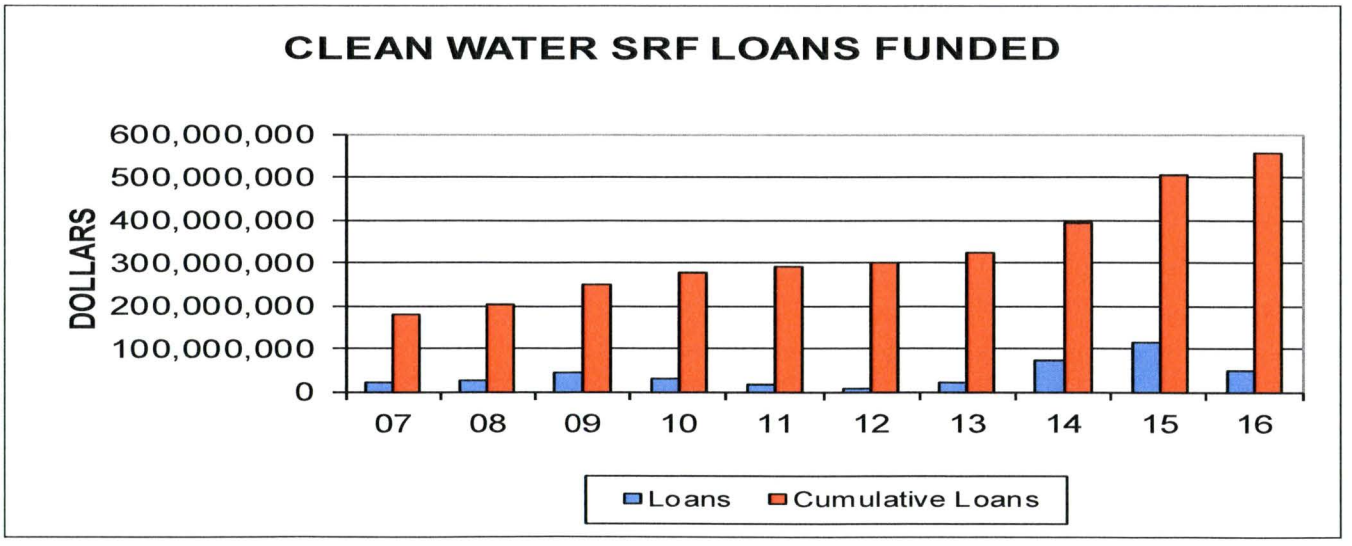
STATE REVOLVING FUND PROGRAM

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems. The SRF Program is administered jointly by the North Dakota Department of Health and the PFA.

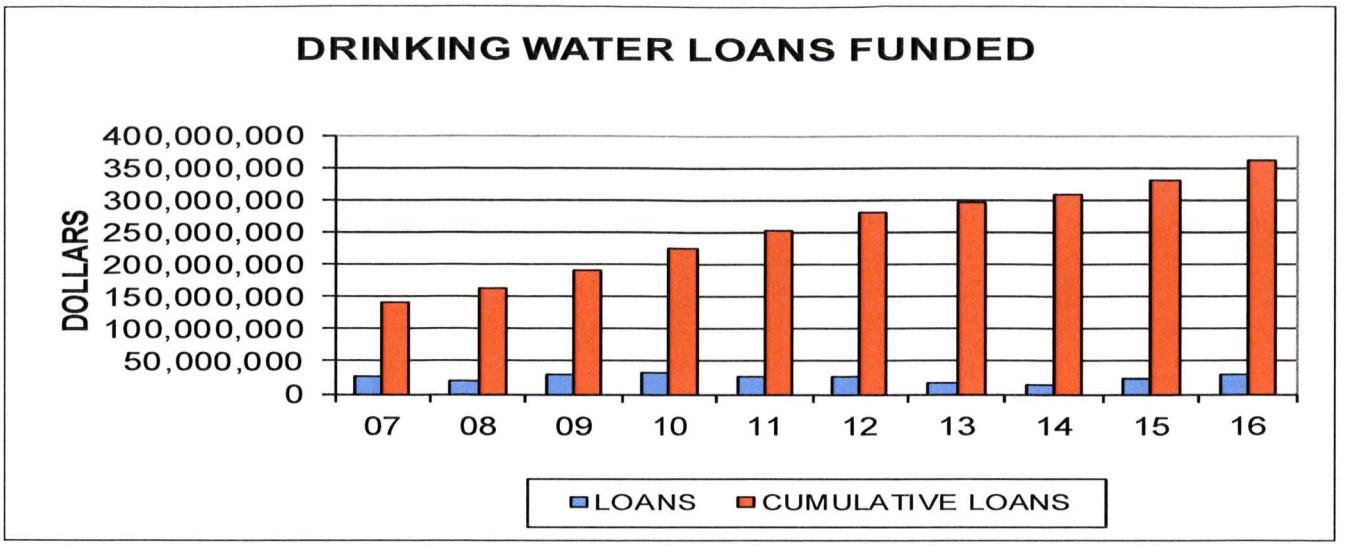
In 2001, Moody's Investors Service, Inc. upgraded the North Dakota SRF Program from "Aa2" to "Aaa", Moody's highest rating. In 2015, the PFA obtained an additional rating for the North Dakota SRF Program bonds from Standard & Poor's Ratings Services which assigned their highest rating, "AAA," on June 29, 2015.

The interest rates on SRF Program loans are set by the Health Department in consultation with the PFA. The interest rates are fixed for the term of a loan. The interest rate for tax-exempt SRF Program loans is 2.0%. The interest rate for taxable SRF loans is 3.0%. Loans made with American Recovery and Reinvestment Act (ARRA) funds are at .5% and/or have a loan forgiveness component.

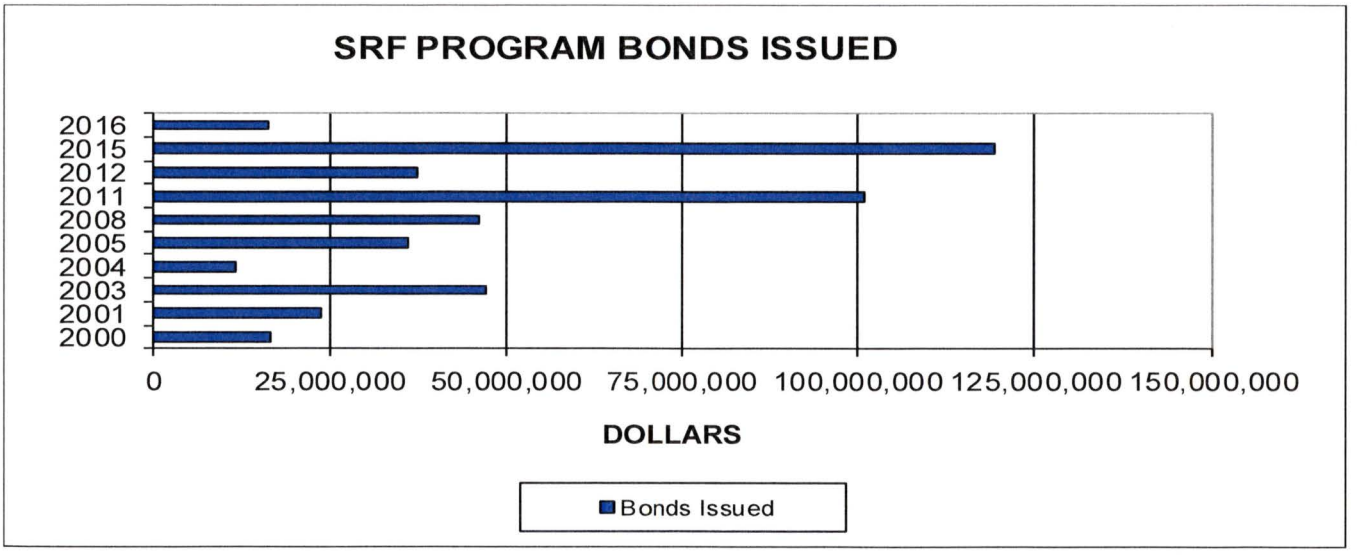
The PFA approved $3,492,373 of Clean Water SRF Program loans to 7 political subdivisions in 2016. Subpart 25 of Part G of Attachment 1 on page 1-18 of this Report contains a list of all approved Clean Water SRF Program loans for 2016, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2016.



The PFA approved $15,585,000 of Drinking Water SRF Program loans to 11 political subdivisions in 2016. Subpart 18 of Part H of Attachment 1 on page 1-24 of this Report contains a list of loans made under the Drinking Water SRF Program during 2016, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2016.



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is $554,740,000. This total includes $151,085,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003A, 2003B, 2004, 2005 and 2008 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.



As of December 31, 2016, the total amount of SRF Program Bonds outstanding was $249,575,000, and the total outstanding amount of SRF Program loans was $542,783,818. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2016, was $5,359,684, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part H of attachment 2 on page 2-3 of this Report contains a complete list of the SRF Program Bonds issued by the PFA under the Master Trust Indenture, including the original dollar amount and the outstanding principal amount of each series of SRF Program Bond.

INDUSTRIAL DEVELOPMENT BOND PROGRAM

The Public Finance Authority's Industrial Development Bond Program (IDBP) provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. Bonds issued under this Program are moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. Public Finance Authority limits the program to $2,000,000 per borrower and $20,000,000 for the entire program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits.

The interest rates payable by a borrower are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a borrower will pay on its bonds sold to the PFA.

On February 18, 2016 the Industrial Development Bond Program was downgraded to a rating of "A+" by Standard & Poor's Ratings Group. The PFA did not issue IDBP Bonds in 2016.

Part I of Attachment 1 beginning on page 1-25 of this Report contains a complete list, as of December 31, 2016, of all loans made by the PFA with proceeds of IDBP Bonds issued under the IDBP General Bond Resolution, including the name of each borrower and the original amount of each loan.

Part I of Attachment 2 on page 2-3 of this Report contains a complete list, as of December 31, 2016, of all series of Industrial Development Program Bonds issued under the IDBP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of IDBP Bonds.

The outstanding amount of Reserve Fund Letters of Credit at December 31, 2016 was $772,575. The IDBP Reserve Fund Letters of Credit are issued to meet the requirement of the IDBP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month periods. The IDBP Reserve Fund Letters of Credit are issued by BND.

OTHER BONDS

1977 General Bond Resolution. The PFA, pursuant to a 1977 General Bond Resolution, issued $15,000,000 in 1977, $16,590,000 of bonds in 1979, and $11,600,000 of bonds in 1983, for a total principal amount of $43,190,000. The 1977, 1979 and 1983 bonds have been retired.

1985 Local Governmental Assistance Program. In 1985, the PFA issued $35,290,000 of bonds under a Local Governmental Assistance Program. These bonds were retired in 1986.

1990 Government Assistance Program. In 1990, pursuant to its Government Assistance Program, the PFA issued two series of bonds in the total amount of $2,006,704. These bonds were retired in 1991.

1989 Insured Water System Revenue Bonds and 1999 Taxable Insured Water System Refunding Revenue Bonds. Pursuant to a Trust Indenture adopted in 1989, the PFA issued two series of Water System Revenue Bonds. The 1989 Series A Bonds were issued in the amount of $11,650,000, and the 1989 Series B Bonds were issued in the amount of $1,410,000 (the 1989 Series A Bonds and the 1989 Series B Bonds are referred to as the "1989 Bonds"). The Series B Bonds were issued to fund a reserve fund for the Series A Bonds. On December 21, 1995, the PFA entered into a Purchase Contract for the forward refunding of the 1989 Bonds. Under the terms of the Purchase Contract, the PFA issued and delivered $8,875,000 of its Taxable Insured Water System Refunding Revenue Bonds, on April 1, 1999, for the purpose of refunding the 1989 Bonds. These bonds were retired in 2014.

BIENNIAL DEBT SERVICE REQUIREMENTS

The debt service requirement for the outstanding CFP Bonds for the 2015-2017 biennium is $9,484,451, and the debt service requirement for the outstanding SRF Program Bonds for the 2015-2017 biennium is $5,950,535. The outstanding IDBP debt service requirement for 2015-2017 is $260,246.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2015-2017 biennium is $15,695,232.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
LOANS MADE 1977 THROUGH 2016

Part A

Subpart 1 — $15,000,000 1977 Series A Bonds

Borrower

Alexander PSD
Alexander
Almont
Ashley
Barney
Bell PSD
Beulah
Bismarck
Bismarck Park District
Butte PSD
Buxton
Carrington PSD
Cass County
Casselton
Center
Courtenay Special PSD
Drake
Edinburg PSD
Edmore PSD
Elgin
Ellendale PSD
Emerado
Enderlin
Esmond
Esmond PSD
Fingal PSD
Finley
Fordville
Gackle PSD
Galt PSD
Garrison
Glen Ullin PSD
Gwinner
Halliday
Hampden PSD
Hazelton Moffitt PSD
Hazen
Jamestown
Juzeler PSD
Kathryn PSD
Kensal PSD
Kinloss PSD
Kinyon PSD
Kulm
LaMoure PSD
LaMoure
Lawton
Leeds
Lehr
Leonard PSD
Leonard
Lidgerwood
Lignite
Lincoln PSD
Linton
Linton PSD
Maddock
Mandan
Mayville
McVille
Michigan
Minnewauken PSD
Napoleon
Nedrose PSD
Nesson PSD
New Salem
New Leipzig Fire District
New Rockford
New Leipzig PSD
New Leipzig
New Rockford
North Sargent PSD
Park River
Parshall
Pembina
Portland
Reeder PSD
Regent PSD
Reynolds
Robinson PSD
Rock Lake PSD
Rolla
Rutland
Sawyer PSD
Scotia PSD
Scranton
Sharon
Sharon PSD
Sherwood
Sheyenne PSD
Solen PSD
South Heart PSD
South Bend PSD
Southern PSD
Southwest Fargo
Stanley
Stanton
Steele
Streeter PSD
Sutton PSD
Thompson
Tioga PSD
Tolna
Traill County District
Turtle Lake
Valley City
Velva
Verona
Walcott
Walhalla
Washburn
Watford City
Westhope
Wildrose PSD
Wilton
Wishek PSD
Wishek
Woodworth PSD
Yellowstone Irrigation District
Zeeland PSD

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Subpart 2 **$16,590,000 1979 Series A Bonds**

Borrower

Anita Fire Protection District
Ashley PSD
Beulah
Beulah PSD
Center PSD
Edgeley
Edinburg
Edmore
Enderlin
Finley
Gackle
Garrison
Glen Ullin
Grand Forks Park District
Halliday
Harwood
Hazelton
Hazen
Hazen PSD
Hebron
Hettinger
Hope
Hunter
Linton
Lisbon
Mandan
Mayville
Medina
Mott
Napoleon
New Rockford
New Rockford Park District
Park River
Portland
Richardson PSD
Rock Lake
Rolla
Scranton
Sherwood Fire Protection District
Stanley
Stanton
Strasburg
Streeter
Thompson
West Fargo PSD
Wilton
Wishek
Zap

Subpart 3 **$11,600,000 1983 Series A Bonds**

Borrower

Anamoose
Antler
Binford
Bismarck Rural Fire District
Bowbells PSD
Carrington
Cass Richland Drainage District
Casselton
Crosby
Dodge
Edgeley PSD
Elgin PSD
Enderlin
Finley
Flasher PSD
Gladstone
Grafton PSD
Gwinner
Hankinson Rural Fire District
Horace
Killdeer
Lakota PSD
Larimore
Leonard
Linton
Mandan
Manning PSD
Mapleton
Medina
Michigan PSD
Milnor
New England
New Leipzig
Osnabrock
Pembina
Pingree PSD
Rhame
Richardton
Rolette
Stanley
Strasburg
Towner
Velva
Westhope
Wildrose
Zap PSD

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Part B **Local Government Assistance Program**
$35,290,000 1985 Series A Bonds

Borrower

Barnes County
Bismarck PSD
Border Central PSD
Burleigh County
Cass Valley North PSD
Cass County
Crary PSD
Dakota PSD
Dickey County
Dickinson PSD
Drayton PSD
Edgeley PSD
Epping PSD
Fargo PSD
Fessenden
Fordville
Grace City PSD
Grand Forks County
Grand Forks PSD
Killdeer PSD
LaMoure PSD
Mandan PSD
Mandan
McIntosh County
Michigan PSD
Minot PSD
Morton County
Powers Lake PSD
Ramsey County
Richland County
Solen PSD
Stanton PSD
Stark County
Steele County
Stutsman County
Tolley PSD
Walsh County
West Fargo PSD

Part C **Government Assistance Program**
$765,000 1990 Series A Bonds

Borrower

Cavalier
Edgely PSD
Eight Mile PSD
Marion PSD
Pembina PSD
Sherwood PSD

Part D **Insured Water System Revenue Bonds**
$8,875,000 1999 Series A Bonds
$1,410,000 1999 Series B Bonds

Borrower

All Season Water Users
Cass Rural Water
Dakota Water Users
Lidgerwood
North Valley Water Users Association
Richland Rural Water
Traill County Rural Water Users, Inc.
Tri-County Water Users Association

11

Capital Financing Disaster Loan Program

Part E

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 1	**2011**		
Orlien Township, Ward County		$ 400,000	$ 0
Lund Township, Ward County		70,000	0
Ramsey County		2,000,000	0
Anna Township, Ward County		800,000	23,900
Logan County		6,000,000	500,000
Dickey County		5,000,000	0
Rolling Green Township, Ward County		460,742	24,323
Cameron Township, Ward County		495,000	0
Otis Township, McLean County		35,000	0
Normanna Township, Cass County		40,000	0
Casselton Township, Cass County		83,000	18,000
Ward County		10,000,000	768,235
Sargent County		10,000,000	0
Stutsman County		2,739,859	0
Weld Township, Stutsman County		1,321,733	0
Stirton Township, Stutsman County		1,295,017	0
Valley Springs Township, Stutsman County		904,483	0
Lowery Township, Stutsman County		600,000	0
Wadsworth Township, Stutsman County		26,000	0
St Paul Township, Stutsman County		278,500	21,113
Ashland Township, Stutsman County		5,741	0
Woodbury Township, Stutsman County		150,000	2,200
Sinclair Township, Stutsman County		193,000	0
Meadow Lake Township, Barnes County		101,000	0
Sharlow Township, Stutsman County		50,000	0
Streeter Township, Stutsman County		400,000	0
Griffin Township, Stutsman County		61,832	0
Mandan		8,000,000	0
Rice Lake Recreation Service District		400,000	0
North Prairie Rural Water District		700,000	0
North Prairie Rural Water District		450,000	0
Minnewaukan Public School District		2,500,000	0
		55,560,907	1,357,771
Subpart 2	**2012**		
Newman Township, Ward County		40,000	0
Griffin Township, Stutsman County		1,030,530	0
Minot Park District		7,000,000	0
Rice Lake Recreation Service District		672,600	339,344
		8,743,130	339,344

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Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 3	**2013**		
Gray Township, Stutsman County		$ 30,000	$ 0
Minnewaukan		6,637,509	0
German Township, Dickey County		360,000	0
Chicago Township, Stutsman County		200,000	0
		7,227,509	0
Total Capital Financing Disaster Program Loans		$ 71,531,546	$ 1,697,116

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Capital Financing Program

Part F

Borrower	Original Loan Amount
Subpart 1 1990	
Morton County	$ 400,000
Linton	185,000
Mandan	95,000
Hankinson	155,000
Fargo Park District	680,000
Traill County Water Resource Dist	100,000
Dickinson Recreation Building Auth.	250,000
Rolla	220,000
Morton County Water Resource Brd.	230,000
North Valley Rural Water Assoc.	140,000
Milnor	85,000
Bismarck Parks & Recreation Dist.	770,000
Twin Buttes School District	70,000
Hettinger Park District	35,000
Mandan Parks & Recreation Dist.	335,000
	3,750,000
Subpart 2 1991	
Burleigh County Housing Auth.	225,000
Bismarck Parks & Recreation Dist.	1,300,000
Bismarck Parks & Recreation Dist.	410,000
Mandan Parks & Recreation Dist.	560,000
Richardton	165,000
Kindred	25,000
Montefiore PSD	75,000
Pembina PSD	195,000
Eight Mile PSD	150,000
Lake Agassiz Regional Council	180,000
North Valley Water Association	200,000
Finley	875,000
Wyndmere	65,000
Ward County	85,000
Oakes Municipal Airport Authority	45,000
Devils Lake PSD	1,810,000
Greater Richland Ed. Comm. Cons.	250,000
Cass County	400,000
	7,015,000

Borrower	Original Loan Amount
Subpart 3 1992	
Mandan PSD	$ 2,500,000
New England	75,000
Cavalier	75,000
Lidgerwood	75,000
Kindred PSD	1,545,000
Edinburg	120,000
Milnor	205,000
West Fargo PSD	2,500,000
Lisbon PSD	800,000
Emerado PSD	100,000
Milnor	190,000
Pembina PSD	195,000
Eight Mile PSD	200,000
Briarwood	40,000
Buxton	40,000
Missouri Hills Interactive Cons.	455,000
Grand Forks PSD	2,500,000
Mercer County Housing Auth.	435,000
Nelson County	100,000
	12,150,000
Subpart 4 1993	
Lake Metigoshe RSD	150,000
Glenburn PSD	880,000
Fargo PSD	1,975,000
Fargo PSD	525,000
Thompson PSD	900,000
Souris	40,000
Marion PSD	115,000
Pembina PSD	180,000
Eight Mile PSD	150,000
Sims PSD	60,000
Oakes	120,000
McVille	230,000
Milnor	195,000
Emerado PSD	60,000
Grand Forks PSD	2,000,000
Burleigh County Housing Auth.	325,000
	7,905,000

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Borrower	Original Loan Amount
Subpart 5 1994	
Mandan Airport Authority	$ 180,000
Fairmount PSD	305,500
Grafton PSD	2,000,000
Sawyer PSD	450,000
Glenburn PSD	592,500
Lincoln PSD	274,000
Finley-Sharon PSD	499,500
Oakes PSD	1,650,000
North Sargent-Gwinner PSD	538,300
Rolette PSD	461,900
Zap PSD	250,000
Stanley PSD	1,185,000
Clifford-Galesburg PSD	532,669
Rhame PSD	180,000
West Fargo PSD	3,000,000
Manvel PSD	228,000
United-Des Lacs PSD	942,647
Surrey PSD	413,000
Cando PSD	50,000
Surrey PSD	325,000
Sawyer	150,000
Marion PSD	105,000
Pembina PSD	90,000
Eight Mile PSD	200,000
Sims PSD	50,000
	14,653,016
Subpart 6 1995	
Burleigh County Housing Auth.	1,600,000
Traill County WRD	100,000
Mooreton	170,000
Milnor	160,000
Ward County	95,000
Marion PSD	105,000
Eight Mile PSD	200,000
Sims PSD	75.000
	2,505,000
Subpart 7 1996	
Minot	500,000
Rolette County Housing	500,000
Dunseith	100,000
Garrison	120,000
Hazelton	140,000
Walcott-Colfax District	70,000
Burleigh Water Users	1,585,000
Marion PSD	120,000
Garrison PSD	230,000
	3,365,000

Borrower	Original Loan Amount
Subpart 8 1997	
Cavalier	$ 540,000
Burleigh Rural Water Users	3,350,000
New Town PSD	300,000
North Valley Water Association	1,400,000
South Central Water Users Dist.	350,000
Grafton PSD	4,500,000
Richardton	205,000
Aggasiz Water Users	375,000
Sims PSD	50,000
West Fargo PSD	1,000,000
Wahpeton	1,600,000
Garrison	125,000
McVille	1,550,000
	15,345,000

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Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 9	**1998**		
Gackle		$ 295,000	$ 0
Lidgerwood		120,000	0
Prairie Rose		175,000	0
Surrey		100,000	0
Hettinger Park District		200,000	0
Maple River Water Resource District		55,000	0
Milnor		400,000	0
Grandin		165,000	25,000
West Fargo PSD		1,000,000	0
Sims PSD		50,000	0
Park River		450,000	100,000
		3,010,000	125,000
Subpart 10	**1999**		
Lidgerwood		1,075,000	0
Drayton		140,000	0
Drayton		70,000	0
Max		50,000	0
Surrey		100,000	0
West Fargo PSD		1,000,000	0
Sims PSD		100,000	0
Tri-County Water District		1,710,000	0
Tri-County Water District		285,000	130,000
		4,530,000	130,000
Subpart 11	**2000**		
Lisbon		765,000	0
Enderlin		195,000	0
Amenia		155,000	0
West Fargo PSD		3,000,000	0
Sims PSD		100,000	0
		4,215,000	0
Subpart 12	**2001**		
Frontier		735,000	0
Subpart 13	**2002**		
McVille		215,000	0
Southeast Water Users District		700,000	0
Bismarck Rural Fire District		185,000	0
Kulm		150,000	0
Fessenden-Bowdon PSD		350,000	0
		1,600,000	0

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Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 14	**2003**		
Langdon Rural Water District		$ 1,495,000	$ 0
Subpart 15	**2004**		
Traill Rural Water		300,000	150,000
Surrey		500,000	0
Mercer County Housing		80,000	0
		880,000	150,000
Subpart 16	**2006**		
Rolette County Housing Authority		235,000	180,000
Belcourt Public School District		1,045,000	0
Enderlin		105,000	0
		1,385,000	180,000
Subpart 17	**2009**		
West Fargo		530,000	460,000
Tri-County Water District		1,415,000	1,040,000
Emerado		180,000	140,000
		2,125,000	1,640,000
Subpart 18	**2011**		
Drayton		405,000	329,000
Drayton		350,000	285,000
McVille		2,357,000	2,093,000
McVille		618,000	363,000
		3,730,000	3,070,000
Subpart 19	**2012**		
McVille		150,000	115,000
Kulm		85,000	50,000
All Seasons Water Users District		820,000	685,000
Forman Housing Authority		935,000	820,000
Forman		505,000	465,000
Forman		1,090,000	870,000
Hankinson		1,930,000	1,720,000
Mayville		1,430,000	1,220,000
Tri-County Water District		1,405,000	1,275,000
Gackle		1,285,000	1,110,000
		9,635,000	8,330,000
Subpart 20	**2013**		
Fargo		51,375,000	45,940,000

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Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 21	**2014**		
Fargo		$ 32,512,000	$ 29,949,000
Noonan		328,000	306,000
Stutsman Rural Water District		9,000,000	8,335,000
		41,840,000	38,590,000
Subpart 22	**2015**		
Minot		1,945,000	1,800,000
Forman		1,965,000	1,875,000
Watford City		23,655,000	22,960,000
Watford City		35,550,000	34,965,000
Rugby		465,000	425,000
Zap		2,265,000	2,190,000
		65,845,000	64,215,000
Total Capital Financing Program Loans		$ 259,088,016	$ 162,370,000

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Clean Water State Revolving Fund Program

Part G

Borrower		Approved and Funded Loan Amount
Subpart 1	**1990**	
Enderlin		$ 490,000
Fargo		3,561,559
Minot		879,386
		4,930,945
Subpart 2	**1993**	
Fargo		7,770,000
Jamestown		1,581,406
Minot		665,000
Northwood		1,150,000
Wahpeton		1,062,366
West Fargo		175,000
Lake Metigoshe		296,263
New Town		132,050
Jamestown		1,289,702
Williston		252,835
		14,374,622
Subpart 3	**1994**	
Minot		443,522
Burlington		165,037
Devils Lake		1,076,423
Grafton		410,000
Casselton		112,000
		2,206,982
Subpart 4	**1995**	
Fargo		2,850,429
Max		74,912
Cooperstown		55,000
Northwood		225,837
Colfax		36,297
Edmore		62,256
Ellendale		196.826
Minot		400,000
Williston		291,881
Lisbon		100,000
Napoleon		133,851
Park River		498,279
Carrington		835,000
Mott		211,157
Harvey		478,556
Beach		226,241
Williston		328,581

Borrower		Approved and Funded Loan Amount
Subpart 4 Cont.	**1995**	
Buffalo		38,248
Hettinger		156,001
Davenport		176,339
Ellendale		220,990
Cando		113,006
Cooperstown		300,000
		8,009,687

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 5	**1996**			
Jamestown		$ 16,300,000	$ 16,300,000	$ 0
Cooperstown		1,174,952	1,174,952	0
Park River		72,312	72,312	0
Portland		82,368	82,368	0
Medina		67,255	67,255	0
Mayville		105,433	105,433	0
Manvel		478,416	478,416	0
Oriska		21,531	21,531	0
Bottineau		100,000	100,000	0
Arthur		132,963	132,963	0
Cando		254,052	254,052	0
Kindred		124,498	124,498	0
Page		47,738	47,738	0
Argusville		213,061	213,061	0
Bottineau		104,500	104,500	0
Grand Forks		13,700,000	13,700,000	1,695,000
Bank of North Dakota		1,101,444	1,101,444	0
		34,080,523	34,080,523	1,695,000
Subpart 6	**1997**			
Grand Forks		3,940,000	3,940,000	485,000
Casselton		1,589,652	1,589,652	0
Christine		385,273	385,273	40,000
Mapleton		152,864	152,864	0
Horace		225,330	225,330	15,000
Carrington		805,000	805,000	50,000
Mandan		5,191,929	5,191,929	950,000
Berthold		82,875	82,875	4,975
Cooperstown		123,067	123,067	10,000
Jamestown		2,277,487	2,277,487	140,000
Lakota		1,933,969	1,933,969	125,000
Minnewauken		218,000	218,000	0
		16,925,446	16,925,446	1,819,975
Subpart 7	**1998**			
Granville		42,000	42,000	0
Enderlin		342,373	342,373	0
Wishek		140,704	140,704	0
Fargo		1,482,337	1,482,337	0
Gwinner		258,711	258,711	45,000
Southeast Cass		214,000	214,000	29,000
Casselton		108,261	108,261	0
Sanborn		76,195	76,195	0
Frontier		98,603	98,603	10,000
Abercrombie		300,875	300,875	40,875
Grandin		97,042	97,042	10,000
Taylor		59,872	59,872	0
Fargo		10,723,277	10,723,277	0
Grand Forks		2,650,804	2,650,804	295,000
		16,595,054	16,595,054	429,875

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 8	**1999**			
Fargo		$ 210,000	$ 210,000	$ 0
Gackle		118,020	118,020	0
Hillsboro		360,000	360,000	0
Kindred		1,113,522	1,113,522	205,000
Wimbledon		74,738	74,738	15,000
Jamestown		747,990	747,990	0
Lisbon		87,025	87,025	17,000
Stanley		102,413	102,413	0
Buffalo		213,667	213,667	39,000
Buxton		77,000	77,000	0
Hankinson		88,000	88,000	18,000
Jamestown		454,641	454,641	0
		3,647,016	3,647,016	294,000
Subpart 9	**2000**			
Abercrombie		20,064	20,064	0
Hankinson		84,999	84,999	20,000
Fargo		1,816,295	1,816,295	435,000
Lidgerwood		89,405	89,405	22,000
Enderlin		1,189,549	1,189,549	285,000
Hunter		158,395	158,395	30,000
Cogswell		81,960	81,960	15,000
Mayville		1,075,000	1,075,000	315,000
Ward County Water Resource District		797,375	797,375	195,000
Emerado		406,207	406,207	40,000
		5,719,249	5,719,249	1,357,000
Subpart 10	**2001**			
Jamestown		370,120	370,120	0
Mayville		1,169,393	1,169,393	350,000
Forman		135,172	135,172	34,000
Lisbon		716,436	716,436	175,000
Amenia		141,489	141,489	34,000
Grand Forks		13,781,500	13,781,500	4,105,000
Kulm		678,640	678,640	210,000
Tower City		503,123	503,123	150,000
Lake Metigoshe		485,400	485,400	105,000
Williston		1,124,000	1,124,000	335,000
Rolette		102,000	102,000	30,500
Hebron		122,890	122,890	37,000
Hankinson		1,457,760	1,457,760	430,000
Harvey		69,281	69,281	20,900
Oakes		106,076	106,076	8,000
		20,963,280	20,963,280	6,024,400

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 11	**2002**			
Sanborn		$ 30,694	$ 30,694	$ 10,200
Williston		1,190,559	1,190,559	425,000
Grand Forks		1,580,755	1,580,755	495,000
Grand Forks		2,274,164	2,274,164	640,000
Grand Forks		6,546,560	6,546,560	2,070,000
Linton		95,770	95,770	35,000
Mayville		3,073,811	3,073,811	1,090,000
Morton County Water Resource District		258,000	258,000	91,000
Wildrose		86,405	86,405	0
Mapleton		80,790	80,790	0
Wahpeton		374,065	374,065	150,000
		15,591,573	15,591,573	5,006,200
Subpart 12	**2003**			
Hunter		41,930	41,930	17,200
Oakes		746,350	746,350	273,000
Harvey		244,615	244,615	101,000
Hankinson		133,790	133,790	54,800
Mantador		50,000	50,000	20,600
Litchville		236,381	236,381	98,000
Courtenay		49,444	49,444	0
Jamestown		1,309,568	1,309,568	625,000
		2,812,078	2,812,078	1,189,600
Subpart 13	**2004**			
Oakes		601,500	601,500	260,000
Portland		291,164	291,164	120,000
Lidgerwood		84,416	84,416	38,000
Lincoln		397,944	397,944	0
Hillsboro		186,336	186,336	0
Warwick		32,775	32,775	16,000
West River Water and Sewer		338,007	338,007	152,000
		1,932,142	1,932,142	586,000
Subpart 14	**2005**			
Mapleton		335,000	335,000	158,000
Hazen		276,120	276,120	133,000
Enderlin		184,307	184,307	83,000
Rutland		180,841	180,841	91,000
Grand Forks		4,500,000	4,500,000	2,300,000
		5,476,268	5,476,268	2,765,000

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 15	**2006**			
Jamestown		$ 1,475,346	$ 1,475,346	$ 833,000
Rice Lake Recreation Service District		2,813,537	2,813,537	1,573,000
Fargo		2,631,739	2,631,739	0
Gackle		77,824	77,824	0
Tower City		121,502	121,502	68,000
BND		2,398,556	1,722,501	234,732
Portland		30,236	30,236	17,500
Wyndmere		188,146	188,146	0
Oakes		950,000	950,000	545,000
		10,686,886	10,010,831	3,271,232
Subpart 16	**2007**			
Bismarck		20,000,000	20,000,000	12,375,000
Southeast Cass Water Resource District		738,299	738,299	380,000
Lakota		414,948	414,948	135,000
Leonard		255,000	255,000	155,000
Argusville		634,606	634,606	396,000
Mayville		345,725	345,725	195,000
McVille		81,677	81,677	48,000
Jamestown		1,467,998	1,467,998	777,000
Hope		757,963	757,963	421,000
Portland		46,937	46,937	29,000
Cass Rural Water District		15,326,652	15,326,652	11,170,652
Willow City		148,174	148,174	90,000
Oakes		258,747	258,747	151,000
Nome		16,011	16,011	0
		40,492,737	40,492,737	26,322,652
Subpart 17	**2008**			
Lisbon		1,174,092	1,174,092	765,000
Harvey		210,952	210,952	95,000
Hunter		138,580	138,580	93,000
Fargo		63,725,000	62,106,787	47,136,787
Flasher		121,414	121,414	51,000
Hankinson		100,000	100,000	67,000
Ellendale		734,842	734,842	484,000
Fargo		1,640,000	1,640,000	1,180,000
Watford City		808,588	808,588	530,000
		68,653,468	67,035,255	50,401,787

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 18	**2009**			
Tappen		$ 179,761	$ 179,761	$ 119,000
Casselton		1,931,688	1,931,688	1,395,000
Mandan		1,679,763	1,679,763	1,120,000
Mandan		1,000,000	1,000,000	665,000
Stutsman Rural Water District		4,603,386	4,603,386	2,970,000
Lisbon		1,247,424	1,247,424	365,000
Cavalier		487,315	487,315	310,000
Lake Metigoshe Recreation Service District		517,400	517,400	190,000
Velva		346,601	346,601	0
Hazen		246,919	246,919	65,000
Enderlin		799,172	799,172	220,000
Glenburn		784,378	784,378	290,000
Davenport		389,832	389,832	120,000
Munich		1,200,120	1,200,120	0
Edgeley		1,644,845	1,644,845	265,000
Valley City		345,241	345,241	215,000
Strasburg		1,404,743	1,404,743	245,000
		18,808,588	18,808,588	8,554,000
Subpart 19	**2010**			
Hillsboro		127,849	127,849	90,000
Drayton		1,677,066	1,677,066	98,000
Michigan		1,606,506	1,606,506	365,000
Northwood		2,306,303	2,306,303	720,000
Fargo		822,348	822,348	535,000
Wishek		185,547	185,547	132,000
Mapleton		610,964	610,964	420,000
Hankinson		569,833	569,833	415,000
Fargo		4,061,075	4,061,075	3,135,000
Hunter		143,032	143,032	110,000
Dickinson		569,354	569,354	355,000
Langdon		157,454	157,454	0
Kulm		54,409	54,409	42,000
		12,891,740	12,891,740	6,417,000
Subpart 20	**2011**			
Jamestown		1,140,023	1,140,023	860,000
Pembina		217,329	217,329	175,000
Wyndmere		1,664,897	1,664,897	1,330,000
Devils Lake		2,500,000	2,500,000	1,970,000
Minto		1,177,115	1,177,115	940,000
Fingal		519,245	519,245	305,000
Southeast Cass WRD		591,777	591,777	340,000
Forman		750,935	750,935	355,000
Hazen		178,494	178,494	142,000
		8,739,815	8,739,815	6,417,000

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 21	**2012**			
Velva		$ 210,408	$ 210,408	$ 160,000
Kathryn		68,006	68,006	56,000
Maddock		1,284,300	1,284,300	360,000
Casselton		765,923	765,923	620,000
Dunn Center		200,000	200,000	165,000
Des Lacs		97,403	97,403	81,000
Clifford		46,228	46,228	38,000
Medina		238,028	238,028	148,000
		2,910,296	2,910,296	1,628,000
Subpart 22	**2013**			
Burleigh County WRD		244,653	244,653	203,000
Rolla		1,809,750	1,667,824	1,422,824
Lisbon		469,752	469,752	405,000
Ray		2,533,536	2,533,536	1,545,000
Wyndmere		205,773	205,773	80,000
Jamestown		822,306	822,306	720,000
Dickinson		40,500,000	37,985,948	32,990,948
Casselton		3,246,585	3,246,585	2,831,585
Lehr		219,482	219,482	89,000
Mandan		2,066,118	2,066,118	1,805,000
		52,117,955	49,461,977	42,092,357
Subpart 23	**2014**			
Douglas		67,866	67,866	58,000
Jamestown		11,100,950	11,100,950	10,215,000
Berthold		2,471,000	1,248,288	708,979
Bowbells		685,005	685,005	455,000
Noonan		237,000	237,000	215,000
Enderlin		365,500	365,500	335,000
Page		182,867	182,867	165,000
Beulah		586,800	557,460	507,460
Washburn		2,922,696	2,922,696	2,678,696
Mandan		1,681,280	1,681,280	1,515,000
Dickinson		42,108,000	36,812,429	33,874,429
Grenora		416,147	416,147	324,000
Williston		125,600,000	95,585,372	91,235,372
Ryder		189,109	189,109	167,000
		188,614,220	152,051,969	142,453,936

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 24	**2015**			
Watford City		$ 18,718,523	$ 18,718,523	$ 18,283,523
Mandan		5,300,000	3,751,650	3,546,650
Tioga		2,500,000	2,500,000	1,930,000
Marion		97,732	97,732	90,000
Harvey		830,477	830,477	795,000
Ward County WRD		2,778,000	2,554,061	2,450,039
Granville		139,939	139,939	130,000
Grafton		750,000	362,535	361,535
Watford City		14,000,000	9,948,204	9,948,204
		45,114,671	38,903,121	37,534,951
Subpart 25	**2016**			
Oberon		191,552	191,552	186,552
Jamestown		522,119	522,119	521,119
Dwight		100,000	45,930	45,930
Makoti		57,450	57,450	57,450
LaMoure		1,425,000	294,646	206,253
Hebron		682,000	606,752	606,752
Arnegard		380,000	361,000	252,700
		3,358,121	2,079,449	1,876,756
Total		$ 605,653,362	$ 556,650,643	$ 348,136,721

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Drinking Water State Revolving Fund Program

Part H

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1999**			
Wahpeton		$ 345,715	$ 345,715	$ 40,000
Park River		261,000	261,000	0
New Rockford		281,102	281,102	35,000
Sawyer		136,000	136,000	0
Walsh Rural Water District		3,000,000	3,000,000	0
Tioga		44,004	44,004	0
Williston		3,901,331	3,901,331	1,170,000
St. John		399,388	399,388	96,000
		8,368,540	8,368,540	1,341,000
Subpart 2	**2000**			
Grand Forks		11,542,236	11,542,236	2,770,000
Lisbon		912,115	912,115	210,000
Stutsman Rural Water Users		666,168	666,168	160,000
State Water Commission		1,500,000	1,500,000	0
Cooperstown		300,000	300,000	74,000
Harwood		866,514	866,514	260,000
Mayville		1,025,000	1,025,000	300,000
		16,812,033	16,812,033	3,774,000
Subpart 3	**2001**			
Hankinson		405,000	405,000	110,000
Finley		2,479,994	2,479,994	731,600
Enderlin		195,000	195,000	40,000
Valley City		1,444,139	1,444,139	430,000
Grand Forks		10,050,000	10,050,000	0
Oxbow		475,657	475,657	140,000
Lisbon		460,381	460,381	140,000
Nome		22,465	22,465	0
Southeast Water Users		60,000	60,000	17,500
		15,592,636	15,592,636	1,609,100

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4	**2002**			
Lisbon		$ 413,522	$ 413,522	$ 145,000
Harvey		427,076	427,076	150,000
Grafton		285,616	285,616	100,000
Mandan		4,197,565	4,197,565	1,315,000
Ramsey County WRD		3,482,000	3,482,000	0
Enderlin		87,500	87,500	32,000
Linton		563,063	563,063	200,000
Cleveland		206,406	206,406	66,000
Langdon		522,796	522,796	0
Drayton		132,362	132,362	0
Larimore		1,991,805	1,991,805	690,000
Wahpeton		1,890,000	1,890,000	821,000
Grafton		1,130,229	1,130,229	480,000
		15,329,940	15,329,940	3,999,000
Subpart 5	**2003**			
Southeast Water District		1,446,906	1,446,906	0
Grand Forks - Traill Water District		3,991,780	3,991,780	1,415,000
North Valley Water District		4,138,000	4,138,000	0
Williston		3,693,344	3,693,344	1,505,000
Barnes Rural Water District		816,000	816,000	335,000
Argusville		360,718	360,718	150,000
Casselton		1,272,000	1,272,000	540,000
Aneta		171,340	171,340	72,200
Stutsman Rural Water District		201,651	201,651	93,000
		16,091,739	16,091,739	4,110,200
Subpart 6	**2004**			
Oakes		147,652	147,652	63,000
Cass Rural Water District		1,890,923	1,890,923	925,000
Leeds		179,000	179,000	70,000
Hazen		1,000,000	1,000,000	460,000
Tioga		418,727	418,727	134,000
Lincoln		307,681	307,681	149,000
Lincoln		447,000	447,000	0
Abercrombie		244,002	244,002	114,000
Lisbon		410,000	410,000	185,000
Williston		5,000,000	5,000,000	0
Harvey		676,556	676,556	300,000
Noonan		39,602	39,602	20,000
Williams County Rural Water		1,500,000	1,500,000	730,000
Williston		17,593,143	17,593,143	9,910,000
Jamestown		2,534,604	2,534,604	1,280,000
		32,388,890	32,388,890	14,340,000

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 7	**2005**			
Argusville		$ 217,304	$ 217,304	$ 103,000
Park River		746,100	746,100	395,000
Mapleton		83,754	83,754	0
Bottineau		750,000	750,000	378,000
Southeast Water Users District		808,411	808,411	420,000
		2,605,569	2,605,569	1,296,000
Subpart 8	**2006**			
Walcott		159,112	159,112	87,000
Stutsman Rural Water District		1,164,020	1,164,020	581,000
Wildrose		52,291	52,291	26,500
Velva		1,616,123	1,616,123	415,000
Cooperstown		309,634	309,634	150,000
Riverdale		762,138	762,138	349,000
Pick City		223,328	223,328	123,000
Braddock		16,610	16,610	0
Center		358,800	358,800	190,000
Page		95,975	95,975	55,000
Harvey		91,581	91,581	51,000
Hillsboro		1,151,563	1,151,563	455,000
Washburn		1,870,633	1,870,633	995,000
Southeast Water Users District		4,655,000	4,655,000	2,614,000
Portal		50,000	50,000	0
Park River		517,600	517,600	310,000
Central Plains Water District		1,661,967	1,661,967	932,000
Columbus		57,000	57,000	0
Southeast Water Users District		186,902	186,902	103,000
		15,000,277	15,000,277	7,436,500
Subpart 9	**2007**			
McLean-Sheridan Rural Water		519,104	519,104	316,000
Walsh Rural Water District		1,796,902	1,796,902	0
North Prairie Water District		5,700,000	5,700,000	3,510,000
Mayville		324,341	324,341	180,000
Southeast Water Users District		5,418,000	5,418,000	1,780,000
South Central Regional Water		8,000,000	8,000,000	4,878,000
Jamestown		2,076,816	2,076,816	1,205,000
Devils Lake		3,800,000	3,800,000	2,340,000
North Valley Water District		2,617,000	2,617,000	0
Christine		219,015	219,015	138,000
Grand Forks Traill Water District		1,200,000	1,200,000	705,000
All Seasons Water Users District		211,950	211,950	128,000
		31,883,128	31,883,128	15,180,000

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 10	**2008**			
Southeast Water Users District		$ 595,000	$ 595,000	$ 364,000
Hazelton		245,120	245,120	100,000
Lisbon		757,220	757,220	450,000
Mapleton		1,149,088	1,149,088	760,000
Mandan		4,511,900	4,511,900	2,990,000
Fargo		2,500,000	2,500,000	1,600,000
Cass Rural Water District		1,376,605	1,376,605	905,000
Fargo		14,110,422	14,110,422	7,380,422
Tri-County Water District		363,289	363,289	237,000
Lakota		199,802	199,802	0
Crosby		551,488	551,488	0
Hankinson		95,000	95,000	63,000
Hannaford		53,748	53,748	35,000
South Central Regional Water		4,000,000	4,000,000	2,665,000
Ray		1,452,760	1,452,760	370,000
Parshall		2,887,500	2,785,771	1,998,271
Mandan		7,972,283	7,972,283	5,355,000
Leeds		37,076	37,076	24,000
		42,858,301	42,756,572	25,296,693
Subpart 11	**2009**			
Traill Rural Water District		3,396,880	3,396,880	2,880,000
Carrington		240,117	240,117	159,000
Lisbon		305,787	305,787	200,000
Watford City		347,464	347,464	232,000
Bismarck		16,320,000	16,320,000	11,510,000
Lisbon		1,613,726	1,613,726	1,120,000
Ray		864,000	864,000	0
Southeast Water Users District		1,128,358	1,128,358	810,000
Southeast Water Users District		841,774	841,774	635,000
Barnes Rural Water District		2,050,000	2,050,000	1,325,000
Velva		373,579	373,579	255,000
All Seasons Water Users District		154,433	154,433	100,000
Wimbledon		258,353	258,353	174,000
Hope		175,000	175,000	115,000
Enderlin		2,196,790	2,196,790	1,485,000
Garrison		158,222	158,222	0
Wildrose		1,503,094	1,503,094	0
Karlsruhe		791,415	791,415	99,000
Strasburg		2,060,678	2,060,678	255,000
		34,779,670	34,779,670	21,354,000

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 12	**2010**			
Hillsboro		$ 289,376	$ 289,376	$ 205,000
Washburn		4,023,646	4,023,646	1,330,000
South Central Regional WD		4,600,000	4,600,000	3,480,000
BDW Water Systems		2,309,158	2,309,158	0
State Line Water Coop		147,781	147,781	26,000
Valley City		4,646,000	4,646,000	1,365,000
Hillsboro		1,310,679	1,310,679	755,000
Mandan		6,923,867	6,923,867	5,265,000
Kenmare		403,579	403,579	275,000
Buffalo		98,922	98,922	74,000
Jamestown		5,525,008	5,525,008	3,825,000
Kulm		25,300	25,300	19,000
		30,303,316	30,303,316	16,619,000
Subpart 13	**2011**			
Pembina		1,743,743	1,743,743	1,460,000
Linton		224,800	224,800	180,000
Page		90,597	90,597	72,000
Cooperstown		700,235	700,235	535,000
Sawyer		308,708	308,708	250,000
Bowbells		2,145,000	2,145,000	935,000
McKenzie County WRD		8,200,000	7,778,566	4,475,825
Kenmare		892,039	892,039	685,000
		14,305,122	13,883,688	8,592,825
Subpart 14	**2012**			
Ray		2,500,000	2,500,000	835,000
Minnewaukan		1,850,000	1,435,689	0
R & T Water Supply Commerce		9,349,789	9,349,789	6,729,789
Garrison Rural Water District		720,000	720,000	590,000
Southeast Water Users District		1,610,000	1,603,656	666,000
Sherwood		82,475	82,475	70,000
Granville		209,990	209,990	165,000
		16,322,254	15,901,599	9,055,789
Subpart 15	**2013**			
Hillsboro		2,623,344	2,623,344	1,960,000
Ross		1,890,000	1,740,267	670,267
Max		292,062	292,062	260,000
Fargo		66,352,000	24,752,253	24,752,253
Cooperstown		314,393	314,393	270,000
		71,471,799	29,722,319	27,912,520

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 16	**2014**			
Westhope		$ 926,447	$ 926,447	$ 385,000
Grafton		3,000,000	1,989,625	1,754,625
Cooperstown		200,733	200,733	125,000
Stutsman Rural Water District		7,800,000	7,248,504	5,134,704
McLean-Sheridan Rural Water		1,350,000	1,280,158	1,250,158
Mandan		641,683	641,683	565,000
Fairmount		121,759	121,759	111,000
Noonan		282,130	282,130	259,000
Leeds		317,106	317,106	295,000
Columbus		387,828	368,437	135,840
Washburn		1,391,331	1,391,331	1,286,691
Jamestown		3,572,603	3,572,603	3,260,000
Grenora		383,853	383,853	289,000
Carrington		1,459,704	1,459,704	1,345,000
Ray		1,670,000	1,586,500	584,600
Barnes Rural Water District		2,063,033	2,063,033	1,980,000
		25,568,210	23,833,606	18,760,618
Subpart 17	**2015**			
Cass Rural Water District		3,000,000	2,826,967	2,826,967
Jamestown		794,159	794,159	725,000
Garrison		1,821,023	1,821,023	1,741,023
Gwinner		3,050,000	2,882,111	1,801,111
Sheyenne		77,362	77,362	74,000
Lehr		79,065	79,065	30,500
		8,821,609	8,480,687	7,198,601
Subpart 18	**2016**			
Tri-County Water District		750,000	571,542	380,078
New Rockford		270,000	270,000	260,000
Enderlin		340,000	306,175	293,175
Cooperstown		750,000	335,035	320,035
Robinson		130,000	100,634	25,159
South Central Regional WD		3,125,000	810,865	810,865
New Town		5,000,000	2,893,750	1,892,750
Hebron		2,288,000	1,777,577	1,777,577
Stutsman Rural Water District		1,706,000	746,199	746,199
Flaxton		100,000	95,000	95,000
North Prairie Water District		1,126,000	170,413	170,413
		15,585,000	8,077,190	6,771,251
Total		$ 414,088,033	$ 361,811,399	$ 194,647,097

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Industrial Development Bond Program Loans

Part I

Borrower		Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**2006**		
Prairie Gold Real Estate, LLC		$ 1,360,000	$ 973,750
Subpart 2	**2008**		
ND Natural Beef, LLC		2,000,000	0
Subpart 3	**2009**		
Giant Snacks Inc.		1,500,000	1,213,750
ND Natural Beef, LLC		65,269	0
		1,565,269	1,213,750
Total		$ 4,925,269	$ 2,187,500

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Direct Loans

Part J

Borrower		Original Loan Amount
Subpart 1	**1992**	
Ft. Clark Irrigation		$ 20,750
Subpart 2	**1993**	
Solen		9,000
Subpart 3	**1995**	
Plaza PSD		16,000
Mooreton		30,000
Garrison PSD		110,000
Beulah Airport Authority		35,000
		191,000
Subpart 4	**1996**	
Christine		27,000
McHenry		24,000
Sims PSD		17,000
		68,000

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Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 5	**1997**		
Ward County		$ 80,000	$ 0
Traill County Rural Water Users		40,000	0
Christine		17,500	1,750
Manvel		28,000	0
		165,500	1,750
Subpart 6	**1998**		
Berthold		45,000	0
Page		60,000	0
Ransom Sargent Water Users Inc.		87,000	0
Upper Souris Water Users Association		75,000	0
Hannaford		20,000	0
		287,000	0
Subpart 7	**1999**		
Forest River		50,000	0
Subpart 8	**2000**		
New Town PSD		500,000	0
Sanborn		13,500	0
Havana		120,000	0
		633,500	0
Subpart 9	**2001**		
Fort Pembina Airport Authority		117,000	0
Sims PSD		100,000	0
		217,000	0
Subpart 10	**2002**		
Kulm		21,360	0
Southeast Water Users		640,000	0
Solen PSD		200,000	0
		861,360	0
Subpart 11	**2003**		
Solen PSD		200,000	0
Traill County Rural Water Users		50,000	0
St. John		85,000	0
		335,000	0
Subpart 12	**2004**		
Solen PSD		200,000	0
New Town PSD		60,000	0
		260,000	0

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Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 13	**2005**		
Enderlin		$ 92,000	$ 0
Columbus		57,000	0
Solen PSD		200,000	0
Gackle		75,000	0
Portal		185,000	0
Surrey Township		42,500	0
		651,500	0
Subpart 14	**2006**		
Solen PSD		200,000	0
Subpart 15	**2007**		
Emerado		186,288	0
Subpart 16	**2008**		
Sterling PSD		100,000	0
Cass Rural Water District		330,000	0
Watford City		405,000	0
Casselton		685,000	0
		1,520,000	0
Subpart 17	**2009**		
Northood PSD		1,500,000	0
Hazen		215,000	0
Solen PSD		390,000	0
		2,105,000	0
Subpart 18	**2010**		
Drayton		405,000	0
Drayton		278,000	0
		683,000	0
Subpart 19	**2012**		
Fessenden		44,000	0
Rolla		265,000	49,723
Sheldon		63,413	14,000
		372,413	63,723

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Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 20	**2013**		
Noonan		$ 115,290	$ 0
Noonan		400,000	0
Rolla		190,000	79,000
Benedict		126,500	104,000
McHenry County		1,777,500	0
		2,609,290	183,000
Subpart 21	**2014**		
Traill Rural Water District		200,500	123,000
Berthold		450,000	410,000
Leeds		70,000	0
Colfax		40,000	24,000
		760,500	557,000
Subpart 22	**2015**		
Grafton		150,000	120,000
Total Direct Loans		$ 12,336,101	$ 925,473

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BONDS ISSUED 1977 THROUGH 2016

Part A 1997 General Bond Resolution

		Initial Bond Amount
1977 Series A		$ 15,000,000
1979 Series A		16,590,000
1983 Series A		11,680,000
	Subtotal	43,270,000

Part B Local Government Assistance Program

1985 Series A		35,290,000

Part C Insured Water Revenue Bonds

1989 Series A		11,650,000
1989 Series B		1,410,000
	Subtotal	13,060,000

Part D Government Assistance Program

1990 Series A		765,000
1990 Series B		1,241,704
	Subtotal	2,006,704

Part E Taxable Insured Water System Refunding Bonds

1999 Series A		8,875,000
1999 Series B		1,410,000
	Subtotal	10,285,000

Part F Capital Financing Program

1990 Series A	400,000
1990 Series B	185,000
1990 Series C	95,000
1990 Series D	155,000
1990 Series E	680,000
1990 Series F	100,000
1990 Series G	250,000
1990 Series H	220,000
1990 Series I	230,000
1990 Series J	140,000
1990 Series K	85,000
1990 Series L	770,000
1990 Series M	70,000
1990 Series N	35,000
1990 Series O	335,000

Part F Cont.

	Initial Bond Amount
1991 Series A	225,000
1991 Series B	1,300,000
1991 Series C	410,000
1991 Series D	560,000
1991 Series E	265,000
1991 Series F	345,000
1991 Series G	380,000
1991 Series H	280,000
1991 Series I	2,460,000
1992 Series A	565,000
1992 Series B	820,000
1992 Series C	2,650,000
1992 Series D	115,000
1992 Series E	1,870,000
1992 Series F	3,260,000
1992 Series G	290,000
1992 Series H	395,000
1992 Series I	535,000
1992 Series J	2,500,000
1992 Series K	535,000
1993 Series A	150,000
1993 Series B	880,000
1993 Series C	1,975,000
1993 Series D	1,465,000
1993 Series E	505,000
1993 Series F	2,930,000
1994 Series A	5,335,000
1994Series B	525,000
1994 Series C	445,000
1995 Series A	1,700,000
1995 Series B	425,000
1995 Series C	380,000
1996 Series A	500,000
1996 Series B	930,000
1996 Series C	1,585,000
1996 Series D	350,000
1997 Series A	540,000
1997 Series B	3,350,000
1997 Series C	300,000
1997 Series D	1,750,000
1997 Series E	4,705,000
1997 Series F	375,000
1997 Series G	1,050,000
1997 Series H	3,275,000
1998 Series A	945,000
1998 Series B	6,685,000

Part F Cont.		Initial Bond Amount	Outstanding Bond Amount
1998 Series C		$ 565,000	$ 25,000
1998 Series D		1,050,000	0
1998 Series E		450,000	100,000
1999 Series A		1,075,000	0
1999 Series B		260,000	0
1999 Series C		100,000	0
1999 Series D		1,100,000	0
1999 Series E		1,710,000	0
1999 Series F		285,000	130,000
2000 Series A		1,115,000	0
2000 Series B		3,100,000	0
2001 Series A		735,000	0
2002 Series A		1,700,000	0
2003 Series A		1,495,000	0
2004 Series A		880,000	150,000
2006 Series A		1,385,000	180,000
2009 Series A		2,125,000	1,640,000
2011 Series A		3,730,000	3,070,000
2012 Series A		9,635,000	8,330,000
2013 Series A		51,375,000	45,940,000
2014 Series A		32,840,000	30,255,000
2014 Series B		9,000,000	8,335,000
2015 Series A		1,945,000	1,800,000
2015 Series B		25,620,000	24,835,000
2015 Series C		38,280,000	37,580,000
	Subtotal	258,120,000	162,370,000

Part G	Capital Financing Disaster Loan Program		
2011 Series A		9,141,832	0
2012 Series A		2,892,780	0
2013 Series A		1,696,000	0
2014 Series A		675,000	0
	Subtotal	14,405,612	0

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			Initial Bond Amount	Outstanding Bond Amount
Part H	**State Revolving Fund Program**			
1990 Series A		[1]	5,520,000	0
1993 Series A		[2, 5]	20,220,000	0
1995 Series A		[3]	6,975,000	0
1996 Series A		[3]	29,845,000	100,000
1998 Series A		[5, 6]	35,965,000	5,225,000
2000 Series A		[4]	16,725,000	0
2001 Series A		[7]	23,725,000	0
2003 Series A		[7, 8]	26,795,000	0
2003 Series B		[9]	20,455,000	0
2004 Series A		[9]	11,790,000	0
2005 Series A		[8]	36,210,000	900,000
2008 Series A		[10]	46,100,000	5,385,000
2011 Series A			101,210,000	80,915,000
2012 Series A			19,705,000	17,005,000
2012 Series B			17,900,000	8,155,000
2015 Series A			119,195,000	115,485,000
2016 Series A			16,405,000	16,405,000
	Subtotal		554,740,000	249,575,000

[1] A portion of the proceeds of the 1993 Series A SRF Bonds was used to defease and refund the 1990 Series A SRF Bonds.
[2] A portion of the proceeds of the 2001 Series A SRF Bonds was used to defease and refund the 1993 and 1995 Series A SRF Bonds.
[3] The proceeds of the 2003 Series B SRF Bonds was used to defease and refund the 1996 Series A SRF Bonds.
[4] The proceeds of the 2004 Series A SRF Bonds was used to defease and refund the 2000 Series A SRF Bonds.
[5] A portion of the proceeds of the 2005 Series A SRF Bonds was used to defease and refund the 1993 and 1998 Series A SRF Bonds.
[6] A portion of the proceeds of the 2008 Series A SRF Bonds was used to defease and refund the 1998 Series A SRF Bonds.
[7] A portion of the proceeds of the 2011 Series A SRF Bonds was used to defease and refund the 2001Series A and 2003 Series A SRF Bonds.
[8] A portion of the proceeds of the 2012 Series A SRF Bonds was used to defease and refund the 2003Series A and 2005 Series A SRF Bonds.
[9] A portion of the proceeds of the 2012 Series B SRF Bonds was used to defease and refund the 2003 Series B and 2004 Series A SRF Bonds.
[10] The proceeds of the 2016 Series A SRF Bonds was used to defease and refund the 2008 Series A SRF Bonds.

Part I	**Industrial Development Bond Program**			
2006 Series A			1,360,000	1,000,000
2008 Series A			2,000,000	1,660,000
2009 Series A			1,500,000	1,240,000
	Subtotal		4,860,000	3,900,000
Total All Bonds		$	936,037,316	$ 415,845,000

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8B

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Doug Burgum
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Robert Frantsvog
Minot

Keith Lund
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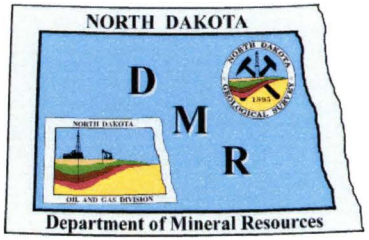

Senate Appropriations Committee

SB-2014

January 19, 2017

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission

SB 2014 - 2074
1-19-17
#1

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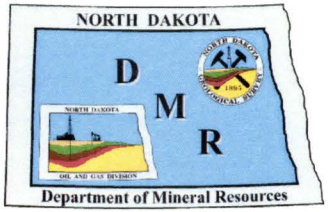
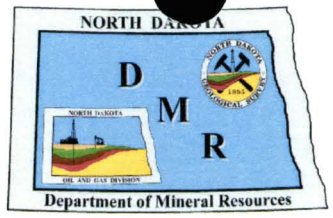


EXPLANATION OF PROGRAM COSTS

The Department of Mineral Resources (DMR) budget is 99% general funds and <1% federal funds. Budget costs are primarily salary and benefits (84%). Federal funds for protection of fresh water supplies are not increasing, although program costs continue to rise due to inflation and federal environmental mandates. However, the agency continues to have statutory responsibilities to protect fresh water supplies. The federal funds are not expected to change over the current biennium.

The operating budget consists primarily of Lease/Rent/Facilities costs (27%) for the Bismarck office, warehouse, and three field offices. Other items of significant costs include travel (40%), primarily state fleet vehicle mileage for fieldwork, and IT costs (13%) two-thirds of which are ITD data processing, Telephone, and Contractual Services. Less than one-tenth is for software and supplies and the DMR will not purchase new computers during the biennium, but rather will extend warranties and utilize existing computer systems.



SALARIES AND BENEFITS

During the 2015-2017 biennium North Dakota experienced a decreasing rig count, although ever-increasing drilling rig efficiencies and technological advancements have resulting in a 40% increase in well output over the two-year period. Current staffing levels are inadequate to keep up with a rig count above 35 rigs. At the same time, our work force has been strained by attrition due to the 6.55% allocation cut this biennium. A record number of oil producing wells has resulted in a significant shift in workload due to a decrease in permitting, but an increase in workload due to required oil conditioning and gas capture goals set by the Commission as provided in recent orders of the Commission.

To address this shift in workload, the Department reassigned duties of several engineering technicians that were assigned to permitting. Rig count is slowly rebounding as oil prices have doubled from their recent lows and rig count is projected to increase up to 50 rigs by FY 2018. The Spearfish play has been proven commercial in the past and increased oil prices could return activity to Bottineau County, which will warrant additional inspections from our Minot office. Temporary staffing will be crucial to meeting our mission both in the field and in the central office and flexibility is needed so that the personnel can be assigned to meet the most critical need.

OPERATING

Travel

Although DOT motor pool rates have remained fairly flat for the 2015-2017 biennium, total mileage driven has risen. To offset allotments and/or the executive budget reductions, the number of field inspections will have to be reduced at a time when industry has fewer personnel creating a need for greater regulatory oversight. This may result in inadequate protection of potable waters and correlative rights. Cutting travel will also affect the agency's role in providing services necessary to meet the objectives of collecting and disseminating geologic data, overseeing the regulatory aspects assigned and providing information as requested.

Lease/Building Rent/Land

Oil and Gas Division rent is increasing $42,123 in our Bismarck, Dickinson, Minot, and Williston office buildings. These offices provide a location for efficient synchronization of inspector data to our main database, contact between the general public and local Oil and Gas Division employees, and for inspectors to complete written correspondence.

Geological Survey is experiencing increases in office and warehouse rents of $5,922. The expansion of the Wilson M. Core and Sample Library will require increases in janitorial, buildings and grounds, and property insurance of $43,500.

Oil and Gas Regulatory Programs

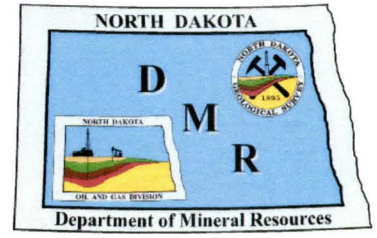
Oil and Gas Exploration and Production (NDCC 38-08-01)

It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

Geophysical Exploration (NDCC 38-08.1-02)

Notwithstanding any other provision of this chapter, the commission is the primary enforcement agency governing geophysical exploration in this state. Any person in this state engaged in geophysical exploration or engaged as a subcontractor of a person engaged in geophysical exploration shall comply with this chapter; provided, however, that compliance with this chapter by a crew or its employer constitutes compliance herewith by that person who has engaged the service of the crew, or its employer, as an independent contractor.

Oil and Gas Regulatory Programs



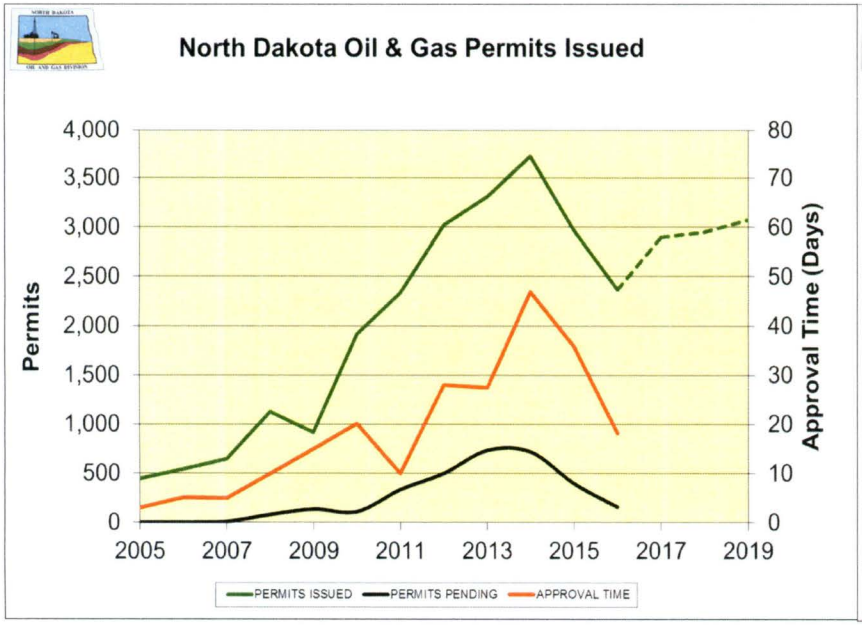
Pipeline (NDCC 38-08-27)

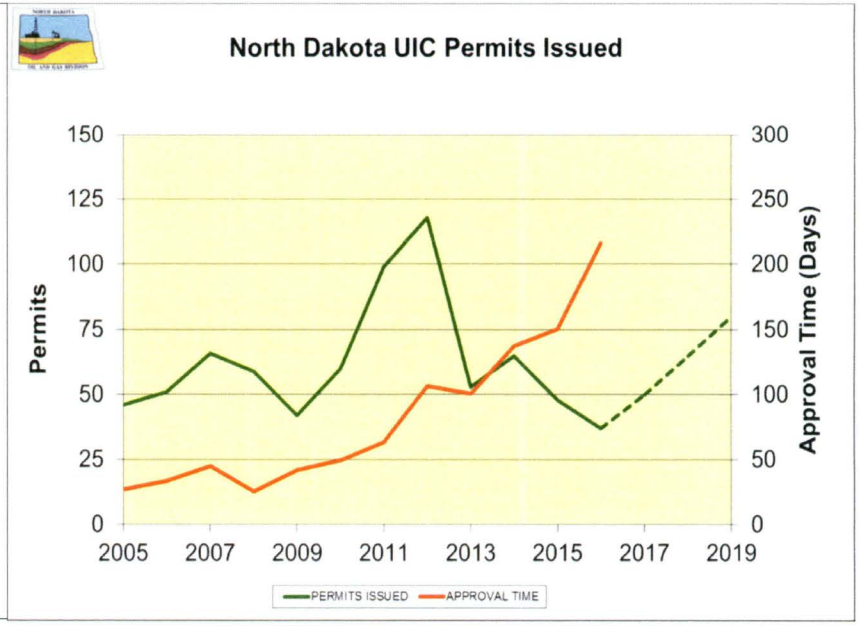
The application of this section is limited to an underground gathering pipeline that is designed or intended to transfer crude oil or produced water from a production facility for disposal, storage, or sale purposes and which was placed into service after August 1, 2015. Upon request, the operator shall provide the commission the underground gathering pipeline engineering construction design drawings and specifications, list of independent inspectors, and a plan for leak protection and monitoring for the underground gathering pipeline. Within sixty days of an underground gathering pipeline being placed into service, the operator of that pipeline shall file with the commission an independent inspector's certificate of hydrostatic or pneumatic testing of the underground gathering pipeline.

Carbon Dioxide Geological Storage (NDCC 38-22-01)

It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and its citizens. Further, geologic storage of carbon dioxide, a potentially valuable commodity, may allow for its ready availability if needed for commercial, industrial, or other uses, including enhanced recovery of oil, gas, and other minerals. Geologic storage, however, to be practical and effective requires cooperative use of surface and subsurface property interests and the collaboration of property owners. Obtaining consent from all owners may not be feasible, requiring procedures that promote, in a manner fair to all interests, cooperative management, thereby ensuring the maximum use of natural resources.

NORTH DAKOTA
D M R
Department of Mineral Resources





NORTH DAKOTA

D M R

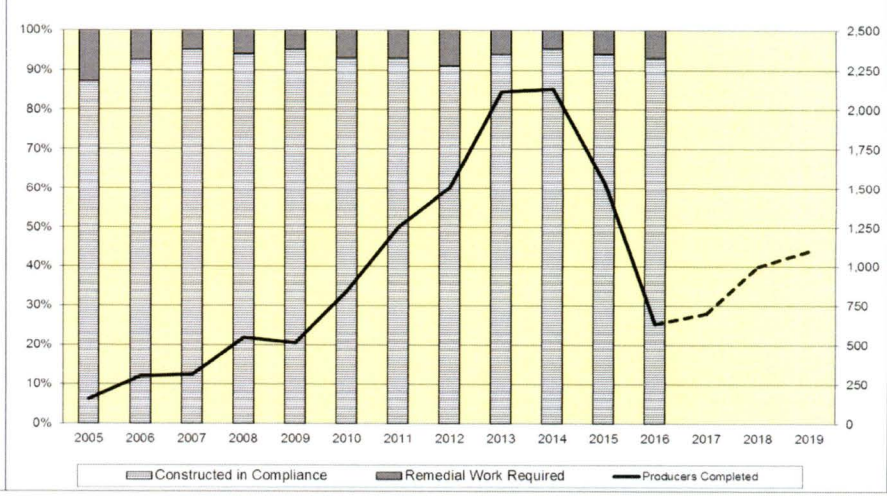
Department of Mineral Resources

Orders Signed--Cases Heard

The Oil and Gas Division continues to work on issuing the backlog of pending applications and is now seeing signs of increasing hearing activity.

Well Construction

The Oil and Gas Division has well construction rules to protect underground drinking water. Without this program 5-10% of new North Dakota wells could be leaking.



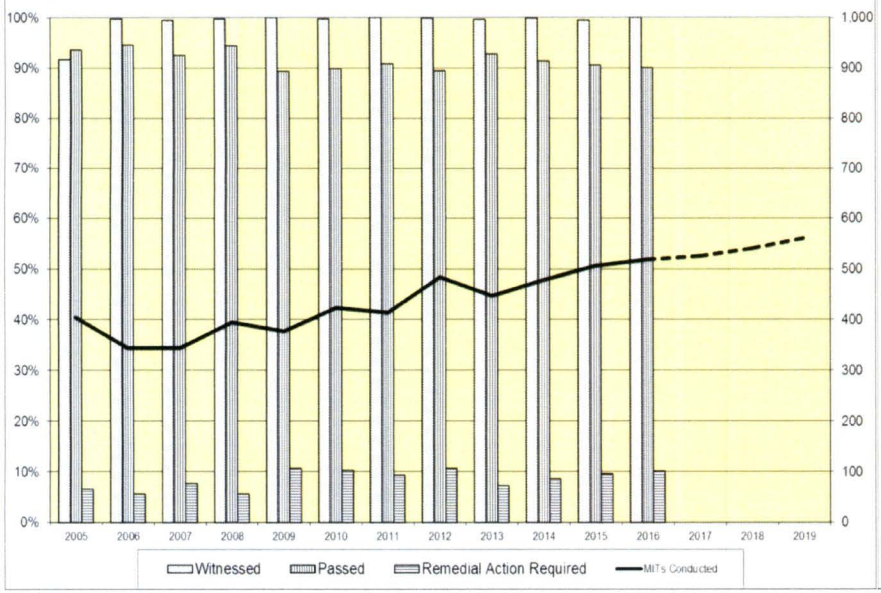
NORTH DAKOTA

D M R

Department of Mineral Resources

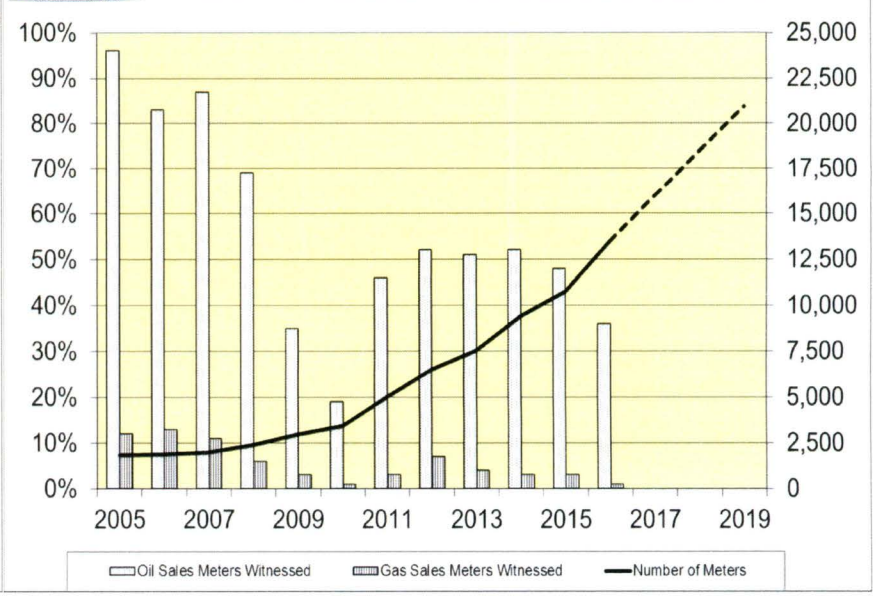
Mechanical Integrity Tests

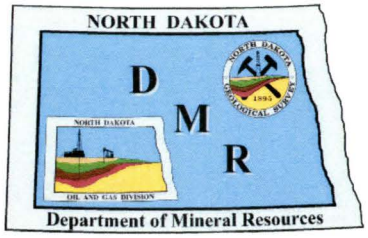
The Oil and Gas Division witnesses nearly all mechanical integrity tests.
Without this program 10% of North Dakota injection and temporary abandoned wells could be leaking.



Sales Meter Tests

The Oil and Gas Division regulates oil and gas meter accuracy and royalty owner information.
Recent decline in meter witness percentage reflects staff reduction due to mandatory budget allotments.





The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 115 years, the Survey still serves as the primary source of geological information in the state. Its mission over the years has grown and is now three-fold: to investigate the geology of North Dakota; to administer regulatory programs and act in an advisory capacity to other state agencies; and to provide public service to the people of North Dakota.

The Geological Survey publishes maps and reports on the mineralogical, paleontological, and geochemical resources of North Dakota, including oil and gas, coal, uranium, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources, the Survey is actively mapping the surface geology throughout the state with an emphasis on urban areas and the identification of geohazards such as landslides. Survey publications support the regulatory programs of the Industrial Commission, as well as other state and federal agencies, and assist mineral companies, geotechnical consulting firms, city and county governments, landowners, and citizens of the state.

The Geological Survey and the Oil and Gas Division are in the Department of Mineral Resources and under the North Dakota Industrial Commission. The main office of the Department of Mineral Resources is located at 1016 East Calgary Avenue in Bismarck. The paleontology program of the Geological Survey is housed in the Clarence Johnsrud Paleontology Laboratory in the North Dakota Heritage Center (state museum) on the State Capitol grounds in Bismarck. The North Dakota State Fossil Collection, as well as the State Rock and Mineral Collection, are also housed in the Heritage Center. The North Dakota Geological Survey's Wilson M. Laird Core and Sample Library is located on the University of North Dakota campus in Grand Forks. The facility currently houses 400,000 feet of core and 35,000 boxes of drill cuttings obtained from oil and gas wells.

GEOLOGICAL SURVEY REGULATORY PROGRAMS

Regulation, Development, and Production of Subsurface Minerals (NDCC 38-12)

The exploration, development and production of subsurface minerals requires a permit, basic data to be provided to the state geologist. These regulations cover minerals not included in the oil & gas and coal regulatory programs.

Subsurface Mineral Exploration and Development		**(NDAC 43-02-02)**
Underground Injection Control Program	**(NDCC 61-28)**	**(NDAC 43-02-02.1)**
In Situ Leach Uranium Mining Rules		**(NDAC 43-02-02.2)**
Surface Mining –Noncoal		**(NDAC 43-02-02.3)**
Solution Mining		**(NDAC 43-02-02.4)**

Coal Exploration (NDCC 38-12.1)

Drilling for coal exploration or evaluation requires a permit and a report of findings must be filed with the state geologist. Collectively, these reports comprise a database useful to private and government coal researchers and provide information necessary for geologic correlations and economic forecasting.

Coal Exploration (NDAC 43-02-01)

GEOLOGICAL SURVEY REGULATORY PROGRAMS

Geothermal Resource Development Regulation (NDCC 38-19)

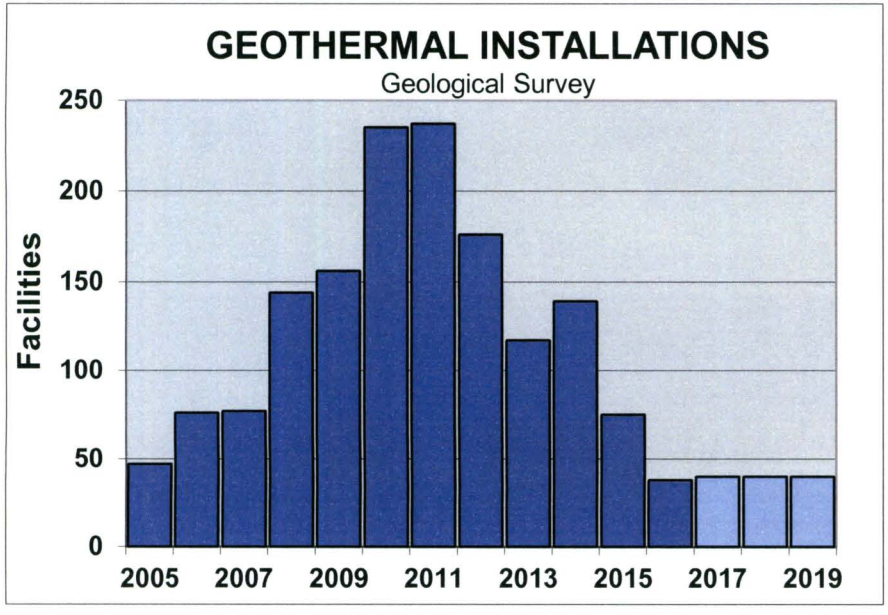
Geothermal (ground source) heating and cooling systems require a permit. The permit review process helps to ensure that geothermal systems are properly designed and constructed, and minimizes the risk of groundwater contamination or other environmental problems.

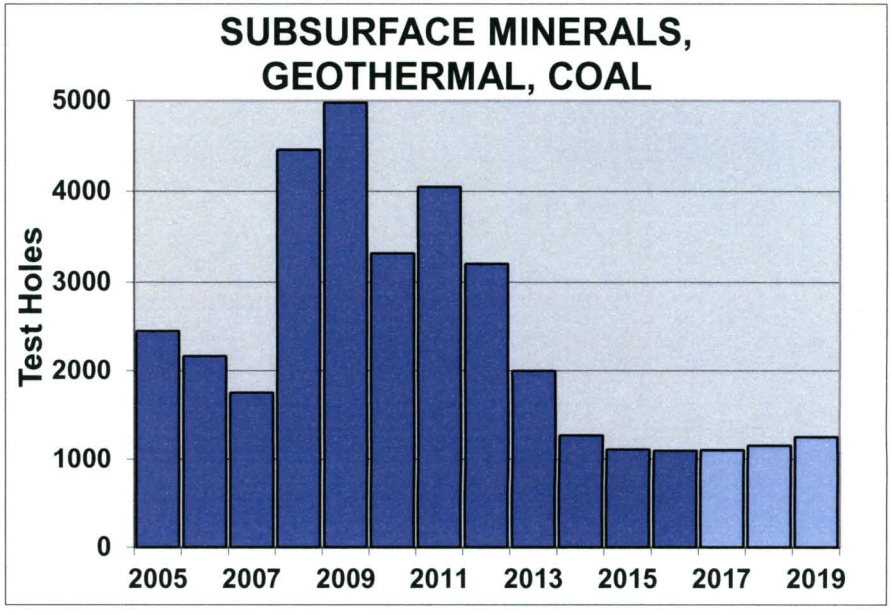
Geothermal Energy Production (NDAC 43-02-07)

Paleontological Resource Protection (NDCC 54-17.3)

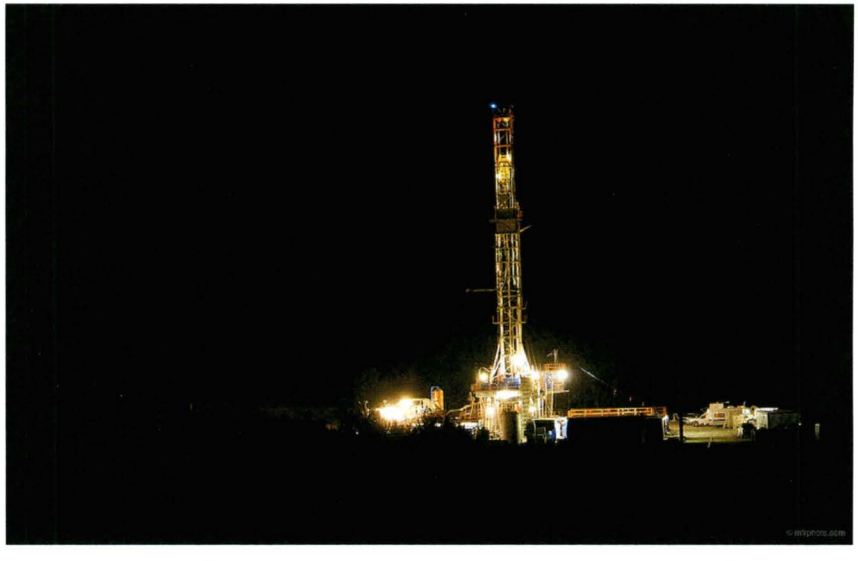
Paleontological resources, on land owned by the State of North Dakota and its political subdivisions, are protected. A permit is required from the state geologist to investigate, excavate, collect, or otherwise record paleontological resources on these lands.

Paleontological Resource Protection (NDAC 43-04)

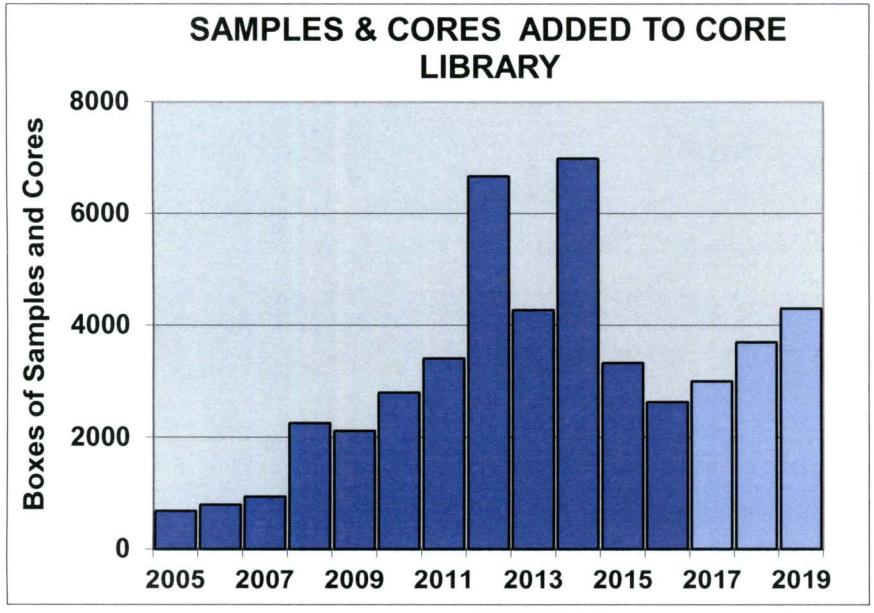


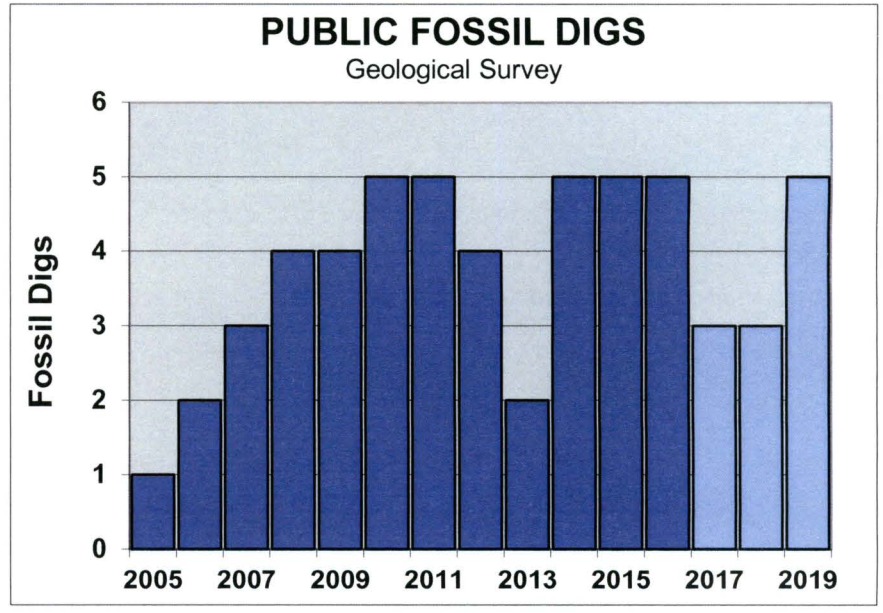


Minnkota Power Cooperative Site in Grand Forks, 646 closed loops, 25 feet apart, and 220 feet deep. Feb., 2016.



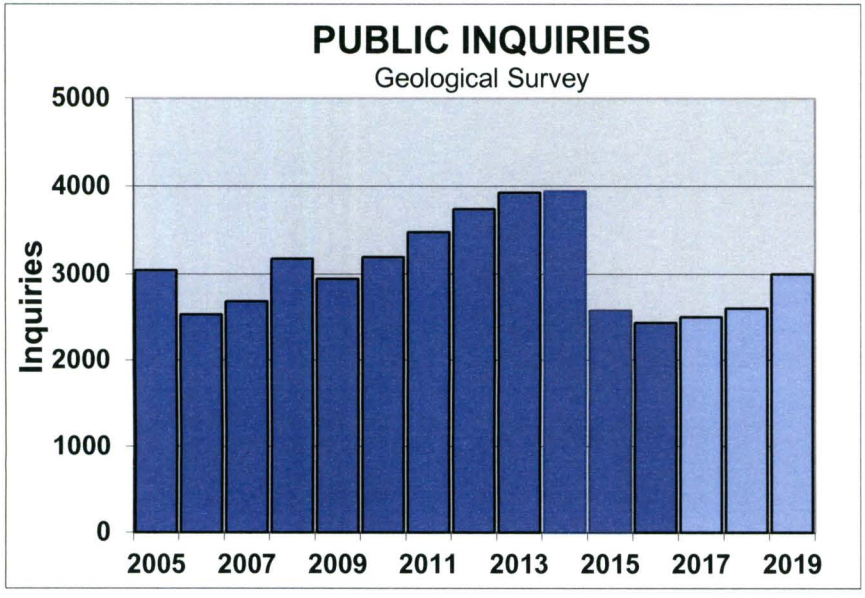
In 2010 the Eby potash well in Burke County was drilled to a depth of 9,167 feet.

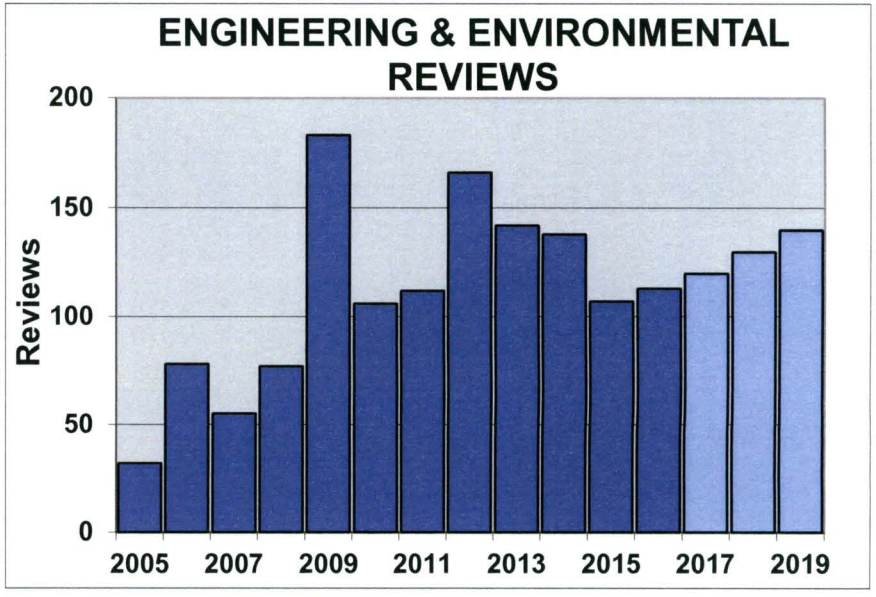




Recently arrived cores and samples filling the new shelving.

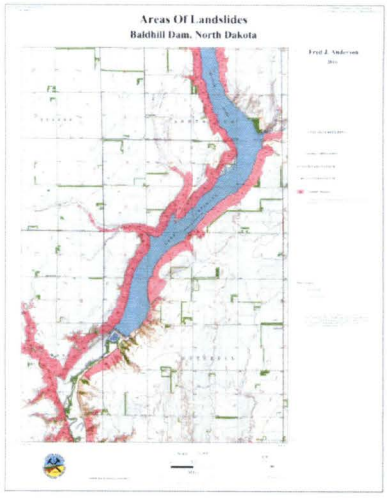
2016 public fossil dig in the Pembina Hills.

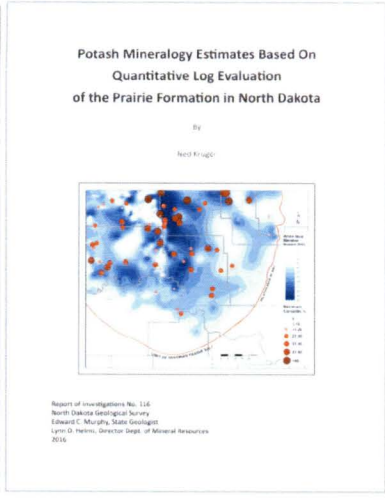


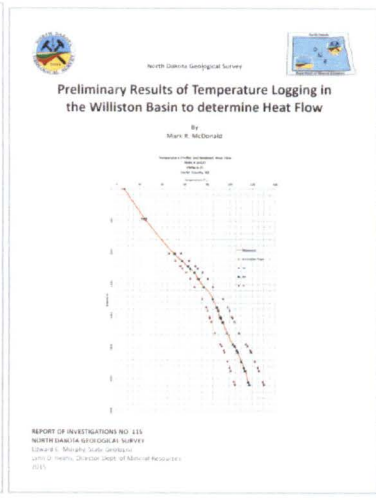


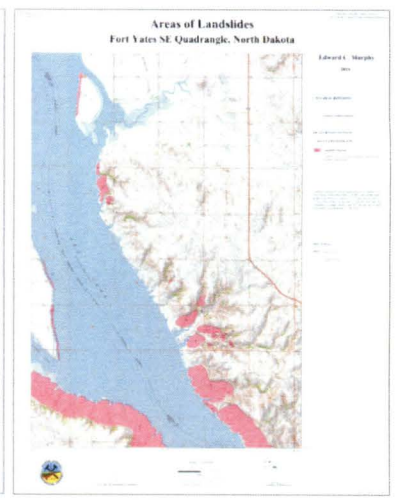
More than 2,400 inquiries per year even though all publications and data files can be freely downloaded from the Survey website.

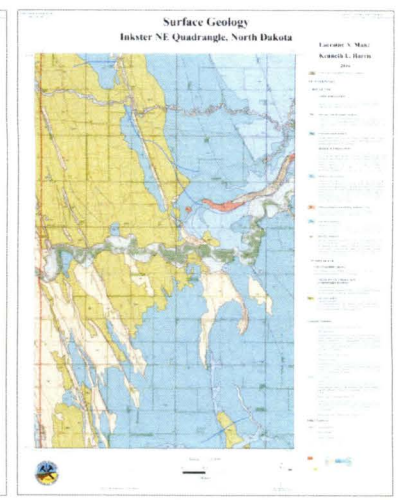
Wind turbines being installed in Morton County.

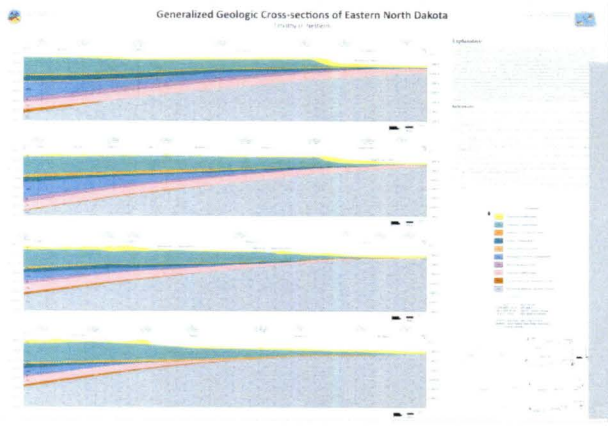


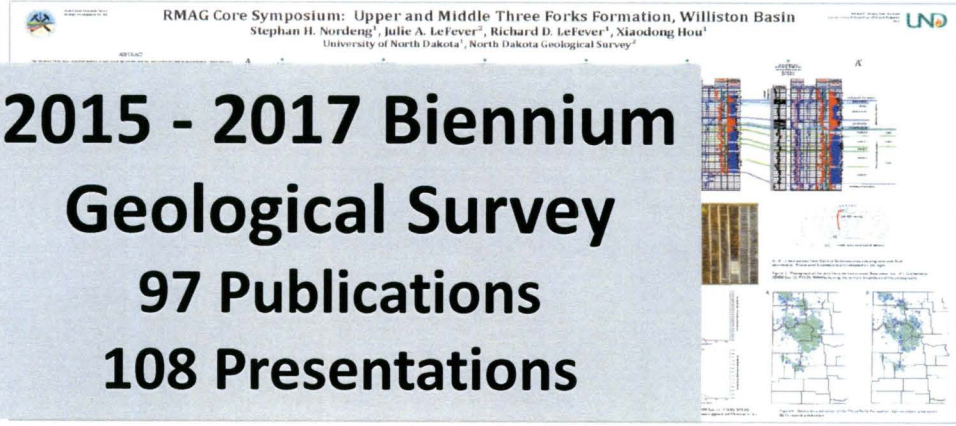


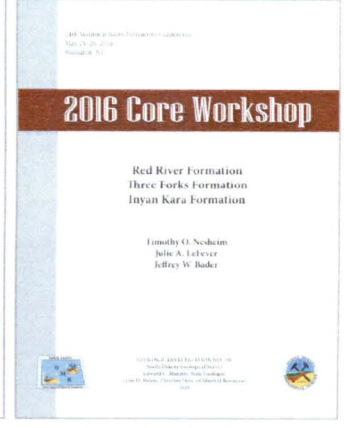








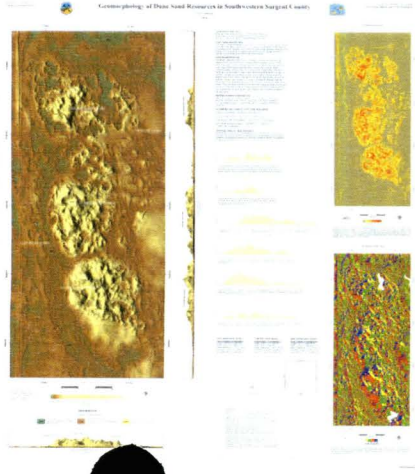


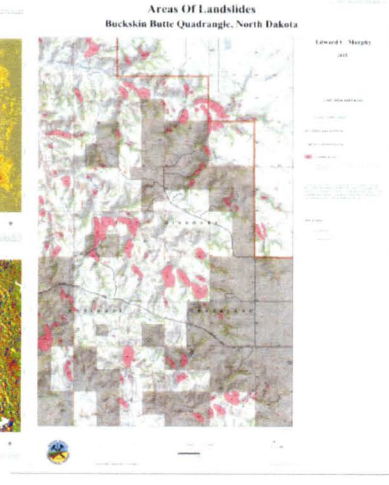


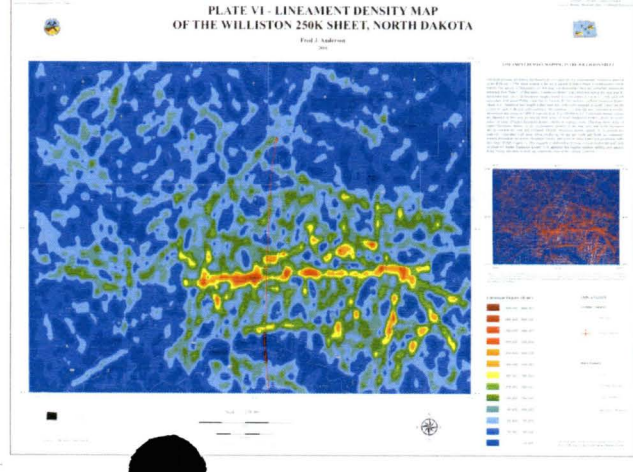
2015 - 2017 Biennium Geological Survey

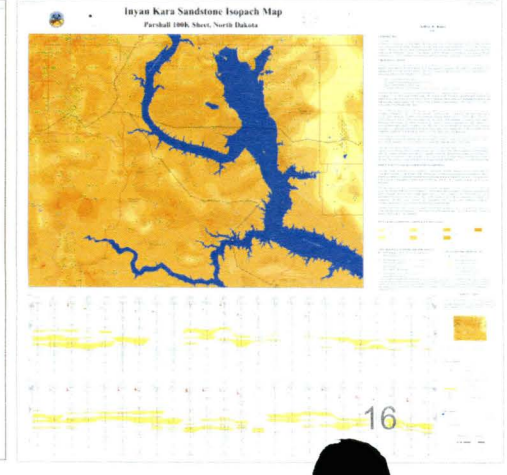
97 Publications

108 Presentations

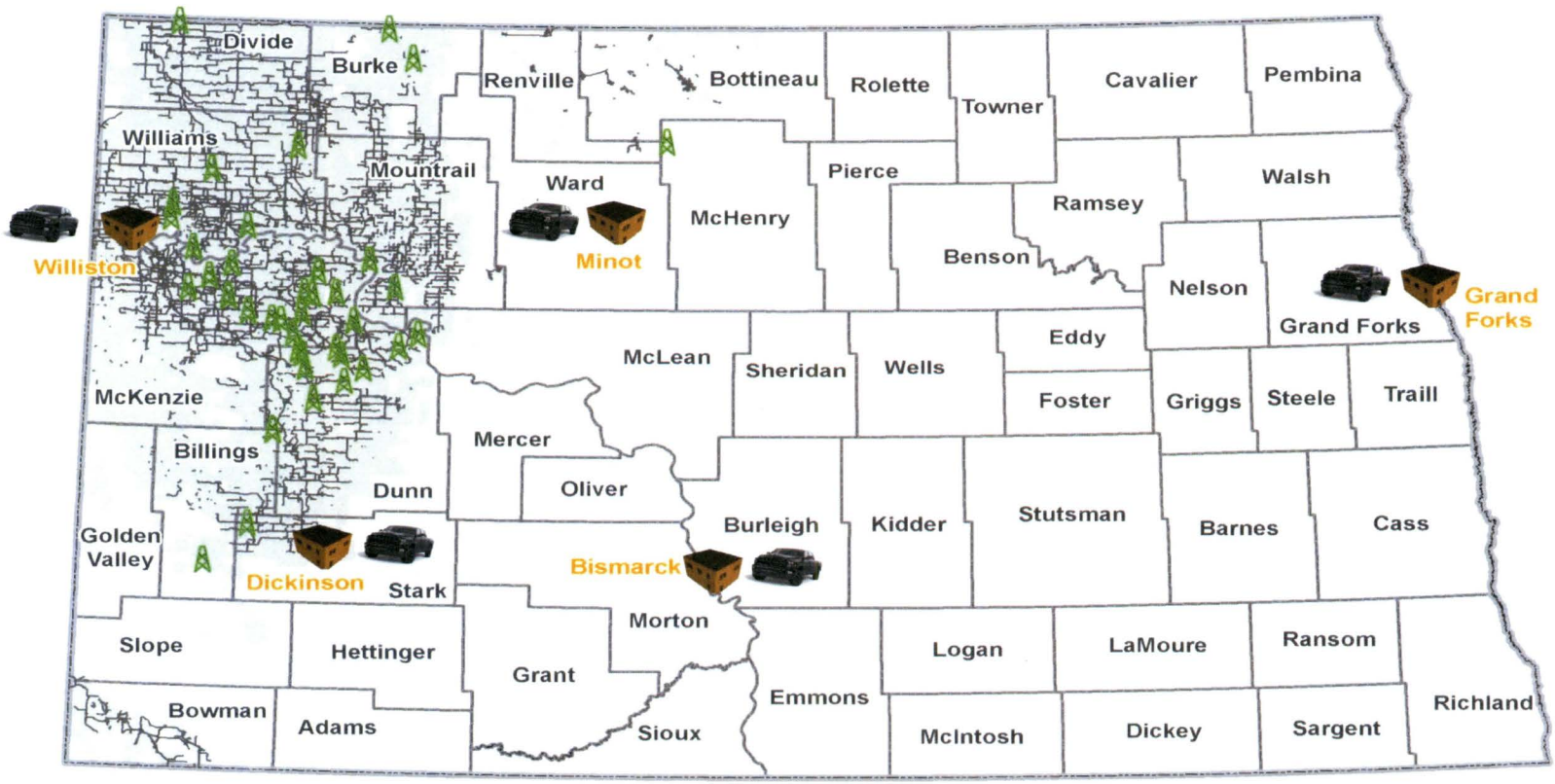








Department of Mineral Resources Staffing



Years of Service	0-3	3-5	5-10	10-15	15-20	20-25	25-30	30+
FTE	36	21	18	8	7	1	3	14
%	33%	19%	17%	7%	6%	1%	3%	13%

FY 2017
Permanent Field Staff Model

Current			Total
21	Petroleum Engineer - Field Inspectors		
		9 Engineering Technician - Field Inspectors	30
		1 Geophysical/coal exploration - Field Inspector	1
		6 Engineering Technician - Pipeline Inspectors	6
0	Petroleum Engineer - Field Inspectors - vacant FTE	4 Engineering Technician - Field Inspector - vacant FTE	4

Required			
40	Drilling Rigs	16,602 Wells and Facilities	
5	Petroleum Engineer - Field Inspectors Needed	26 Engineering Technician - Field Inspectors Needed	31 Dickinson Critical
45	hours per week	40 hours per week	
5	hours office time	5 hours office time	
20	hours Spills, Pluggings, other Engineering	5 hours Spills and Berms	
15,802	producing wells 0 visits per year	15,802 producing wells 12 visits per year	
1,308	injection wells 0 visits per year	1,308 injection wells 12 visits per year	
0	hours for well inspections	29 hours for well inspections	
20	hours for rig inspection	0 hours for rig inspection	

	Rigs	Petroleum Engineer - Field Inspectors	6/30/2017 Wells	Engineering Technician - Field Inspectors	Total - Field Inspectors
Min	20	2	16,856	25	27
	30	4	16,983	25	29
FY17=40	40	5	17,110	26	31
FY18=50	50	6	17,237	26	32
FY19=55	55	7	17,300	26	33
	70	9	17,491	26	35
	80	10	17,618	26	36
	100	12	17,872	26	38
	120	15	18,125	27	42
	140	17	18,379	27	44
	160	20	18,633	27	47
	180	22	18,887	28	50
Max	200	25	19,141	28	53

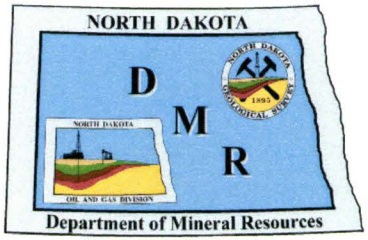
FY 2017 Office Staff Model	Current FT	Temp		Metrics	Fiscal work load	Year FTE	FT	Temp	2017 Action
Pipeline	4.0		500	miles gathering pipeline construction / FTE	2,000	4.0	4.0		
Underground injection	1.0		1,500	UIC wells / FTE	1,490	1.0	1.0		
Treating Plants	1.0		10	permits / year / FTE	10	1.0	1.0		
Well logs, cores, samples, cement tops, and directional survey	6.0		500	permits / year / FTE	2,500	5.0	5.0		Reassign -1
Oil and Gas permitting	5.0		605	permits new and renewed / year / FTE	2,500	4.1	4.0		Reassign -1
Information Technology	5.0	1.0	18	employees / FTE	104	6.0	5.0	1.0	
Accounting & payroll	3.0		35	employees / FTE	104	3.0	3.0		
Reclamation	2.0		8,700	wells / FTE	17,110	2.0	2.0		
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0		900	wells / FTE	2,744	3.0	3.0		
Production auditing	3.0		3,400	wells / FTE	17,110	5.0	5.0		Reassign +2
Oil and Gas measurement	3.0	0.5	4,950	wells / FTE	17,110	3.5	3.0	0.5	
Hearing dockets and orders	3.0		500	cases / year / FTE	1,000	2.0	2.0		RIF -1
Reception, filing, and misc temps	4.5		4,900	well files / FTE	17,110	3.5	3.5		RIF -1
Human Resources	1.0		110	employees / FTE	104	0.9	1.0		
Safety-Facilities-Motorpool	1.0		110	employees / FTE	104	0.9	1.0		
Bonding	1.0		18,000	wells / FTE	17,110	1.0	1.0		
Geology surface	4.0		22	permits, publications, presentations / year/ FTE	88	4.0	4.0		
Geology subsurface	1.0		6	permits, publications, presentations / year/ FTE	6	1.0	1.0		
Geology petroleum	2.0		7	permits, publications, presentations / year/ FTE	14	2.0	2.0		
Geology inquiries, georeviews, and publications	5.5		14	permits, publications, presentations / year/ FTE	67	5.0	5.0		RIF -0.5
Core Library	3.0	2.5	455	permits / year / FTE	2,500	5.5	3.0	2.5	
Paleontology	3.0	0.5	20	permits, publications, presentations / year/ FTE	68	3.5	3.0	0.5	
Executive	4.0		17	employees / FTE	67	4.0	4.0		
Total Office Staff	69.0	4.5				71.0	66.5	4.4	RIF -2.5
Total DMR Staff	110.0						104.5		

FY 2018
Permanent Field Staff Model

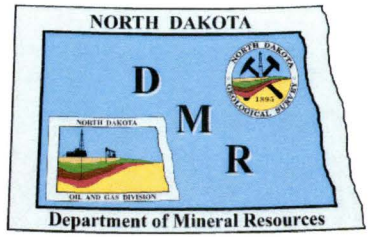
Current			Total
21	Petroleum Engineer - Field Inspectors	9 Engineering Technician - Field Inspectors	30
		1 Geophysical/coal exploration - Field Inspector	1
		6 Engineering Technician - Pipeline Inspectors	6
0	Petroleum Engineer - Field Inspectors - vacant FTE	4 Engineering Technician - Field Inspector - vacant FTE	4

Required					
50	Drilling Rigs		16,602	Wells and Facilities	
6	Petroleum Engineer - Field Inspectors Needed		27	Engineering Technician - Field Inspectors Needed	33 +2 Contingent
45	hours per week		40	hours per week	
5	hours office time		5	hours office time	
20	hours Spills, Pluggings, other Engineering		5	hours Spills and Berms	
16,819	producing wells	0 visits per year	16,819	producing wells	12 visits per year
1,376	injection wells	0 visits per year	1,376	injection wells	12 visits per year
0	hours for well inspections		29	hours for well inspections	
20	hours for rig inspection		0	hours for rig inspection	

	Rigs	Petroleum Engineer - Field Inspectors	6/30/2018 Wells	Engineering Technician - Field Inspectors	Total - Field Inspectors
Min	20	2	17,239	25	27
	30	4	17,557	26	30
FY17=40	40	5	17,876	26	31
FY18=50	50	6	18,194	27	33
FY19=55	55	7	18,353	27	34
	70	9	18,831	28	37
	80	10	19,149	28	38
	100	12	19,786	29	41
	120	15	20,423	30	45
	140	17	21,060	31	48
	160	20	21,697	32	52
	180	22	22,334	33	55
Max	200	25	22,971	34	59



FY 2018 Office Staff Model	Current FT	Temp	Metrics	Fiscal Year 2018 work load	FTE	FT	Temp	Action
Pipeline	4.0		625 miles gathering pipeline construction / FTE	2,500	4.0	4.0		
Underground injection	1.0		1,500 UIC wells / FTE	1,538	1.0	1.0		
Treating Plants	1.0		10 permits / year / FTE	10	1.0	1.0		
Well logs, cores, samples, cement tops, and directional survey	6.0		500 permits / year / FTE	2,950	5.9	6.0		Reassign +1
Oil and Gas permitting	5.0		610 permits new and renewed / year / FTE	2,950	4.8	5.0		Reassign +1
Information Technology	5.0	1.0	18 employees / FTE	107	6.0	5.0	1.0	
Accounting & payroll	3.0		36 employees / FTE	107	3.0	3.0		
Reclamation	2.0		8,900 wells / FTE	18,194	2.0	2.0		
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0		900 wells / FTE	2,744	3.0	3.0		
Production auditing	3.0		3,650 wells / FTE	18,194	5.0	4.0	1.0	Reassign -2 Add Temp hrs
Oil and Gas measurement	3.0	0.5	5,200 wells / FTE	18,194	3.5	3.0	0.5	
Hearing dockets and orders	3.0		500 cases / year / FTE	1,000	2.0	2.0		
Reception, filing, and misc temps	4.5		5,150 well files / FTE	18,194	3.5	3.5		
Human Resources	1.0		110 employees / FTE	107	1.0	1.0		
Safety-Facilities-Motorpool	1.0		110 employees / FTE	107	1.0	1.0		
Bonding	1.0		18,000 wells / FTE	18,194	1.0	1.0		
Geology surface	4.0		22 permits, publications, presentations / year/ FTE	90	4.0	4.0		
Geology subsurface	1.0		6 permits, publications, presentations / year/ FTE	6	1.0	1.0		
Geology petroleum	2.0		7 permits, publications, presentations / year/ FTE	15	2.0	2.0		
Geology inquiries, georeviews, and publications	5.5		14 permits, publications, presentations / year/ FTE	70	5.0	5.0		
Core Library	3.0	2.5	455 permits / year / FTE	2,950	6.5	3.0	3.5	Add Temp hrs
Paleontology	3.0	0.5	20 permits, publications, presentations / year/ FTE	70	3.5	3.0	0.5	
Executive	4.0		17 employees / FTE	68	4.0	4.0		
Total Office Staff	69.0	4.5			74.0	67.5	6.5	
Total DMR Staff	110.0					107.5		



FY 2019
Permanent Field Staff Model

Current			Total
21	Petroleum Engineer - Field Inspectors	9 Engineering Technician - Field Inspectors	30
		1 Geophysical/coal exploration - Field Inspector	1
		6 Engineering Technician - Pipeline Inspectors	6
0	Petroleum Engineer - Field Inspectors - vacant FTE	4 Engineering Technician - Field Inspector - vacant FTE	4

Required				
55	Drilling Rigs	16,602	Wells and Facilities	
7	Petroleum Engineer - Field Inspectors Needed	29	Engineering Technician - Field Inspectors Needed	36 +3 Contingent
45	hours per week	40	hours per week	
5	hours office time	5	hours office time	
20	hours Spills, Pluggings, other Engineering	5	hours Spills and Berms	
17,955	producing wells 0 visits per year	17,955	producing wells 12 visits per year	
1,451	injection wells 0 visits per year	1,451	injection wells 12 visits per year	
0	hours for well inspections	29	hours for well inspections	
20	hours for rig inspection	0	hours for rig inspection	

	Rigs	Petroleum Engineer - Field Inspectors	6/30/2019 Wells	Engineering Technician - Field Inspectors	Total - Field Inspectors
Min	20	2	17,622	26	28
	30	4	18,132	27	31
FY17=40	40	5	18,642	27	32
FY18=50	50	6	19,152	28	34
FY19=55	55	7	19,406	29	36
	70	9	20,171	30	39
	80	10	20,681	30	40
	100	12	21,701	32	44
	120	15	22,721	33	48
	140	17	23,741	35	52
	160	20	24,760	36	56
	180	22	25,780	38	60
Max	200	25	26,800	39	64

FY 2019 Office Staff Model	Current FT	Temp		Metrics	Fiscal work load	Year FTE	FT	2019 Temp	Action
Pipeline	4.0		625	miles gathering pipeline construction / FTE	2,500	4.0	4.0		
Underground injection	1.0		1,500	UIC wells / FTE	1,538	1.0	1.0		
Treating Plants	1.0		10	permits / year / FTE	10	1.0	1.0		
Well logs, cores, samples, cement tops, and directional survey	6.0		505	permits / year / FTE	3,050	6.0	6.0		
Oil and Gas permitting	5.0		615	permits new and renewed / year / FTE	3,050	5.0	5.0		
Information Technology	5.0	1.0	20	employees / FTE	120	6.0	5.0	1.0	
Accounting & payroll	3.0		40	employees / FTE	120	3.0	3.0		
Reclamation	2.0		9,200	wells / FTE	19,689	2.1	2.0		
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0		900	wells / FTE	2,744	3.0	3.0		
Production auditing	3.0		3,900	wells / FTE	19,689	5.0	4.0	1.0	
Oil and Gas measurement	3.0	0.5	5,550	wells / FTE	19,689	3.5	3.0	0.5	
Hearing dockets and orders	3.0		500	cases / year / FTE	1,000	2.0	2.0		
Reception, filing, and misc temps	4.5		5,500	well files / FTE	19,689	3.6	3.5	0.4	Add Temp hrs
Human Resources	1.0		115	employees / FTE	120	1.0	1.0		
Safety-Facilities-Motorpool	1.0		115	employees / FTE	120	1.0	1.0		
Bonding	1.0		18,800	wells / FTE	19,689	1.0	1.0		
Geology surface	4.0		22	permits, publications, presentations / year/ FTE	90	4.0	4.0		
Geology subsurface	1.0		6	permits, publications, presentations / year/ FTE	6	1.0	1.0		
Geology petroleum	2.0		7	permits, publications, presentations / year/ FTE	15	2.0	2.0		
Geology inquiries, georeviews, and publications	5.5		14	permits, publications, presentations / year/ FTE	70	5.0	5.0		
Core Library	3.0	2.5	470	permits / year / FTE	3,050	6.5	3.0	3.5	
Paleontology	3.0	0.5	20	permits, publications, presentations / year/ FTE	70	3.5	3.0	0.5	
Executive	4.0		17	employees / FTE	68	4.0	4.0		
Total Office Staff	69.0	4.5				74.5	67.5	7.0	
Total DMR Staff	110.0						110.5		

2015-2017 Appropriations Update

DMR Original Appropriation & Allotments

	DMR 2015-17 Approp.	DMR 6.55% Allotments	DMR Continuing Budget
40510 Salaries & Wages	$21,632,727	($783,342)	$20,849,385
40530 Operating Expense	$8,529,880	($1,179,442)	$7,350,438
40550 Capital Assets	$13,666,822	$0	$13,666,822
Total Expenditures	$43,829,429	($1,962,784)	$41,866,645

Breakdown of 6.55% Allotments:

Salaries & Benefits:	($701,842) (9 positions)
Temp Salaries:	($81,500)
Travel:	($546,294)
IT Software & Equip:	($293,488)
Supplies:	($26,700)
Lab & Safety Equip:	($26,200)
Equipment & Repairs:	($87,715)
Professional Development:	($15,545)
Professional Services:	($183,500)

2015-2017 Appropriations Update

DMR Estimated 2015-2017 Spending

	DMR Current* 2015-17 Approp	2015-17 Actual Spent as of 11/30/16	2015-17 Estimated Spending	Major Variances
40510 Salaries & Wages	$20,854,347	$14,197,667	$6,656,680	$0
40530 Operating Expense	$8,224,463	$3,587,173	$2,637,290	$2,000,000
40550 Capital Assets	$13,666,822	$11,707,055	$1,759,767	$200,000
Total Expenditures	$42,745,632	$29,491,895	$11,053,737	$2,200,000

Operating variance is due to remaining one-time funding for possible litigation.

Capital Assets variance is due to the Core Library expansion project coming in under budget.

*Note: These amounts reflect DMR's current authorization to spend after allotments. Salaries include $4,962 in transfers for Affordable Care Act temp employee insurance, and Operating includes $874,025 in litigation carryover.

2015-2017 Appropriations Update

ONE TIME FUNDING

Litigation (State vs. Federal Agencies) $2,500,000 ($730,000 spent as of 12/31/16)

Shallow Drilling and Sampling Program $125,000 Implemented (Pages 27 and 28)

Aerial Photography $104,143 Implemented (Page 29)

Digital Conversion of 2D Seismic Project $100,000 Implemented (Page 30)

Wilson M. Laird Core and Sample Library $13,625,322 Implemented (Page 31)

All-terrain vehicles $41,500 Purchased

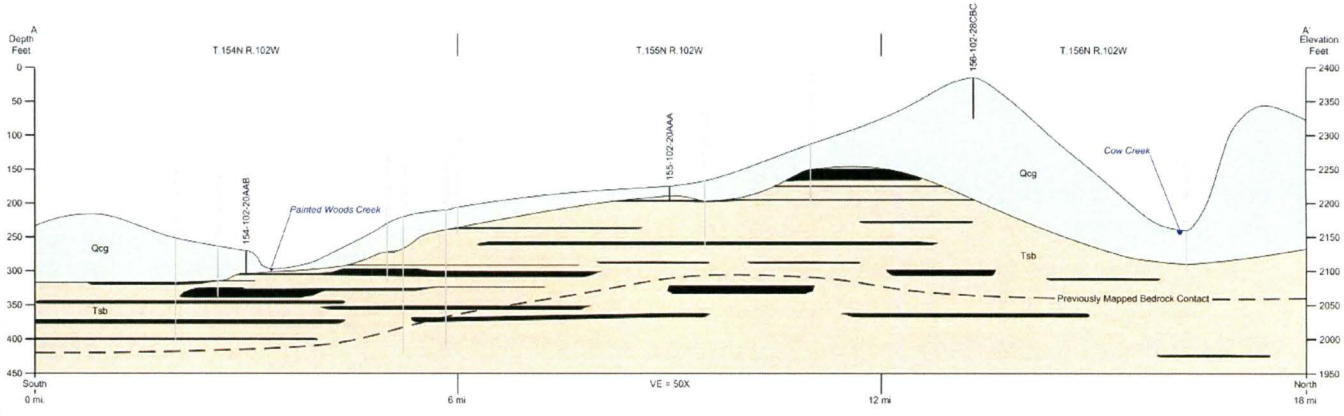
Migration to RBDMS.net $250,000 Implemented (Phase One Page 33)

SHALLOW DRILLING AND SAMPLING PROGRAM

Drilling Project (2015-2017)

As presented last legislative session, this program involves two separate projects – a drilling project and a coal sampling project. Seven test holes were cored last fall in the greater Williston area in Williams County. The holes ranged in depth from 16 - 60 feet. A total of 63 sediment samples were submitted to a North Dakota testing laboratory for a series of analyses to determine the engineering properties of the sediment. The results of this project will identify the engineering properties of rocks and sediments in this area and will guide site-specific geotechnical investigations that are undertaken for major building projects as well as infrastructure projects. Total project costs were $38,651.

GEOLOGIC CROSS SECTION ALONG WILLIAMS COUNTY ROAD 1

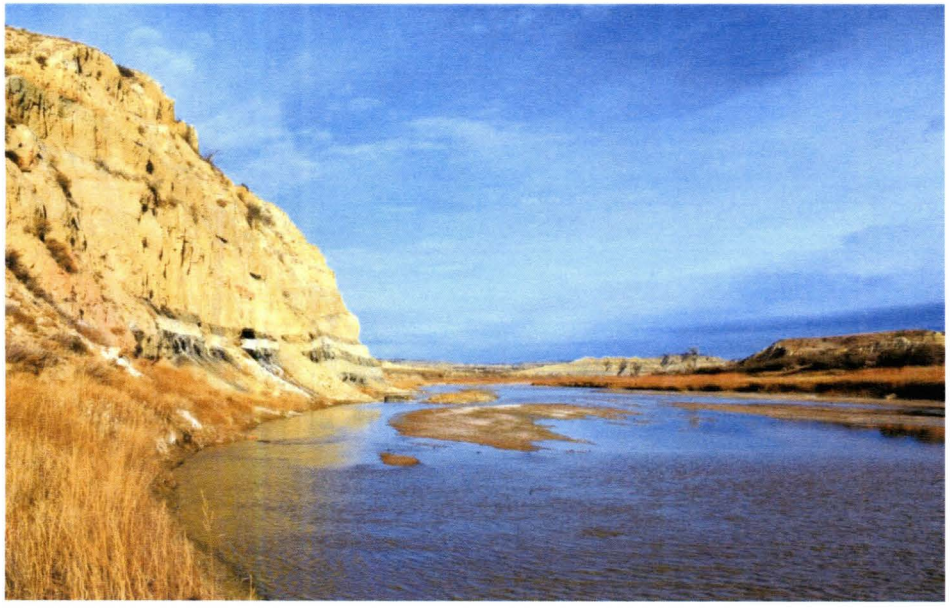


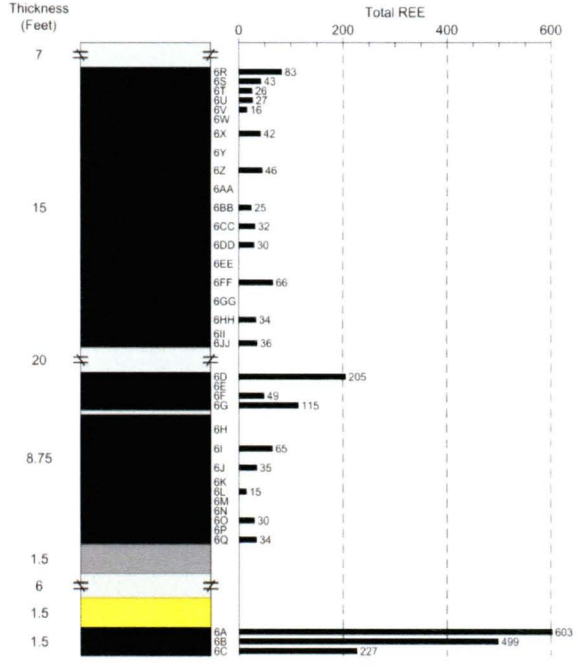
Left: One of the seven test holes being augured and cored for the Williston drilling project. Right: A generalized cross- section of the shallow geology in the greater Williston area from test holes drilled last fall. Glacial sediment is shown in green, the coal-bearing Fort Union rocks are shown in brown, and coal beds are black. The dotted line is where the till/bedrock contact was thought to be prior to our drilling project.

SHALLOW DRILLING AND SAMPLING PROGRAM

Rare Earth Sampling Project (2015-2017)

A total of 270 coal samples were collected from outcrops in Billings, Slope, Golden Valley, and McKenzie counties in western North Dakota, 170 have been submitted for analysis. We collected samples from 26 different locations involving 62 beds of coal. Many of the coals were sampled vertically every six inches to determine the variability of rare earth elements throughout a coal seam. We have the results for the first 100 samples. As we suspected from our work with uranium and other metals, the highest concentrations of rare earth elements tends to occur at the very top of the coal bed. Rare earth concentrations ranged from 15 – 603 parts per million with an average concentration of 90 parts per million. The results of the samples that are being analyzed now should enable us to identify the types of geologic settings most conducive to rare earth concentrations in western North Dakota. A total of $34,219 remains of the $86,349.

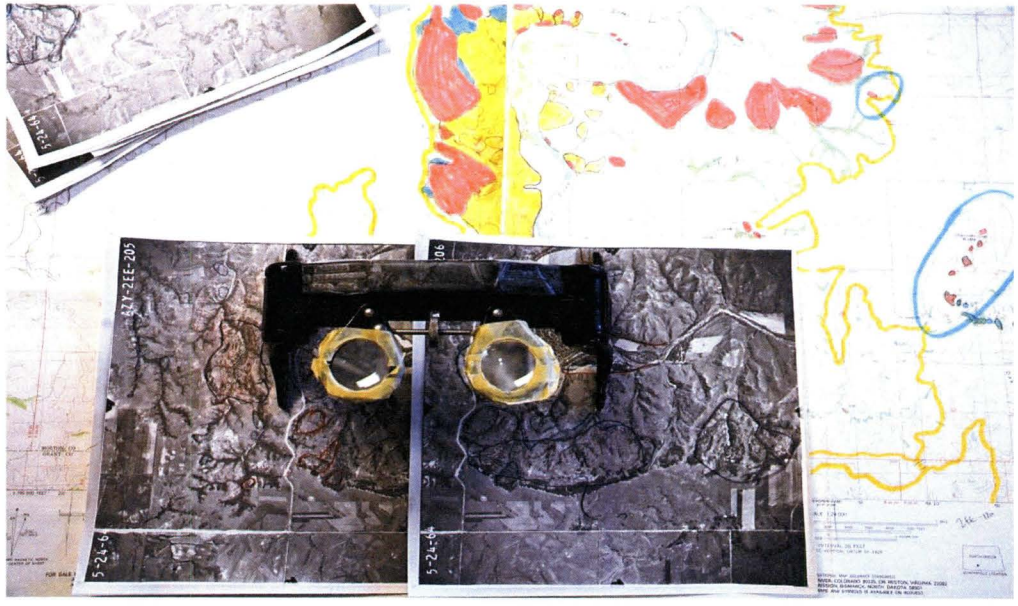




Left: Five coals outcrop along the Little Missouri River in Billings County. This is one of 26 sites where we collected coal samples for this project. Right: A profile of rare earth concentrations from three coals at a site in western North Dakota. The highest rare earth concentrations typically occurred at the top of these three coals with the highest value occurring at the top of the thin coal situated beneath sandstone.

AERIAL PHOTOGRAPHS (2015-2017)

The Geological Survey has 50,000 aerial photographs of North Dakota in our collection that were flown between 1957 and 1962. These U.S. Department of Agriculture photographs are in stereo pairs which enable us to view them in three dimensions. Last legislative session we received funding to fill in the missing gaps in this collection. So far, we have obtained 6,188 of the missing 6,543 photos and are in the process of ordering the remaining 455 photographs. This will give us full coverage of the state and will assist us in surface geologic mapping, identifying landslides and other surface features. The urgency for this purchase came about because the USDA told us three years ago that they would soon stop making paper copies of these aerial flights. A total of $6,100 remains of the $104,000.

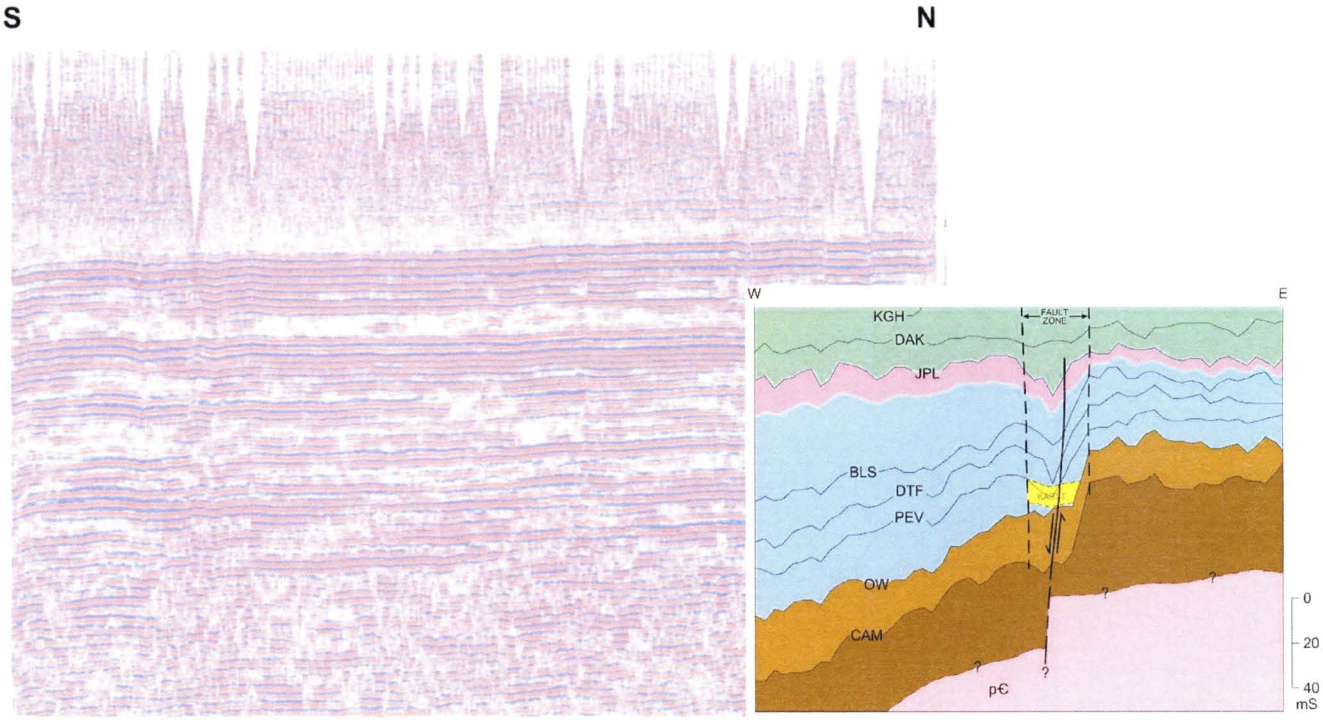


Left: Some of the boxes of paper aerial photographs in our collection. Right: A stereoscope is situated over two aligned, aerial photographs that are in stereo pairs. Landslides mapped on the stereo pairs in purple grease pencil have been transferred to the 24K quadrangle (landslides colored red, blue, and yellow).

DIGITAL CONVERSION OF 2D SEISMIC

(2015-2017)

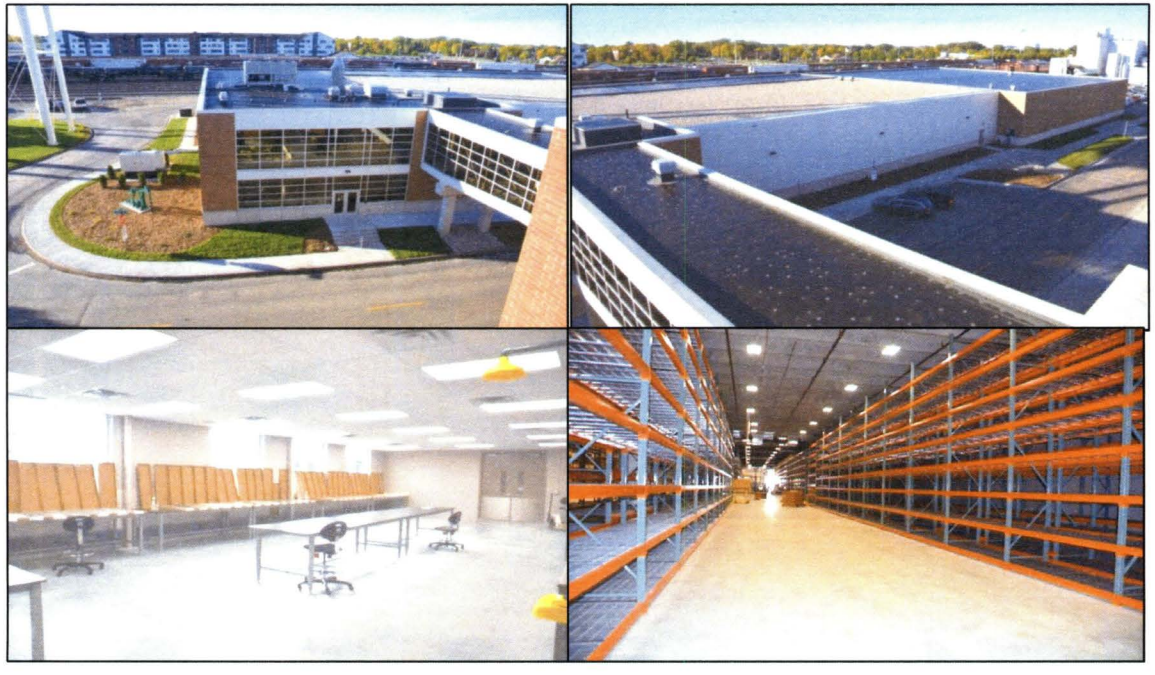
Twenty-five years ago Chevron Oil Company donated 409 seismic lines from western and northwestern North Dakota to the Geological Survey. This project was to convert these seismic traces that are on paper into a digital format so they can be interpreted. We left the funding for all of our one-time projects in tact during the first budget cut (-4.05%). However, with the second budget cut (-2.5%) we trimmed $75,000 from this project and decided to interpret the seismic data internally once the lines were digitized. We recently accepted a bid to have the lines in Divide and Williams counties digitized. The lines will be submitted in January 2017. We anticipate spending all of the $25,000.



Left: The traces of the seismic lines in Williams and Divide counties donated to the Geological Survey. Right: A digital conversion of one of the seismic lines (in blue on map). Inset map: A geophysical interpretation of one of our seismic lines in Mountrail County depicting fault lines and thinning and thickening of Cretaceous to Cambrian rocks (including the Three Forks Formation (DTF).

WILSON M. LAIRD CORE AND SAMPLE LIBRARY (2015-2017)

During the 2015 legislative session we received $13.6 million from the Strategic Investment and Improvements Fund (SIIF) to expand and remodel the Wilson M. Laird Core and Sample Library. Site work began on August 29, but work on the core library facility did not begin until October 6, 2015. We added 28,000 square feet of warehouse space onto the existing 13,000 square-foot warehouse. The 2,000-square-foot, single-story building containing our core laboratory and office space was demolished and replaced with a 12,000-square-foot, two-story structure that contains three core labs on the first floor, five smaller labs on the second floor (a core photo lab, student core lab, microscope lab, core gamma ray lab, and an analytical lab), office space, and a conference room. A skyway connects the core library to Leonard Hall (UND Geology Dept.) as well as the newly constructed Collaborative Energy Center. The core library dedication took place on September 26, 2016. There are still a few items to complete over the next four or five months including the possible addition of a ships ladder to the roof to allow UND facilities access to equipment and expansion of the keyless entry system. At this point, we are anticipating turning back more than $200,000 to the SIIF.



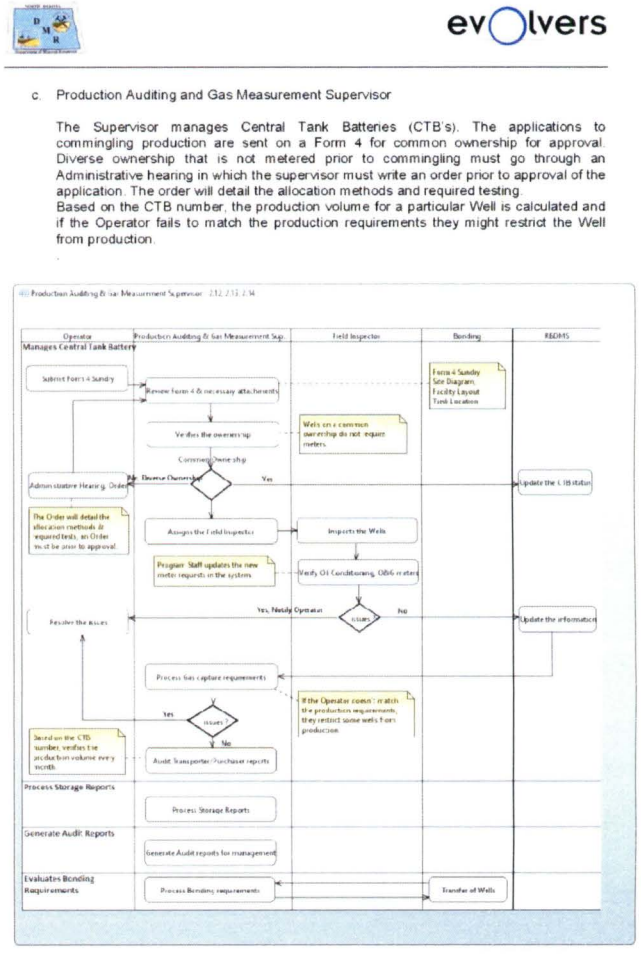
Upper left: Looking south from the roof of Leonard Hall to the northeast corner of the Wilson M. Laird Core and Sample Library. The skyway leading to Leonard Hall and the CEC is to the right. Upper right: Looking southwest from the roof of Leonard Hall across the skyway to the original core library warehouse (ballasted roof) and the expanded warehouse (nonballasted roof). Lower left: One of three new core laboratories on the first floor. Lower right: New shelving in the warehouse addition.

1/13/2017

WILSON M LAIRD CORE & SAMPLE LIBRARY	Budget Presented in HB1014 Testimony	Estimates with GMP	Spending To Date
McGOUGH (GMP)	$11,492,002	$11,332,017	**$11,332,017**
GMP AMENDMENTS (91 changes: shortened warehouse, temporary heat, VE items, etc)	$0	$10,610	**$10,610**
CONTRACT CHANGES (19 changes: sidewalk, parking, haul road, landscaping, security cameras)	$0	$241,850	**$241,850**
FURNITURE, FIXTURES, AND EQUIPMENT (Shelving)	$722,160	$340,088	**$340,088**
TOTAL PAID TO McGOUGH		**$11,924,565**	**$11,924,565**
FURNITURE, FIXTURES, AND EQUIPMENT (furniture, IT)	$425,498	$155,324	**$155,324**
BRAUN INTERTEC CORPORATION Geotech Investigation	$0	$16,677	**$16,677**
EAPC ARCHITECTS ENGINEERS	$753,741	$713,556	**$713,556**
UNIVERSITY OF NORTH DAKOTA Management Fee	$231,920	$301,252	**$301,252**
UNIVERSITY OF NORTH DAKOTA Direct Costs	$0	$60,000	$47,632
COMMISSIONING SOLUTIONS Testing of Mechanical System	$0	$55,080	$40,759
ADDITIONAL CONSTRUCTION *(Ships ladder, black light room, keyless doors)*	$0	$110,000	$0
TOTAL	$13,625,322	$13,336,454	$13,199,765
TOTAL BUDGET	$13,625,322	$13,625,322	$13,625,322
BALANCE			$425,557
ANTICIPATED TURNBACK TO OMB		$288,868	

Migration to RBDMS.net

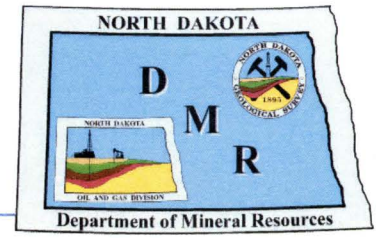
- Business Process Modelling and Analysis-Engagement with Evolvers Group from Austin, Texas. Concluded report on 12/30/16
- Resulting business requirements document will provide insight on necessary upgrades.
- Upgrade programming of RBDMS with either:
  - In-house IT staff
  - Independent Consultants
  - Multi-state Consortia engagement



c. Production Auditing and Gas Measurement Supervisor

The Supervisor manages Central Tank Batteries (CTB's). The applications to commingling production are sent on a Form 4 for common ownership for approval. Diverse ownership that is not metered prior to commingling must go through an Administrative hearing in which the supervisor must write an order prior to approval of the application. The order will detail the allocation methods and required testing.
Based on the CTB number, the production volume for a particular Well is calculated and if the Operator fails to match the production requirements they might restrict the Well from production.

2015-2019 Potential Changes in Federal Funding



Federal Funding Program	2015-2017 Anticipated Award	2015-2017 Anticipated Change	2017-2019 Anticipated Award
UIC Oil & Gas (EPA)	$210,000	$0	$210,000
PSC Coal (OSM-DOI)	$8,000	$0	$8,000
NCRDS-Coal (USGS-DOI)	$20,000	$0	$20,000
Other Sources (USGS-DOI)	$0	$0	$0

2017-2019 Budget Reductions to Meet 90% Budget

DMR Proposed Budget Reductions to Meet the 90% Budget Request

	2015-17 Approp.	Base Budget	10% Reductions	90% Budget
40510 Salaries & Wages	$21,632,727	$21,485,319	($1,585,149)	$19,900,170
40530 Operating Expense	$8,529,880	$5,314,717	($1,043,778)	$4,270,939
40550 Capital Assets	$13,666,822	$0	$0	$0
Total Expenditures	$43,829,429	$26,800,036	($2,628,927)	$24,171,109

Breakdown of 10% Reductions (items with adjustments greater than $5,000):

Salaries & Benefits:	($1,401,557) (11.5 positions)
Temp Salaries:	($183,592)
Travel:	($587,076)
IT Software Maintenance:	$44,645
Professional Supplies:	($30,043)
Other Operating:	($21,682)
Supplies:	($9,000)
IT Equipment:	($228,075)
Office/Other Equip:	($112,746)
Lease/Rent Bldg:	$55,695
IT Communications:	($57,939)
Professional Development:	($11,380)
Operating Fees:	($80,767)

2017-2019 Optional Requests for 90% Budget

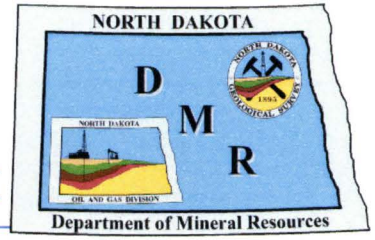
DMR Optional Budget Requests Submitted with 90% Budget:

Litigation costs	$1,000,000
Inflation/restoration	$321,375
1 FTE ET pipeline	$205,874
1 FTE engineering tech	$152,943
1 FTE ET measurement	$229,874
1 FTE engineering tech	$209,079
4 FTE contingent ET	$836,314
Advertising restoration	$52,000
1 FTE engineering tech	$153,013

Included in Executive Recommendation Budget:

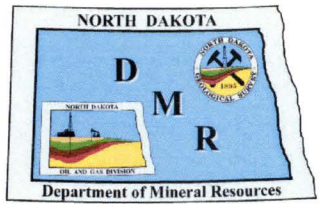
Litigation costs	$1,000,000

2015-17 Allotments vs. 2017-2019 Executive Budget



DMR Budget Comparison

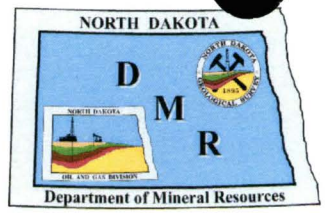
	SB2014 6.55% Allot.	SB2074 Exec. Rec. (pgs. 38-39)	Burgum Budget	DMR Essential Budget (pgs. 18-23)
40510 Salaries & Benefits	$20,849,385	$19,405,945	$18,458,310	$20,630,215
40530 Operating Expenses	4,346,295	3,595,939	3,529,239	4,865,052
Total Ongoing Expenses	$25,195,680	$23,001,884	$21,987,549	$25,495,267
Percent of Base Budget	*94%*	*87%*	*83%*	*96%*
40530 Litigation (special funds)	0	1,000,000	1,000,000	1,000,000
Less Estimated Income	(237,934)	(1,238,004)	(1,238,004)	(1,238,004)
Total General Fund	$24,957,746	$22,763,880	$21,749,545	$25,257,263
FTE	110	98.5 (92.5)	96.5 (90.5)	103.5



FY 2019
Permanent Field Staff Model

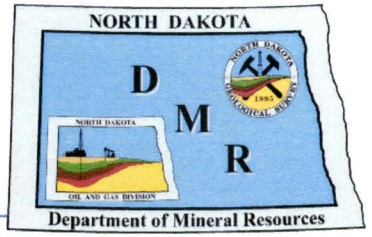
Current					Total	
21	Petroleum Engineer - Field Inspectors	9	Engineering Technician - Field Inspectors		30	
		1	Geophysical/coal exploration - Field Inspector		1	
		6	Engineering Technician - Pipeline Inspectors		5	-15% or -50%
0	Petroleum Engineer - Field Inspectors - vacant FTE	4	Engineering Technician - Field Inspector - vacant FTE		4	
Required						
	55 Drilling Rigs		16,602 Wells and Facilities			
7	Petroleum Engineer - Field Inspectors Needed	18	Engineering Technician - Field Inspectors Needed		25	
	45 hours per week		40 hours per week			
	5 hours office time		5 hours office time			
	20 hours Spills, Pluggings, other Engineering		5 hours Spills and Berms			
17,955	producing wells 0 visits per year	17,955	producing wells	6 visits per year		-50%
1,451	injection wells 0 visits per year	1,451	injection wells	12 visits per year		
	0 hours for well inspections		29 hours for well inspections			
	20 hours for rig inspection		0 hours for rig inspection			

	Rigs	Petroleum Engineer - Field Inspectors	6/30/2019 Wells	Engineering Technician - Field Inspectors	Total - Field Inspectors
Min	20	2	17,622	26	28
	30	4	18,132	27	31
FY17=40	40	5	18,642	27	32
FY18=50	50	6	19,152	28	34
FY19=55	55	7	19,406	29	36
	70	9	20,171	30	39
	80	10	20,681	30	40
	100	12	21,701	32	44
	120	15	22,721	33	48
	140	17	23,741	35	52
	160	20	24,760	36	56
	180	22	25,780	38	60
Max	200	25	26,800	39	64



Office Staff FY19 Model	Current FT	Temp		Metrics	Fiscal work load	Year FTE	2019 FT	Temp	Action
Pipeline	4.0		625	miles gathering pipeline construction / FTE	2,500	4.0	4.0		
Underground injection	1.0		1,500	UIC wells / FTE	1,538	1.0	1.0		
Treating Plants	1.0		10	permits / year / FTE	10	1.0	0.0		eliminate inspections
Well logs, cores, samples, cement tops, and directional survey	6.0		505	permits / year / FTE	3,050	6.0	5.0		backlog survey & log I&E
Oil and Gas permitting	5.0		615	permits new and renewed / year / FTE	3,050	5.0	5.0		
Information Technology	5.0	1.0	20	employees / FTE	120	6.0	5.0	1.0	
Accounting & payroll	3.0		40	employees / FTE	120	3.0	3.0		
Reclamation	2.0		9,200	wells / FTE	19,689	2.1	2.0		
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0		900	wells / FTE	2,744	3.0	3.0		
Production auditing	3.0		3,900	wells / FTE	19,689	5.0	4.0	1.0	
Oil and Gas measurement	3.0	0.5	5,550	wells / FTE	19,689	3.5	2.0	1.5	reduce I&E 33%
Hearing dockets and orders	3.0		500	cases / year / FTE	1,000	2.0	2.0		
Reception, filing, and misc temps	4.5		5,500	well files / FTE	19,689	3.6	3.5	0.4	add temp hrs
Human Resources	1.0		115	employees / FTE	120	1.0	1.0		
Safety-Facilities-Motorpool	1.0		115	employees / FTE	120	1.0	1.0		
Bonding	1.0		18,800	wells / FTE	19,689	1.0	1.0		
Geology surface	4.0		22	permits, publications, presentations / year/ FTE	90	4.0	4.0		
Geology subsurface	1.0		6	permits, publications, presentations / year/ FTE	6	1.0	1.0		
Geology petroleum	2.0		7	permits, publications, presentations / year/ FTE	15	2.0	1.0		reduce publications 50%
Geology inquiries, georeviews, and publications	5.5		14	permits, publications, presentations / year/ FTE	70	5.0	5.0		
Core Library	3.0	2.5	470	permits / year / FTE	3,050	6.5	3.0	3.5	
Paleontology	3.0	0.5	20	permits, publications, presentations / year/ FTE	70	3.5	3.0	0.5	
Executive	4.0		17	employees / FTE	64	3.7	4.0		
Total Office Staff	69.0	4.5				74.3	63.5	8.0	
Total DMR Staff	110.0						106.5		

2015-17 Allotments vs. 2017-2019 Executive Budget



DMR Budget Comparison

	SB2014 6.55% Allot.	SB2074 Exec. Rec. (pgs. 38-39)	Burgum Budget	**DMR Essential Budget (pgs. 18-23)**
40510 Salaries & Benefits	$20,849,385	$19,405,945	$18,458,310	**$20,630,215**
40530 Operating Expenses	4,346,295	3,595,939	3,529,239	**4,865,052**
Total Ongoing Expenses	$25,195,680	$23,001,884	$21,987,549	**$25,495,267**
Percent of Base Budget	*94%*	*87%*	*83%*	***96%***
40530 Litigation Operating	0	1,000,000	1,000,000	**1,000,000**
Less Estimated Income	(237,934)	(1,238,004)	(1,238,004)	**(1,238,004)**
Total General Fund	$24,957,746	$22,763,880	$21,749,545	**$25,257,263**
FTE	110	92.5	90.5	**103.5**

North Dakota
LEGENDARY

SB 2014/2074
1-19-17
#1

DEPARTMENT OF COMMERCE TESTIMONY ON SB 2014 & SB 2074
JANUARY 19, 2017, 1:30 P.M.
SENATE APPROPRIATIONS COMMITTEE
SENATOR RAY HOLMBERG, CHAIRMAN

ANDREA HOLL PFENNIG – PROGRAM ADMINISTRATOR, ND DEPARTMENT OF COMMERCE

Good afternoon, Mr. Chairman and members of the committee, my name is Andrea Pfennig and I am a program administrator for the Department of Commerce. I also serve as the Technical Advisor for the Renewable Energy Council.

The legislature enacted a permanent funding mechanism for the Renewable Energy Program in 2013 through the Resources Trust Fund. The Renewable Energy Program is designed to mirror the Oil and Gas Research program as well as the Lignite Research Program.

I am here today on behalf of the Renewable Energy Council to speak in favor of the continuing appropriation for the program and provide some brief examples of the types of projects that have been funded.

Projects funded through the program must demonstrate a clear roadmap to commercialization. The program also strives to demonstrate the benefits of collaboration between North Dakota universities and research with private entities.

Examples of projects funded in the current biennium include:

- A hands-on, interactive, ethanol-specific exhibit to be utilized as a pilot at the current facility beginning in 2016 and then permanently installed at the new Gateway to Science facility upon completion.
    - This project will help ensure the future of the ethanol industry workforce, as well as increase the long-term use of ethanol in North Dakota by educating students, parents and educators in the region on the benefits of ethanol to the economy, environment and energy independence.
- A demonstration project utilizing landfill gas by converting it to compressed natural gas (CNG) to be in the City of Fargo's fleet and commercial partners. The city will install a fast-fill CNG fueling system and storage system. It will be the only CNG fueling station in ND.

- At a total project cost of $1,000,000, the estimated average annual fuel savings of 24 trucks is $296,500. During the gradual conversion of trucks to CNG, the adjusted payback period is 14.15 years

- Further development of a solar powered Unmanned Aerial System (UAS), including fabrication of a solar UAS wing using high efficiency solar cells, integrating power management and solar solutions into commercial UAS airframes, flight testing, and establishing a manufacturing plan for extended endurance solar UAS.

    - Ultimately, this project could create manufacturing opportunities in North Dakota for a variety of products including solar arrays and UAS along with product development opportunities for ND companies.

- A feasibility study conducted by EERC for integrating carbon capture and storage (CCS) of CO_2 emissions from Red Trail Energy to reduce net CO_2 emissions associated with ethanol production.

    - This project could help ND ethanol plants capitalize on national low-carbon fuel markets. It would help provide economic stability and potential growth for the ethanol industry. It would also support North Dakota Class VI primacy efforts for geologic CO_2 storage.

This concludes my overview of the current biennium. I'd be happy to answer any questions at this time.

SB 2014-2074
1-19-17
#2

INDUSTRIAL COMMISSION OF NORTH DAKOTA

RENEWABLE ENERGY PROGRAM

Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Renewable Energy Program

North Dakota Century Code 54-63

History of the Renewable Energy Program

North Dakota's Renewable Energy Program was established by the Legislature in 2007 under the control of the North Dakota Industrial Commission. The law provides that the Industrial Commission shall consult with the Renewable Energy Council. The Program's responsibilities include providing financial assistance as appropriate to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal and renewable hydrogen through research, development, demonstration and commercialization. In addition the Program shall promote research and utilization of renewable energy co-product utilization for livestock feed, human food products and industrial use technologies. The Commission has adopted policies to implement this Program.

The Legislature further provided that the Commission shall contract with the Department of Commerce to provide technical assistance to the Renewable Energy Council and the Industrial Commission to carry out the law, including pursuit of aid, grants or contributions of money and other things of value from any source for any purpose consistent with the law.

The 2013 Legislature approved a continuing source of funding for the program—5% of the monies credited to the Resources Trust Fund with a $3,000,000 cap.

Mission Statement

The Mission of the Renewable Energy Program is to promote the growth of North Dakota's renewable energy industries through research, development, marketing and education.

Grant Round Timelines

By policy grant round application deadline dates are currently established to be February 1, and August 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission of North Dakota.

Grant Round Process & Procedures

A group of Technical Reviewers are identified by the Department of Commerce staff to analyze and critique the applications. Based on the analysis of the Technical Reviewers the Dept. of Commerce staff makes a recommendation to the Renewable Energy Council. The Council then makes a recommendation to the Industrial Commission. If the Commission approves funding the Industrial Commission Executive Director negotiates a contract and payments are made based upon work completed.

Grants may not exceed the legislative appropriation. By policy all projects must generate matching funds from industry or other sources (e.g., various federal government agencies, non-profit organizations) of cash or in-kind services (contributed equipment, materials or services). In-kind

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services may not exceed fifty percent of the total Commission funding amount. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. The Commission has established that the maximum amount of any one grant is $500,000. The Commission may award multi-grants for different phases of a project, provided appropriate benchmarks are in place and earlier phases have been deemed successful by the Council and the Commission.

Funded Projects

The Commission has approved the funding of 40 projects including 1 project that was funded from the Biomass Incentive Research Fund. Currently there are 2 applications for Grant Round 31 that are in the review process. The total amount of Renewable Energy Program funding committed to the 40 approved projects as of December 31, 2016 is $11,713,795. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over $34.6 million. Some of the ongoing projects are:

- Commercial Application of Soybean Stalk as a New Alternative Fiber
- Distributed Geothermal Power
- Solar Soaring Power Manager Phase III
- Gateway to Science Ethanol Exhibit
- Pilot Scale Facility for Biocomposites Development for Industrial and Consumer Products
- Integrated Carbon Capture and Storage for North Dakota Ethanol Production
- Landfill Gas to Compressed Natural Gas Fast-Fill Fueling Station

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Commerce Commissioner - by law the Commissioner serves as Chairman
Kyle Bahls, ADM – represents biodiesel industry
Al Christianson, Great River Energy – represents biomass industry
Terry Goerger – represents the agriculture industry
Rod Holth, Green Vision – represents advanced biofuels and sugar-based biofuel
Mark Nisbet, Excel Energy – represents wind industry
Randy Schneider – represents ethanol industry

ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND

N.D.C.C. 54-63-04

Continuing Appropriation

	2015-2017 Biennium		2017-2019 Biennium	
Beginning Balance		$3,496,859[1]		$3,122,859
Add estimated revenues[2]				
Resources Trust Fund	$3,000,000		$3,000,000	
Interest Income (estimated)	$ 5,000		$ 4,000	
Applicant contribution (estimated)	$ 1,000		$ 1,000	
Total Available		$6,502,859		$6,127,859
Less estimated project expenditures and commitments				
Project Expenditures & Commitments[3]	$3,250,000		$4,865,000	
Administrative Costs	$ 130,000		$ 135,000	
Total estimated expenditures		$3,380,000		$5,000,000
Estimated ending balance		$3,122,859		$1,127,859

(1) The Renewable Energy Program/Fund was authorized in 2007 and received $3,000,000 General Fund appropriations in each of the 2007-2009, 2009-2011 biennia & $1,500,000 in the 2011-2013 biennium. In addition some special funds were transferred from the Biomass Incentive Fund prior to 2013. In the 2013-2015 biennium a continuing appropriation was established with 5% of the Resources Trust Fund not to exceed $3,000,000 per biennium so $3,000,000 was received during the 2013-2015 and 2015-2017 biennia.

(2) Revenues under the 2015-2017 biennium reflect the continuing appropriation of $3,000,000. Other estimated revenues include actual interest income of $3,744 and application contribution income of $800 through November, 2016 with estimated revenues for the remainder of the biennium.

(3) Actual project expenditures for the 2015-2017 biennium through November, 2016 totaled $690,696. There are outstanding commitments of $2,120,527 for 10 projects with 2 project applications in the review process that total $950,000 and one additional grant round scheduled for February 1, 2017. Actual administrative and technical costs through November, 2016 total $72,413.28 with an estimate for the remainder of the biennium.

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NDEPA
NORTH DAKOTA ETHANOL PRODUCERS ASSOCIATION

SB 2014/2074
1-19-17
#3

Testimony of Deana Wiese
Executive Director

In Support of SB 2014
January 19, 2017

Chairman Holmberg and members of the committee:

My name is Deana Wiese, and I am the executive director of the North Dakota Ethanol Producers Association (NDEPA), which represents North Dakota's five ethanol plants and industry stakeholders. I am here today to voice support for SB 2014, specifically the North Dakota Renewable Energy Program.

North Dakota's ethanol industry contributes nearly $625 million annually to the state's economy and provides more than 1,100 direct and indirect jobs. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity has increased more than tenfold from 35 million gallons per year in 2005 to more than 450 million gallons per year currently.

The North Dakota ethanol industry greatly appreciates your support of the North Dakota Renewable Energy Council, whose mission is to promote the growth of North Dakota's renewable energy industries through research, development, marketing, and education, similar to the research councils of other energy-related industries. The projects funded through the Council have enabled commercial application of new or emerging technologies that are bringing revenue to the state and value-added markets to the agriculture industry.

Currently, the North Dakota ethanol industry produces 18 pounds of CO_2 for every bushel of corn processed. Industry recognizes an opportunity to find ways to capture that CO_2 and use it to generate additional revenue. The Renewable Energy Council, along with private industry dollars, is essential in helping our industry to commercialize emerging CO_2 capture technologies. These projects help generate additional revenue and additional tax dollars for the state of North Dakota. The 50 percent private industry match requirement ensures only relevant projects driven by the private sector are funded.

1

1605 E. Capitol Avenue
PO Box 1091 • Bismarck, ND 58502
701.355.4458 • 701.223.4645 (fax)

One example is a Carbon Capture and Storage project currently being funded by the Council. It has the promise of bringing significant impact to North Dakota and extending value to numerous industries. Red Trail Energy in Richardton, which is working in coordination with the Energy and Environmental Research Council (EERC) in Grand Forks on the project, estimates the economic impact of this project to be more than $11 million per year. It also is a tool to bring primacy back to North Dakota for class six wells. In addition, the project has generated national attention and sets the stage for a full-size commercial carbon capture and storage project for in North Dakota while providing a foot print for other North Dakota industries.

We thank you for your support of the state's ethanol industry in the past and urge your favorable consideration of SB 2014, specifically in regard to the continued funding for the North Dakota Renewable Energy Program.

SB2014 - SB 2074
1-19-17
#4

INDUSTRIAL COMMISSION OF NORTH DAKOTA

OIL AND GAS RESEARCH COUNCIL

Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Brent Brannan, Director
E-Mail: brentbrannan@gmail.com

Oil and Gas Research Program
North Dakota Century Code 54-17.6

History of the Oil and Gas Research Program

North Dakota's Oil and Gas Research Program ("Program"), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the State oil and gas exploration and production industry, to promote efficient, economic and environmentally sound exploration and production methods and technologies, to preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources, to develop the State's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is funded from two percent of the State's share of the oil and gas gross production tax and oil extraction tax revenues, **up to $10 million**, each biennium.

Mission Statement

The Mission of the Oil and Gas Research Council/Program is to promote the growth of the oil and gas industry through research and education.

General Criteria

Priority areas of the Program that promote the growth of the oil and gas industry through research and education in no particular order include, but are not limited to, the following:

- Generate information and knowledge that will have the highest probability of bringing new oil and gas companies and industry investment to North Dakota.
- Have the highest potential for preserving and creating oil and gas jobs, wealth, and tax revenues for North Dakota.
- Most effectively educate the general public about the benefits and opportunities provided by the North Dakota oil and gas industry.
- Positively affect ultimate recovery from North Dakota's existing oil and gas pools.
- Preserve existing production levels.
- Identify oil and gas exploration and production technologies presently not used in North Dakota.
- Identify oil and gas potential in non-producing counties.
- Maximize the market potential for oil, natural gas, and the associated byproducts.
- Improve the overall suitability of the oil and gas industry in North Dakota through the development of new environmental practices that will help to reduce the footprint of oil and gas activities.
- Develop baseline information that will lead to other projects, processes, ideas, and activities.

Grant Round Timelines

Grant round deadline dates are June 1 and November 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission ("Commission").

Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 82 projects totaling $35,799,949. The dollars invested by the State in these projects is also matched so that every dollar provided by the Program is leveraged. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. As with the

Ryan Kopseng, Chairman | Ron Day | Steve McNally | Steve Holan | Daryl Dukart
Ron Ness | Jeff Kummer | Lynn Helms | Ed Murphy

Oil and Gas Research Council (OGRC)
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: kfine@nd.gov PHONE: 701-328-3722 FAX: 701-328-2820
"Your Gateway to North Dakota": www.nd.gov

other Commission administered research programs the Commission believes having a partner in the project leads to projects being conducted that have a value to the industry and State and is not just research for research sake. The Program during the 2015-2017 biennium has been set up to direct 73.25% of its funds for research and 15% for education with the remaining funds used for the Pipeline Authority (7.5%) and for administration (4.25%).

Projects of Interest

Program to Determine the Uniqueness of Three Forks Bench Reserves, Determine Optimal Well Density in the Bakken Pool, and Optimize Bakken Production (BPOP) - Energy & Environmental Research Center and Continental Resources

The project goals for this project were to maximize oil production from Bakken and Three Forks wells by employing an "all of the above" approach. This was done by 1) performing reservoir characterization to determine whether the oil of the 2nd and 3rd benches in the Three Forks Formation should be considered separate and unique from those of the 1st bench; 2) improving drilling/stimulation/completion/ production techniques and sequences; 3) determining optimal well spacing for development.

A second goal was to optimize wellsite surface operations by 1) reducing operating costs; 2) reducing developments and operations impacts to surrounding landowners and 3) reducing demands on surrounding infrastructure and water resources.

There was success in all these areas--on the economic side--increased well productivity and economic output; reduced demand for infrastructure construction and maintenance and significant increases to estimates of recoverable hydrocarbons; on the environmental side -- decreased environmental impacts of wellsite operations; reduced land use impacts; reduced gas flaring; evaluation of technologies to recycle wastewater and decrease freshwater demand, improved TENORM (technologically enhanced naturally occurring radioactive material) waste disposal operations, greatly increased understanding of the Bakken-Three Forks reservoirs and public education and outreach. The investment made in this EERC project has yielded tangible, financial returns to the State of North Dakota in many ways. A specific example of these returns is found in BPOP's coordination of a modeling activity that resulted, after public hearing, in a change in in the setback requirements established for Bakken spacing or drilling units. The change will balance the need to extract maximum resources from each unit with the need to maintain correlative rights. The anticipated increase in tax revenues from this change is estimated to be approximately **$1.27 billion**.

Refrac Pilot - Whiting Petroleum Corporation (Whiting)

This project is looking at the potential for refracing older wells in the Williston Basin to enhance their production and reserve recovery. Whiting is undertaking a 10-well project, and with the Oil and Gas Research Program participation, will provide regular reports on the lessons they are learning as they implement their refrac program. This information will be beneficial for not only Whiting but other operators as those lessons learned are shared on the Oil and Gas Research Program's website and at public conferences.

New Technologies for Safe and Cost Effective Oil Conditioning in North Dakota - Statoil

The objective of this project is to explore cost effective robust technology solutions to improve safe operations, manage operational costs, and continue compliance with the Industrial Commission's crude oil conditioning order. This project includes a feasibility study to be followed by field testing and implementation. The expected result of the project is improved reliability and safety associated with oil conditioning operations, and specifically focused on the marketability, cost competiveness, and ultimate revenues achieved from the production of Bakken crude oil in North Dakota.

Improved Characterization and Modeling of Tight Oil Formations for CO_2 Enhanced Oil Recovery Potential and Storage Capacity Estimation - Energy and Environmental Research Center (EERC)

This project is using new reservoir characterization and laboratory analytical data and state-of-the-art modeling to determine the viability of using carbon dioxide for enhanced oil recovery (EOR) in the Bakken. The EERC, through this project, is working to better understand CO_2 EOR potential in the Bakken by identifying various physical and chemical factors that affect CO_2 permeation into, and oil extraction out of, the matrix. This work is also necessary to better understand CO_2 sweep efficiency, oil mobility, and transport through both the fracture networks and the rock matrix. The EERC is addressing these needs by using samples collected from the tight, fractured reservoir and oil-wet, organic-rich shales within the Bakken system.

Collection and Development of Actionable Reclamation Data Using Aerial Remote Sensing - Hell Creek Environmental

This project is conducting proof of concept research and development into the use of remote sensing technology, via manned aircraft, to assess and validate the quality of land reclamation at plugged or otherwise closed oil and gas well sites subject to the North Dakota Industrial Commission well closure requirements. The project objective is to deliver imagery which verifies that the current state of the art in aerial remote sensing can effectively and efficiently assess the eligibility of well sites for their satisfaction with the Commission and other agency requirements for post-closure reclamation. This initiative involves research and development of a remote sensing capability, and the development of a GIS platform, enabling managers to easily view different data sets covering specific locations. The selection of sensors, and associated data sets, were selected based on efficiency and effectiveness metrics developed from commercial research that has been done in the agriculture sector.

ThermoFlo, a novel technology for complete on-site remediation of organically contaminated solids - Drake Water Technologies

The objective of this project is to construct a mobile ThermoFlo pilot unit for deployment to a site in North Dakota for demonstration of onsite cleanup of contaminated soils and solids, i.e. special waste. This means that clean solids may be left on-site and quench water may be re-used in the makeup of drilling mud, eliminating the necessity for specialty packaging of waste materials, the use of flyash for stabilization, truck transport of the waste, and waste deposition in secure landfills. This project includes the construction, shakedown testing, deployment, and demonstration of a mobile 4 to 6 t/hr ThermoFlo pilot unit to treat hydrocarbon contaminated solids at an approved drilling site in North Dakota.

Oil and Gas Research Council Members

The Oil and Gas Research Council is a volunteer, citizen, industry, and government group appointed by the Governor which provides advice to the Commission on policies and recommends research for funding under the Program.

Ron Day (North Dakota Petroleum Council)
Daryl Dukart (county commissioner from an oil-producing county)
Steve Holan (representing oil and gas producing counties)
Ryan Kopseng (North Dakota Petroleum Council)
Jeff Kummer (North Dakota Petroleum Council)
Steve McNally (North Dakota Petroleum Council) (recently resigned)
Ron Ness (President, North Dakota Petroleum Council)
Lynn Helms (ND Oil and Gas Division Director - non-voting member)
Ed Murphy (State Geologist - non-voting member)

Technical Advisors
Kent Ellis (Education expertise)
Monte Besler (Petroleum Engineering expertise)
Rory Nelson (Operation Engineering expertise)

The Commission Administrative Office provides the administrative support for the Program and maintains the financial records of the Program. Brent Brannan has been retained on a part-time basis to serve as the Program Director.

ANALYSIS OF THE OIL A[redacted]S RESEARCH FUND
N.D.C.C. 57-51.1
Continuing Appropriation

	2015-2017 Biennium		2017-2019 Biennium	
Beginning Balance		$4,419,836[1]		$3,931,836
Add transfers and estimated revenues[2]				
Transfer by State Treasurer from oil and gas taxes	$10,000,000		$10,000,000	
Transfer from the Abandoned Oil & Gas Reclamation Fund	$ 2,000,000		$ 0	
Estimated applicant contributions	$ 2,100		$ 3,000	
Estimated Interest Income	$ 9,900		$ 7,000	
Total Available		$16,431,836		$13,941,836
Less estimated expenditures and commitments[3]				
Estimated Project Expenditures & Commitments	$ 9,924,600		$ 12,280,100	
Estimated Project Expenditures on Legislative studies	$ 2,000,000		$ 0	
Administrative and Technical Services Costs	$ 375,000		$ 400,000	
Transfer to the North Dakota Pipeline Authority	$ 200,400		$ 319,900[5]	
Total estimated expenditures		$12,500,000		$13,000,000
Estimated ending balance		$ 3,931,836[4]		$ 941,836

(1) The Oil and Gas Research Program/Fund was authorized by the 2003 Legislature. During the 2003-2005 biennium $50,000 was made available for the Program. That amount was increased in the 2005 Legislature to $1,300,000 and then it was again increased in 2007 to $3,000,000 and in 2009 it was increased to $4,000,000. In 2013 it was increased to $10,000,000 where it has remained for the 2013-2015 and 2015-2017 biennia. The source of funding for the Oil and Gas Research Fund is two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues.

(2) Revenues under the 2015-2017 biennium reflect the transfer of $10,000,000 from the State Treasurer. Estimated interest income includes actual interest income of $6,621 through November, 2016 and an estimate of the interest income through June 30, 2017. Estimated applicant contributions reflect actual applicant contributions of $1,700 through November, 2016 with an estimate for the remainder of the biennium. Also included under revenues is $2,000,000 that was transferred from the Abandoned Oil and Gas Reclamation Fund for legislative studies.

(3) Since 2003 through 2016 the Commission has committed funding for 82 projects totaling $35,799,949 of OGRP funding. This is exclusive of the two projects directed by the Legislature. Total project costs are $383,185,152. This includes 12 projects approved so far during the 2015-2017 biennium with funding to be provided during the 2015-2017 and subsequent biennia. Actual project payments during the 2015-2017 biennium through November, 2016 total $5,406,188 with an estimate for the remainder of the biennium. Actual administrative and technical services costs through November, 2016 total $136,764 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium. Included in these expenditures is the final payment for the study on workforce that was directed by the 2013 Legislature.

(4) This funding is needed for payments of approved projects that will be completed in subsequent biennia. Outstanding commitments as of January, 2017 are approximately $13.5 million.

(5) This amount is determined by the Industrial Commission based on a recommendation from the Oil and Gas Research Council. It is estimated that approximately $319,900 will be needed during the next biennium for the Pipeline Authority.

SB 2014-2074 1-19-17 #5

NORTH DAKOTA Outdoor HERITAGE FUND

Prepared by IC Staff 1-18-17

Background - The Outdoor Heritage Fund (OHF) was created by the Legislature in 2013. The OHF, currently capped at $40 million per biennium, is governed by the Industrial Commission consisting of Governor Doug Burgum, Chairman, Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring. A 16-member advisory board (12 voting members) reviews applications from eligible organizations: nonprofits, state agencies, political subdivisions, and tribes; and makes grant funding recommendations to the Commission.

Governor Jack Dalrymple's Executive Budget proposes a decrease in the funding level to $10 million per biennium.

Directive A - Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

Directive B - Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems and to support other practices of stewardship to enhance farming and ranching;

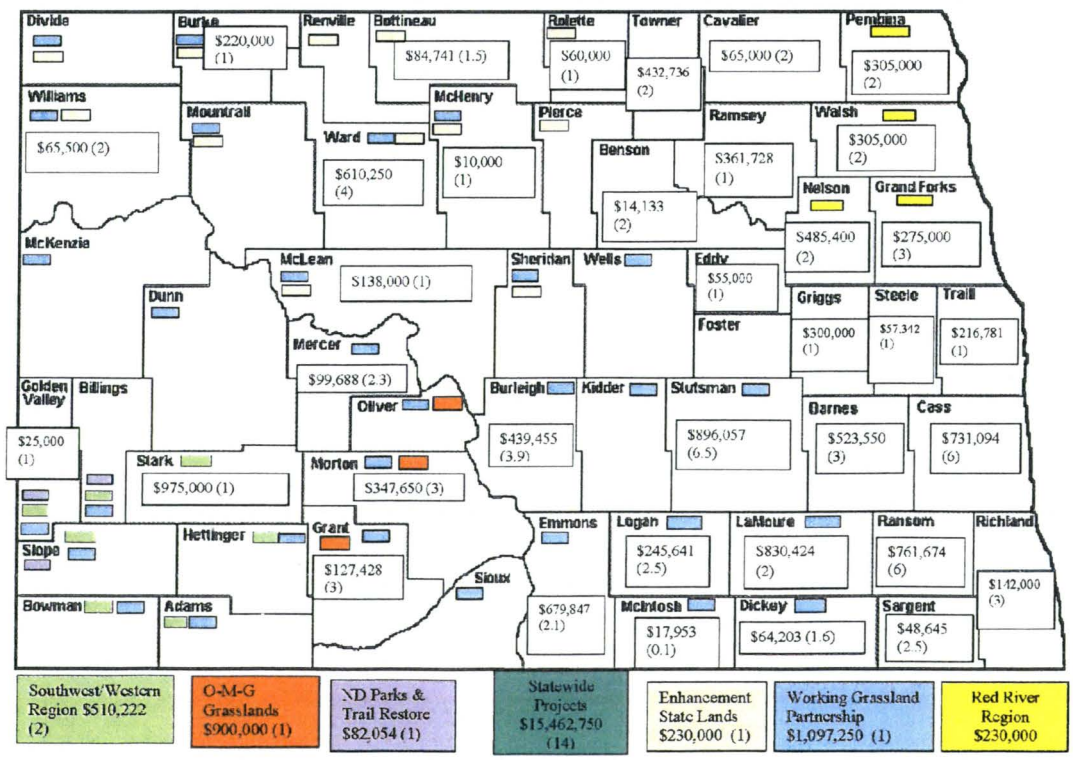
Directive C - Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and

Directive D - Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Funding Guidelines

A 25% match from the applicant is required. Except for extenuating circumstances the Commission cannot consider funding for projects already completed; feasibility or research studies; maintenance costs; paving projects for roads and parking lots; swimming pools or aquatic parks, and personal property that is not affixed to the land. Funding for playground equipment is limited to 25% of the cost of the equipment up to $10,000 per project. Funding for staffing or outside consultants for the design and implementation of the project (based on documented need) may not exceed 5% of the grant if the grant exceeds $250,000 and may not exceed 10% if the grant is $250,000 or less.

Approved Projects Grant Rounds 1 – 8 for a total of $29,529,196



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Directive	Title	Total Project Cost	IC Approved Funding
A	Big Coulee Dam Repair	$1,751,616	$426,148
A	Blacktail Dam Association	$105,100	$35,000
A	Cattail Bay Boat Ramp Project	$45,000	$33,750
A	Devils Lake Access Improvement for Handicapped, Elderly & Mobility Impaired	$610,756	$361,728
A	Downtown River Access for Grand Forks Greenway	$169,073	$100,000
A	Fingal Wildlife Club Dam Restoration	$52,600	$35,500
A	Fox Island Boat Ramp Bank Stabilization	$299,122	$215,374
A	Handicap Accessible Fishing Pier at Sheep Creek Dam	$28,632	$20,902
A	Mapping of Tribal Land for Sportsmen	$8,568	$8,568
A	Mt. Carmel Dam Recreational Area	$171,201	$20,000
A	ND Game & Fish Department Outdoor Heritage Habitat Initiative	$2,733,000	$1,900,000
A	North Dakota Pheasant Habitat Initiative	$38,000,000	$3,000,000
A	Pheasant Lake Fishing Access/Shoreline Restoration Project	$42,500	$21,250
A	Prairie Project	$842,300	$300,000
A	Ryder's Point Recreation Area	$127,987	$30,500
A	TMBCI Sky Chief Park Fishing Pier Project	$70,000	$60,000
A	Western ND Habitat Enhancement Projects	$719,900	$480,900
	Directive A Totals	**$45,777,355**	**$7,049,620**
B	Alkali Lake Habitat Enhancement	$425,316	$135,169
B	Antelope Creek Wild Rice Corridor Watershed Restoration Project	$977,000	$105,000
B	Bald Hill Creek Watershed Project	$880,665	$300,000
B	Beginning Farmer Enhancement	$257,441	$132,884
B	Cass County Cover Crop Project	$100,000	$60,000
B	Emmons County Grassland & Cropland Conservation Effort	$1,080,000	$630,000
B	Enhanced Grazing Lands & Wildlife Habitat (Phase 1)	$3,665,820	$828,000
B	Grasslands Enhancement Pilot Project	$438,681	$230,000
B	Homme Dam Watershed 319 Project	$550,200	$65,000
B	Logan County Natural Resource Program	$700,000	$210,000
B	Marcus Friskop Learning Center (Phase 2)	$104,172	$7,000
B	ND Statewide Conservation Tree Planting Initiative	$4,875,033	$1,878,000
B	North Dakota Pollinator Partnership	$292,879	$173,750
B	North Dakota Statewide Conservation Tree Planting Initiative	$4,133,704	$2,050,000
B	North Dakota Statewide Windbreak Renovation Initiative	$3,600,000	$1,800,000
B	O-M-G Grassland Improvement Project	$1,500,000	$900,000
B	Ransom County Water Quality Improvement Project	$1,600,000	$115,000
B	Red River Riparian Project	$568,394	$230,000
B	Riparian Grazing Systems Project	$422,500	$253,500
B	Sheyenne River Sedimentation Reduction Project	$957,000	$126,000
B	Sheyenne River Sedimentation Reduction Project Phase II	$1,163,000	$200,000
B	Stutsman County Manure Management Project	$2,900,000	$300,000
B	The Bee Integrated Demonstration Project	$527,076	$94,768
B	The Marcus Friskop Nature Center	$378,960	$30,000
B	Turtle Creek Watershed Project Water & Habitat Initiative	$1,263,072	$138,000
B	Wild Rice River Restoration & Riparian Project Phase II	$33,125	$9,937
B	Working Grassland Partnership	$1,467,250	$1,097,250
	Directive B Totals	**$34,861,288**	**$12,099,258**
C	Aquatic Habitat Infrastructure Enhancement	$934,218	$322,000
C	Artificial Nesting Habitat Improvement	$5,565	$5,565
C	Barnes Lake Preservation Project	$103,320	$69,320
C	Bismarck PF Habitat Enhancement	$100,000	$60,000
C	Brown Ranch Habitat Enhancement through Prescribed Grazing	$24,255	$16,000
C	Conservation of Grasslands and Long-billed Curlews on Private Lands in SW ND	$213,930	$29,322
C	Grassland Restoration & Retention Program	$1,938,500	$250,000
C	Lake Tschida's Wildlife Conservation Planting, Recreation Project Walking Trail, Bird Observatory and Playground Rest Area	$92,969	$66,152
C	LaMoure County Dam Reparation Project	$180,000	$135,000
C	LSC 20,000 Trees by 2020	$181,000	$50,000
C	Natural Resource Stewardship in North Dakota's Parks, Preserves & Natural Areas	$645,987	$129,000
C	ND Hen House Project I	$65,030	$34,000
C	ND Hen House Project II	$60,900	$26,300
C	North Dakota Waterbank Program	$1,600,000	$1,200,000
C	North Dakota Youth Pollinator Habitat Program	$36,225	$20,000
C	Powers Lake Watershed Project-Lake Improvement Phase	$571,500	$220,000
C	Sheyenne River Bank Stability Restoration Project Phase I	$1,245,917	$197,550
C	South Golden Lake Inlet Beautification Project	$74,342	$57,342
C	The Fargo Project: World Garden Commons	$930,000	$350,000
C	Urban Woods and Prairies Initiative	$148,789	$82,218
C	Warwick Dam - Modification & Rehabilitation (Water Commission Project # 0240)	$272,152	$55,000
C	Water Storage Piggyback	$400,000	$300,000
C	Working Wetlands in North Dakota	$4,950,000	$1,750,000
	Directive C Totals	**$14,774,599**	**$5,424,769**
D	Almont Park & Playground Equipment Upgrade	$40,572	$10,000
D	Beach City Park Northside Playground	$60,000	$25,000
D	Beulah Bay Campground Expansion & Conservation Project	$74,212	$42,120
D	Bottineau Winter Park Infrastructure & Program Improvements	$215,788	$70,000
D	Centennial Park Woodland Trail and Souris River Recreational Access Plan	$634,000	$305,000
D	City of Munich Playground Equipment Fund	$109,329	$45,000
D	City Park Playground Equipment Upgrade	$86,135	$10,000
D	Community Outdoor Fitness Park	$466,492	$45,000
D	Crooked Crane Trail Exercise & Fitness Loop	$1,300,000	$975,000
D	Dead Colt Creek Recreational Playground Project	$60,232	$45,174
D	Downtown River Access for Grand Forks Greenway	$100,000	$75,000
D	Drayton Campground	$463,378	$305,000
D	Egeland RV Park & Campground	$8,784	$6,588
D	Graner Park Bank Stabilization	$250,200	$187,650
D	Harmon Lake Campground Expansion	$200,000	$150,000
D	LaMoure County Memorial Park Streambank Restoration Project	$971,946	$695,424
D	Madison Nature & Conservation Classroom, Preparing Today the Landowners	$290,833	$60,000
D	Norsemen Outdoor Education Center	$303,281	$216,781
D	North Dakota 4-H Camp	$23,673	$18,768
D	Northern Cass Pass	$185,171	$138,876
D	Park River Parks & Recreation - Phase 1 Campground	$1,460,027	$240,000
D	Play land Dream	$32,000	$10,000
D	Public Use Fishing Docks at Lake Metigoshe and Beaver Lake State Parks	$53,842	$40,382
D	Ryan Lake Fishing and Recreation Development Project	$290,005	$100,000
D	Sandhills Archery Club Landscaping	$82,550	$40,000
D	Sargent County Silver Lake Park "Playplaces & Gathering Spaces" Renovations Project	$54,850	$13,708
D	Saving Minot Retriever Club Grounds for Future Generations	$195,000	$144,000
D	Stump Lake Park Bank Restoration	$630,550	$472,912
D	Tolna Bay Boat Ramp & Recreation Area	$24,975	$12,488
D	Trail Restoration & Improvement Program	$242,629	$112,000
D	Trail Restoration & Improvement Program Part 2	$441,870	$82,054
D	Trailhead / Neighborhood Park	$627,920	$105,000
D	Tree Planting & Accessibility Improvement at Sheep Creek Dam & Raleigh Dam	$62,508	$40,374
D	Woodland Trail Phase 2	$305,000	$116,250
	Directive D Totals	**$10,347,752**	**$4,955,549**
	Grand Total	**$105,760,994**	**$29,529,196**

ANALYSIS OF THE NORTH DAKOTA OUTDOOR HERITAGE FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		$16,173,872[1]		$0
Add estimated revenues				
Oil and gas gross production tax collections	$19,886,685[2]		$10,000,000[4]	
Interest income	17,608		8,800	
Total estimated revenues		$19,904,293		10,008,800
Total available		$36,078,165		$10,008,800
Less estimated expenditures and transfers				
Grants	$14,536,882[3]		$9,858,800[5]	
Grants awarded in the 2013-15 biennium, but paid in a subsequent biennium[1]	21,391,283			
Administrative expenses	150,000		150,000	
Total estimated expenditures and transfers		36,078,165		10,008,800
Estimated ending balance		$0		$0

[1]The 2015-17 biennium beginning reflects actual distributions from the fund during the 2013-15 biennium and not total grant commitments. Many of the grants awarded during the 2013-15 biennium are for multiyear projects and 2013-15 grant awards were not all paid during the 2013-15 biennium.

[2]Pursuant to North Dakota Century Code Section 57-51-15, the amount of oil and gas gross production tax collections deposited in the fund may not exceed $20 million per fiscal year or $40 million per biennium. The December 2016 executive budget forecast for oil and gas taxes estimates $19.89 million of oil and gas gross production tax collections will be deposited in the fund during the 2015-17 biennium.

[3]The amount shown reflects estimated funds that will be available for grants in the 2015-17 biennium. The Industrial Commission awarded grants of $4,719,843 as of July 31, 2016. In addition funding of $145,202 has been returned during the 2015-17 biennium from projects that did not utilize the total award amount. Many of the grants are for multiyear projects; therefore, not all of the grant funds awarded will be expended during the 2015-17 biennium. The commission has expended $4,610,478 from the fund as of July 31, 2016. The commission anticipates approximately $12 million will be expended from the fund during the 2015-17 biennium for grants.

[4]The executive budget recommends reducing the maximum amount of oil and gas gross production tax collections in the North Dakota outdoor heritage fund from $20 million per year ($40 million per biennium) to $5 million per year ($10 million per biennium). The executive budget assumes the maximum amount of $10 million will be deposited in the fund during the 2017-19 biennium.

[5]The executive budget recommends $9.9 million for new conservation and outdoor recreation project grants from the outdoor heritage fund.

FUND HISTORY

The North Dakota outdoor heritage fund was established in 2013 House Bill No. 1278 (Chapter 54-17.8) to provide, pursuant to a continuing appropriation, grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations, with higher priority given to enhancing conservation practices in this state by:

- Providing access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;
- Improving, maintaining, and restoring water quality, soil conditions, plant diversity, animal systems, and by supporting other practices of stewardship to enhance farming and ranching;

- Developing, enhancing, conserving, and restoring wildlife and fish habitat on private and public lands; and
- Conserving natural areas and creating other areas for recreation through the establishment and development of parks and other recreation areas.

For the 2013-15 biennium, pursuant to Section 57-51-15, 4 percent of the first 1 percent of oil and gas gross production tax collections is deposited in the North Dakota outdoor heritage fund, up to $15 million per year. Effective July 1, 2015, 8 percent of the first 1 percent of oil and gas gross production tax collections is deposited in the outdoor heritage fund. A maximum of $20 million of oil and gas gross production tax collections may be deposited in the fund each year. The Industrial Commission has oversight of the outdoor heritage fund. The North Dakota Outdoor Heritage Advisory Board (consisting of 12 voting and 4 ex officio members) makes recommendations to the commission on the funding of grants.

SB 2014 -2074
1-19-17

#6

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PIPELINE AUTHORITY

Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

North Dakota Pipeline Authority
North Dakota Century Code 54-17.7

The North Dakota Pipeline Authority (Pipeline Authority) was created by the North Dakota Legislature in 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy." As established by the Legislature the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed pipeline infrastructure. The Industrial Commission acting as the Pipeline Authority has issued no bonds under this statutory authority.

By law the Pipeline Authority membership is comprised of the members of the Industrial Commission. The Industrial Commission transferred $200,400 during the 2015-2017 biennium from the Oil and Gas Research Fund to the Pipeline Authority Fund. The Industrial Commission has named Justin Kringstad, a consultant, as Director of the Pipeline Authority. He works closely with the Director of the Department of Mineral Resources, the President of the North Dakota Petroleum Council and the Executive Director of the Industrial Commission. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Pipeline Authority Director reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

The Pipeline Authority issues a quarterly newsletter in addition to making numerous presentations to the Legislative interim committees and the public. These newsletters and presentations are available on the Pipeline Authority website at www.northdakotapipelines.com In addition Mr. Kringstad participates in monthly webinars providing regular updates on the transportation issues related to oil and gas.

This past year the Pipeline Authority continued to work closely with the midstream industry in North Dakota to quantify future pipeline and processing needs for the region. This work identified a particular need for additional natural gas liquids infrastructure in and around North Dakota. Evolving technology and dynamic pricing make the Pipeline Authority's production forecasting efforts an ongoing process. Mr. Kringstad also served as an advisor for the EmPower Commission, State Rail Plan, Office of Management and Budget, and Department of Commerce.

The Pipeline Authority website is updated on a regular basis so you should add this website to your "favorites". We are hopeful that this website will be a good tool for keeping policy makers, citizens and industry informed of what is happening with the development of pipelines in North Dakota.

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Pipeline Authority
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: Justin Kringstad PHONE: 701-220-6227 FAX: 701-328-2820

ANALYSIS OF THE PIPELINE AUTHORITY FUND

N.D.C.C. 54-17.7-11

Continuing Appropriation

	2015-2017 Biennium		2017-2019 Biennium	
Beginning Balance		$151,877		$ 52,377
Add transfers and estimated revenues[1]				
Transfer from Oil and Gas Research Fund	$ 200,400		$ 319,900[3]	
Estimated Interest Income	$ 100		$ 100	
Total Available		$352,377		$372,377
Less estimated expenditures and commitments[2]				
Administrative & Study Costs	$ 9,000		$ 30,350	
Consultant Costs	$ 291,000		$ 314,650	
Total estimated expenditures		$300,000		$345,000
Estimated ending balance		$ 52,377		$ 27,377

(1) Revenues reflect a transfer of $200,400 from the Oil and Gas Research Fund for the 2015-17 biennium. Estimated interest income includes actual interest income of $87 through November, 2016 and an estimate of the interest income through June 30, 2017.

(2) Actual administrative costs through November, 2016 total $5,622 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2016 total $195,293 with an estimate for the remainder of the biennium.

(3) The amount to be transferred from the Oil and Gas Research Fund for the Pipeline Authority is at the discretion of the Industrial Commission utilizing the funding available in the Oil and Gas Research Fund.

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1-19-17
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North Dakota Pipeline Authority

Annual Report

July 1, 2015 – June 30, 2016

Industrial Commission of North Dakota
Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

North Dakota Pipeline Authority
Annual Report
July 1, 2015 – June 30, 2016

Overview

At the request of the North Dakota Industrial Commission, the Sixtieth Legislature passed House Bill 1128 authorizing the North Dakota Pipeline Authority. It was signed into law on April 11, 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy". As established by the Legislature, the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed pipeline infrastructure.

By law, the Pipeline Authority membership is comprised of the members of the North Dakota Industrial Commission. Upon the recommendation of the Oil and Gas Research Council, the Industrial Commission authorized the expenditure of up to $200,400 during the 2015-2017 biennium for the Pipeline Authority with funding being made available from the Oil and Gas Research Fund. On August 1, 2008 the Industrial Commission named Justin J. Kringstad, an engineering consultant, to serve as Director of the North Dakota Pipeline Authority. The North Dakota Pipeline Authority Director works closely with Lynn Helms, Department of Mineral Resources Director, Ron Ness, North Dakota Petroleum Council President and Karlene Fine, Industrial Commission Executive Director. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Pipeline Authority Director reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

Statutory Authority

Statutory authority for the Pipeline Authority is found in Chapter 54-17.7 of the North Dakota Century Code (N.D.C.C.). Section 54-17.7-04 N.D.C.C. delineates the powers of the Pipeline Authority including: 1) making grants or loans or to borrow money; 2) to issue up to $800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, purchase, lease, rent and dispose of pipeline facilities or the right to capacity in any pipeline system or systems within or without the State of North Dakota; 5) enter into contracts to construct, maintain and operate pipeline facilities; 6) investigate, plan, prioritize and propose transportation corridors; and 7) participate in regional pipeline organizations.

Before the Pipeline Authority may exercise its power to construct pipeline facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Pipeline

Authority must publish a notice describing the need for the pipeline project. Entities interested in constructing the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Pipeline Authority receives a notice of intent from an interested entity, it may not exercise its powers to construct unless the Pipeline Authority makes a finding that doing so would be in the public interest. In making such a finding, the Pipeline Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

Summary of Activities

Low oil prices in the 2015-2016 timeframe have caused petroleum related activity in North Dakota to slow considerably. Despite the activity slowdown, the midstream industry continued to position itself to meet current production levels, and continue to plan for further expansion when price levels increase. More efficient drilling rigs and advances in drilling and completion techniques allowed North Dakota oil production to remain at historically high levels. During the past year, the Pipeline Authority has been fully engaged in continuing efforts to convert production and development information into oil and natural gas transportation solutions. Working alongside industry to produce crude oil and natural gas production forecasts to quantify future pipeline needs and time frames continues to be one of the principal tasks of the Pipeline Authority. Pipeline companies are conservative by nature and these forecasting exercises proved to be very beneficial in providing the confidence needed to move forward with expansion project planning.

During the fiscal year the Pipeline Authority contacted, met with, and shared information with numerous interested parties, including the following:

Enbridge Pipeline
TransCanada
MDU/WBI Energy
ONEOK
Alliance Pipeline
Northern Border Pipeline
Basin Electric
KLJ Engineering
Loenbro
Badlands NGLs
Paradigm Midstream
Pembina Pipeline
Moody Analytics
GA Group
Oasis Petroleum
Tallgrass Energy
JP Morgan
Hess Corporation
Tesoro
True Companies
Aux Sable Liquid Products
BNSF Railway
Dakota Prairie Refining
Gtuit
Plains All American
Sequent Energy
Barr Engineering
Whiting
Reaction 35
Energy Transfer Partners
Parsons Brinkerhoff
Flight Scan
HRL Morrison
Petro Nerds

Alpha View	Ferus Inc.
Olsson Associates	Element 1 Corp.
Meridian Energy Group	Robert W. Baird & Co.

In addition, the Pipeline Authority worked with a number of state and federal agencies to gather information and provide expertise on pipeline issues. Those agencies and entities included:

North Dakota Public Service Commission	North Dakota Department of Commerce
North Dakota Transmission Authority	Energy and Environmental Research Center
North Dakota Oil and Gas Division	North Dakota Department of Transportation
North Dakota Governor's Office	Federal Railroad Administration
Canadian Consulate	North Dakota Tax Department
North Dakota State University	Wyoming Pipeline Authority
Bank of North Dakota	EmPower North Dakota Commission
US Energy Information Administration	North Dakota State Water Commission
North Dakota Oil & Gas Research Program	Upper Great Plains Transportation Institute
MHA Energy	Province of Alberta
Pipeline and Hazardous Materials Safety Administration	
North Dakota Office of Management and Budget	

The Director of the Pipeline Authority also worked with the following trade associations/groups:

North Dakota Petroleum Council
North Dakota Petroleum Marketers Association
North Dakota Association of Counties
Energy Policy Research Foundation
NW Landowners Association
Canadian Energy Research Institute
North Dakota Society of Professional Engineers
National Council of State Agriculture Finance Programs

As noted above, the Pipeline Authority has been facilitating discussions between governmental agencies and companies interested in expanding North Dakota's midstream infrastructure.

In addition, the Director of the Pipeline Authority provided information to citizens and news media on issues related to pipelines.

Crude Oil and Natural Gas Production Forecasting

The Pipeline Authority continued to develop and maintain crude oil and natural gas production forecasts for North Dakota and the United States portion of the Williston Basin. These forecasts are widely used throughout both public and private organizations. Two assumption scenarios are forecasted for the purpose of communicating the production impacts of different price and activity levels. Figure 1 is a near term oil production forecast for North Dakota. Figure 2 shows a longer term natural gas production forecast using the two different activity scenarios for North Dakota.

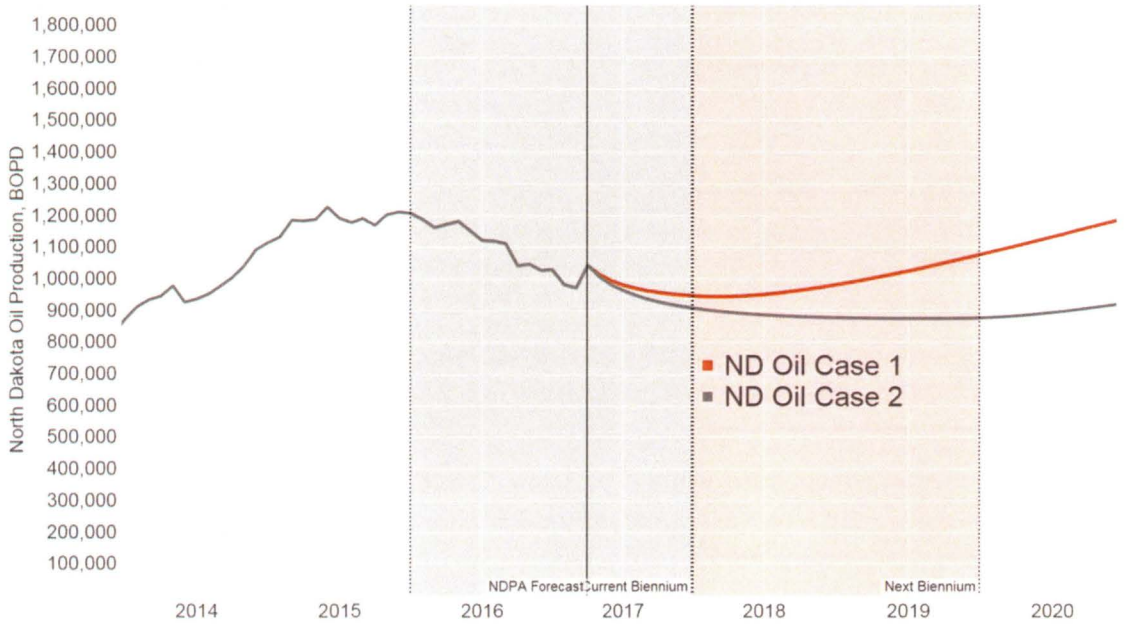


Figure 1. Near term crude oil production forecast for North Dakota

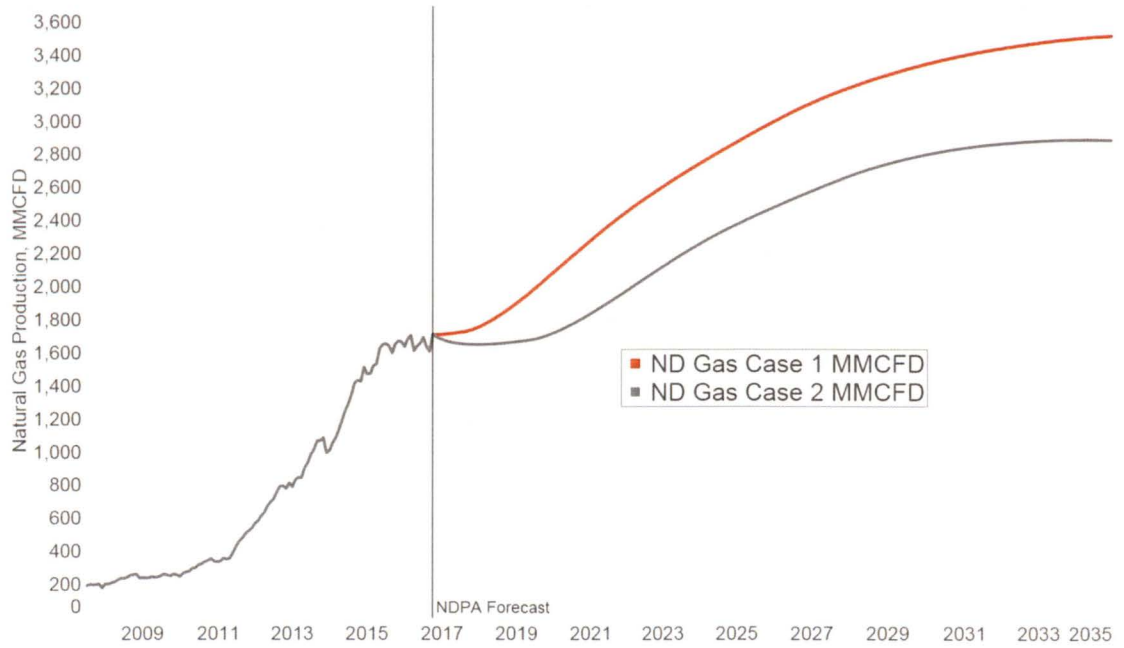


Figure 2. North Dakota natural gas production forecast

Natural Gas Liquids

The Pipeline Authority focused considerable attention in 2015-2016 to the topic of natural gas liquids (NGL). Natural gas produced from the Bakken and Three Forks Formations is very high in natural gas liquids (NGLs) such as ethane, propane, and butane. Forecast models were created by the Pipeline Authority to better understand the production potential and required transportation infrastructure going forward.

The forecast in Figure 3 shows two potential production cases based on different activity level assumptions. In either case, a significant shortfall of gross pipeline capacity occurs in the next 5-10 years. Further complicating the situation is the fact that not all NGL pipelines can handle the same types of NGL products and natural gas plants around the region produce either purity products or unfractionated product, known as Y-grade.

There are several options going forward to address the growing volume of NGLs in North Dakota. One option would be to build, expand, or repurpose existing pipeline systems. A second option would be the development of value added industries that would use NGL products as feedstock. One potential use for NGLs is enhanced oil recovery (EOR) in the Williston Basin as fields continue to mature. The use of NGLs as a working EOR fluid is still in the research phase.

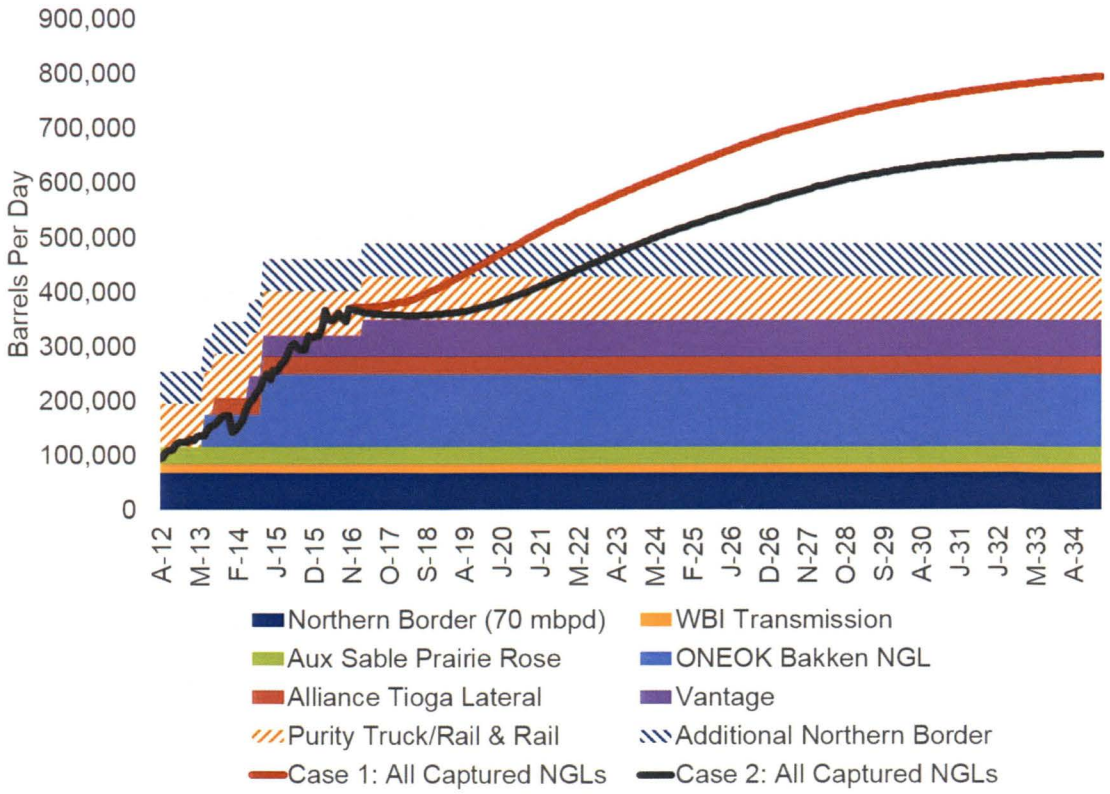


Figure 3. Forecasted North Dakota NGL production and transportation options

State Rail Plan

The North Dakota Department of Transportation, along with its partners, is currently working to update the previous 2007 North Dakota State Rail Plan.

Along with the hired consultant agency, Parsons Brinckerhoff, the Department of Transportation partnered with the following agencies to conduct the study:

- North Dakota Public Service Commission
- North Dakota Department of Commerce
- North Dakota Department of Emergency Services
- North Dakota Pipeline Authority
- Upper Great Plains Transportation Institute

The updated North Dakota State Rail Plan is focused on the following key areas:

- Ensuring safe rail transportation
- Providing consistently reliable, diverse Class I, short line and passenger rail service
- Rail service expansion and economic development opportunities
- Funding future rail improvements
- Understanding and defining the role of the state of North Dakota in rail transportation

The final State Rail Plan report is scheduled to be released in October 2016.

Natural Gas Flaring

While not a regulatory agency, the Pipeline Authority does play a very active role in helping the state reduce the amount of flared natural gas. The Pipeline Authority continually monitors and reports flaring statistics and provides analysis on current and future developments to industry participants, regulators, policy makers, and the public. More information on a comprehensive report published by the Pipeline Authority can be found in the "Industry and Public Communications Activities" portion of this Annual Report.

Several significant actions were taken by the ND Industrial Commission in recent years that have had a positive impact on reducing natural gas flaring. The first was the requirement for operating companies to submit a natural gas capture plan to the Oil & Gas Division to outline how produced natural gas would be sold or utilized on location. The second action was an Industrial Commission order on July 1, 2014 that provided flaring reduction targets to the year 2020 and provided a means of enforcement at the Oil & Gas Division through the use of production and permitting restrictions.

In September 2015, the Industrial Commission revised the 2014 natural gas capture targets for Bakken and Three Forks production as follows:

- 74% Capture – Q4 2014
- 77% Capture – Q1 2015
- 80% Capture – Q2 2016
- 85% Capture – Q4 2016
- 88% Capture – Q4 2018
- 91-93% Capture – Q4 2020

The natural gas capture rate for Bakken production was 91% in June 2016, exceeding the required target of 80%. In order for the industry to continue to meet or exceed gas capture targets, additional investments in gas gathering and processing will be required.

Industry and Public Communications Activities

Pipeline Publication

During the 2015-2016 fiscal year, three *Pipeline Publication* newsletters were published in order to keep interested parties updated on midstream activities in the region. All three newsletters can be found in Appendix A. In addition to the newsletters, the Pipeline Authority used monthly reports, website content, press conferences, and presentations to share updates on production and transportation dynamics in the Williston Basin (additional details below).

Pipeline Authority Websites

In an effort to provide industry and public users with the most timely and complete set of information, the Pipeline Authority continues to update the agency websites as new information becomes available. The websites allow the Pipeline Authority to provide users with current Williston Basin oil production data, maps, news, publications, basic pipeline information, pipeline safety information, and links to pipeline mapping systems.

Monthly Updates

During the 2015-2016 fiscal year, the Pipeline Authority produced monthly transportation and production reports to allow interested parties a quick view of how much crude oil and natural gas was produced each month and how each commodity was shipped and/or processed. Information contained in the reports is presented during monthly media events in conjunction with the ND Oil & Gas Division. Monthly reports are placed on the Pipeline Authority website and an email distribution list has been created to circulate the update to interested parties.

North Dakota Drilling Economics

In order to assist the midstream industry in understanding current and future petroleum activity levels, the Pipeline Authority routinely publishes information exploring the economics of drilling in North Dakota's Bakken/Three Forks Formations. The research takes a detailed look at where drilling in North Dakota has been most successful in the past and then predicts where drilling may be concentrated during periods of fluctuating oil prices.

Figure 4 below was generated during the drilling economics research to represent the expected after tax rate of return at three different drilling and completion costs. While assuming $45/bbl at the wellhead, it was discovered that wells drilled in North Dakota would not consistently receive a 10%-20% rate of return until they were producing at least an average of 700 barrels of oil per day during the well's peak production month. Maps were also generated to show where the locations of the wells in Figure 4 are located.

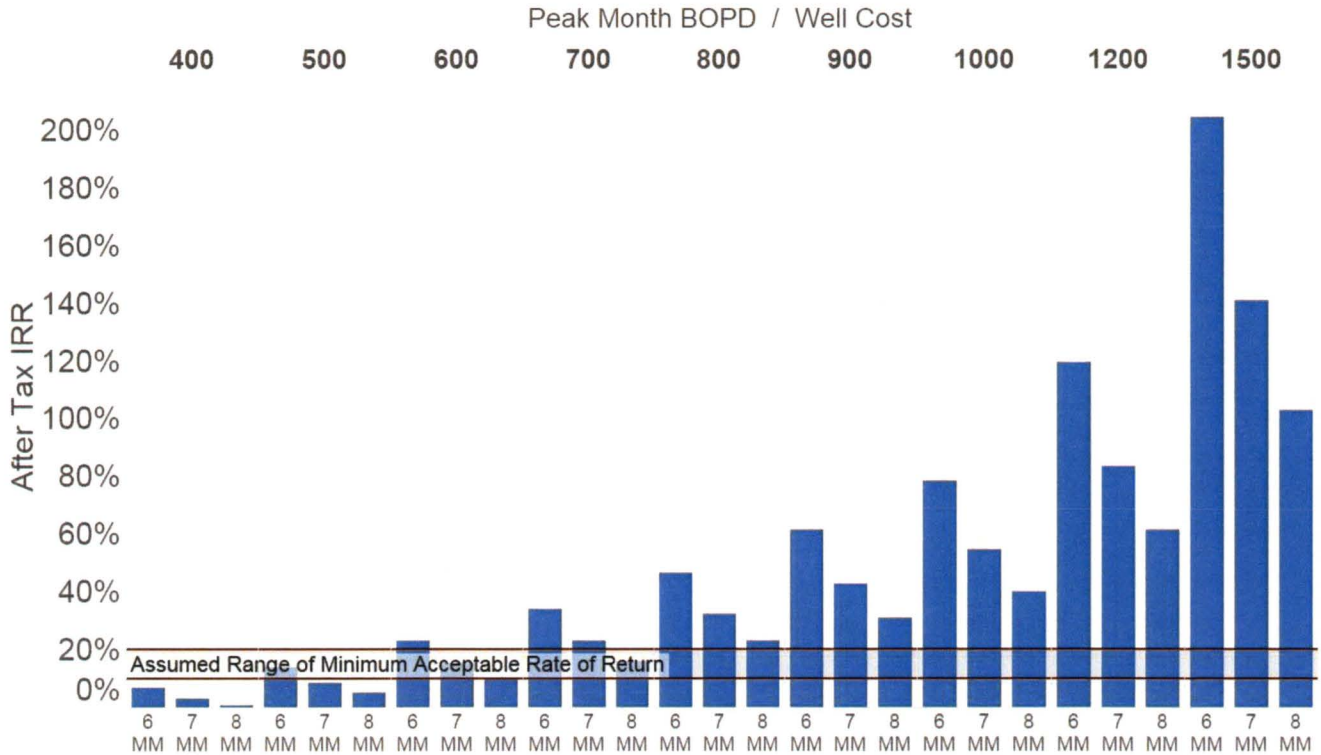


Figure 4. North Dakota drilling economics summary (Assumes $45/bbl at the wellhead)

Video Presentations

During the 2015-2016 fiscal year, the Pipeline Authority researched several areas of interest for the state's midstream industry. Video presentations were created to share the information with interested parties in a timely and concise format. Replays of the video presentations are available on the Pipeline Authority website.

Pipeline Presentations

Over the past year, the Pipeline Authority has had the opportunity to make presentations at a variety of industry and public events. Some of those events included:

- Legislative Interim Committees
- NDPC CookFest Events
- Rotary International
- NDPC Teachers Education Seminar
- North Dakota Safety Council
- EmPower Commission

Baird Capital	Bank of North Dakota
Bismarck-Mandan Chamber	ND Oil and Gas Law Update
ND Society of Professional Engineers	Williston Basin Petroleum Conference

Slides from major presentations can be found on www.northdakotapipelines.com

Williston Basin Pipeline Infrastructure

For reference, a series of North Dakota pipeline maps can be found in Appendix B

Crude Oil Pipelines, Refining, and Rail Transportation

Enbridge Pipelines North Dakota: Having completed several expansion projects over the past number of years, Enbridge now has the capacity to move 355,000 BOPD on its pipeline system to Clearbrook, MN. Enbridge completed their work to expand north bound capacity of 145,000 BOPD in early 2013 for the larger scale "Bakken Expansion Project". Oil using the northbound route navigates the Enbridge Saskatchewan system to an interconnect with the Enbridge Mainline at Cromer, MB. Once on the Mainline system, the Williston Basin oil quickly reenters the United States and meets east bound Enbridge oil at Clearbrook, MN.

Enbridge continued work during the 2015-2016 fiscal year to further expand their Williston Basin system with the "Sandpiper" project. Plans to construct the 225,000 BOPD system were deferred during the third quarter of 2016 due to unexpected market conditions in the near term planning horizon.

Bridger, Belle Fourche, and Butte Pipelines: Bridger and Belle Fourche Pipelines operate as intra-basin pipeline systems moving oil to several pipeline interconnects or rail facilities in the Williston Basin. One such pipeline interconnect is with the Butte Pipeline near Baker, MT. The Butte Pipeline currently has the capacity to move 260,000 BOPD to Guernsey, WY. In Guernsey, WY, the oil is transported to Wood River, IL on the Spectra Platte Pipeline or loaded into rail cars for further transport.

BakkenLink: After announcing plans in 2010 to offer a pipeline system connecting the Williston Basin to the Keystone XL Pipeline in Eastern Montana, BakkenLink has altered their current project scope. Now in service, the BakkenLink system collects crude oil from various locations along its route south of Lake Sakakawea and delivers the oil to a unit train rail facility located near Fryburg, ND. In late 2015, Tesoro Corporation purchased the BakkenLink pipeline and rail facility from Great Northern Midstream.

Energy Transfer Partners: In early 2014, Energy Transfer Partners (ETP) held an open season to solicit interest in a new 30" pipeline from North Dakota to Patoka, IL. In June 2014, ETP announced that they had secured sufficient shipper support to move forward with the project. The "Dakota Access" pipeline will collect oil north and south of Lake Sakakawea and have the ability to initially transport 470,000

BOPD. If additional interest exists, the pipeline could be expanded to carry up to 570,000 BOPD. The project began construction in May 2016 and scheduled to be complete in 2017.

Plains All American Pipeline: In November 2010, Plains All American Pipeline (Plains) announced plans to construct a new 103 mile, 12 inch, pipeline from Trenton, ND to an interconnect with the existing Wascana Pipeline at the United States-Canada border in northeast Montana. The "Bakken North" pipeline went into service in May 2014, with an initial capacity of 40,000 BOPD, expandable to 75,000 BOPD.

TransCanada BakkenLink: On September 13, 2010, TransCanada launched a successful open season for Bakken producers interested in accessing TransCanada's proposed Keystone XL pipeline project in eastern Montana. The proposed 100,000 BOPD interconnect would be located near Baker, MT and would require new pumps and tanks to accommodate the Bakken oil. Third party shippers would be necessary to move crude from North Dakota to the Baker, MT facilities.

In November 2015, President Obama announced that the Keystone XL Pipeline was not in the national interest of the United States and that a required Presidential Permit would not be granted.

TransCanada Upland Pipeline: In February 2015, TransCanada announced plans to construct a 20" pipeline connecting North Dakota to the proposed Energy East project. The pipeline is expected to be in service in 2020 with an initial capacity of 220,000 BOPD, expandable to 300,000 BOPD. The TransCanada Energy East project will use a combination of repurposed natural gas pipeline and new construction to move 1,100,000 BOPD to eastern Canada. North Dakota crude oil not processed in eastern Canada could become waterborne for further shipment to coastal refining centers.

Tesoro Mandan Refinery: Expanded by 10,000 BOPD in 2012, Tesoro operates a 68,000 BOPD refinery in Mandan, ND. The refinery receives its light sweet feedstock though a network of pipelines in the Williston Basin operated by Tesoro High Plains Co. The Tesoro High Plains Pipeline gathering network continues to evolve and expand, with the most recent announcement being the "Connolly Gathering System" which will collect oil from various points in Dunn County for delivery at the existing Connolly pipeline station in central Dunn County. The project began in mid-2014 and is currently in service.

Products generated at the refinery are distributed directly from a truck rack at the facility or through the NuStar North Pipeline to Eastern North Dakota and Minnesota.

Dakota Prairie Refinery: In May 2015, a joint venture of MDU Resources Group and Calumet Specialty Products Partners, the Dakota Prairie Refinery, began processing 20,000 BOPD at its facility just west of Dickinson, ND. The "diesel topping" refinery produces around 7,000 BPD of diesel fuel for consumption, while the remaining product is transported for further processing or use.

In late June 2016, Tesoro Corporation purchased the Dakota Prairie Refinery.

A map of North Dakota crude oil gathering systems can be found in Appendix C

Rail Loading Facilities: The transportation of crude oil by rail car has played a key role in moving growing volumes of crude oil from the Williston Basin to markets around the United States and Canada. Figure 5 shows the estimated Williston Basin market share percentages for rail, pipeline, and local refining. Figure 6 shows the estimated volume of oil moved by rail out of North Dakota. Maps, capacities, and additional information on the various facilities can be found on the Pipeline Authority websites.

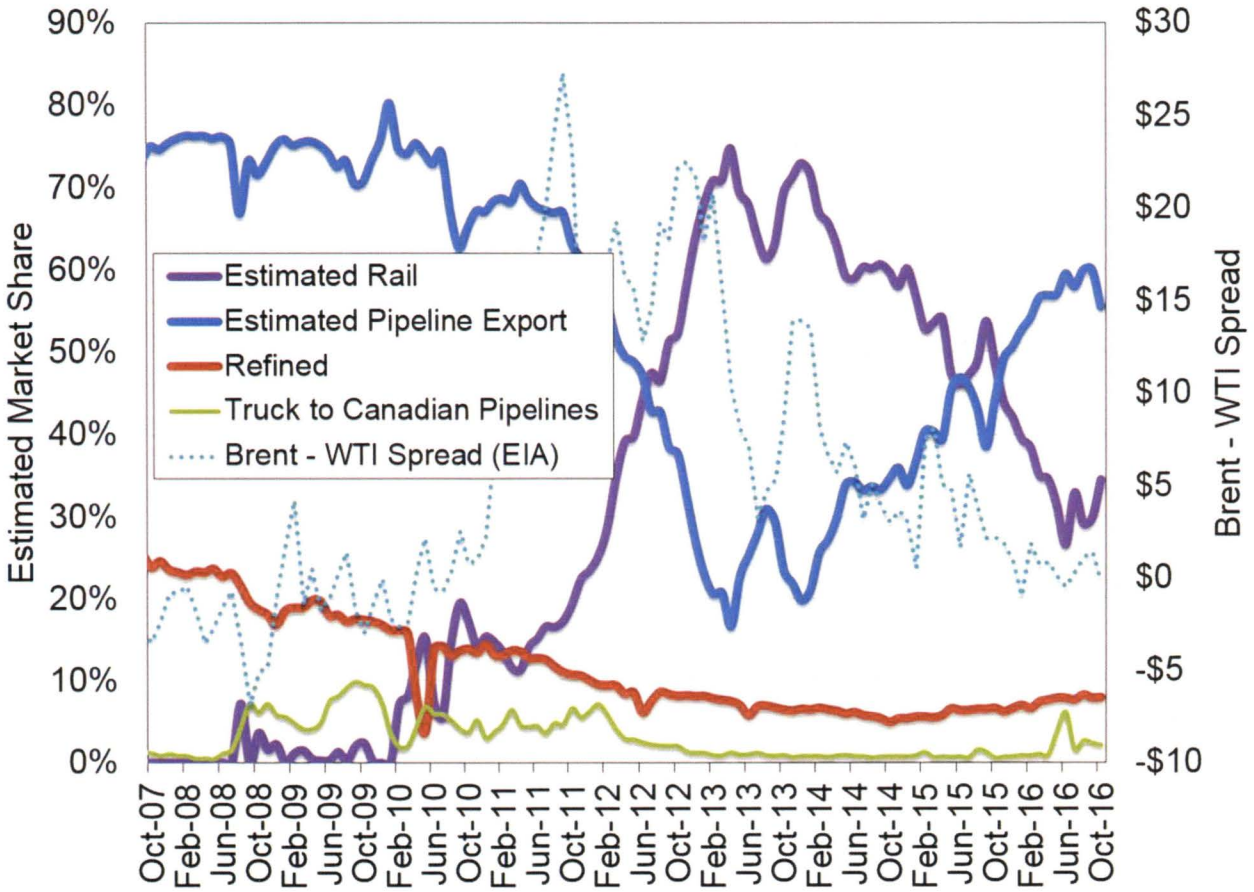


Figure 5. Estimated oil transportation by mode

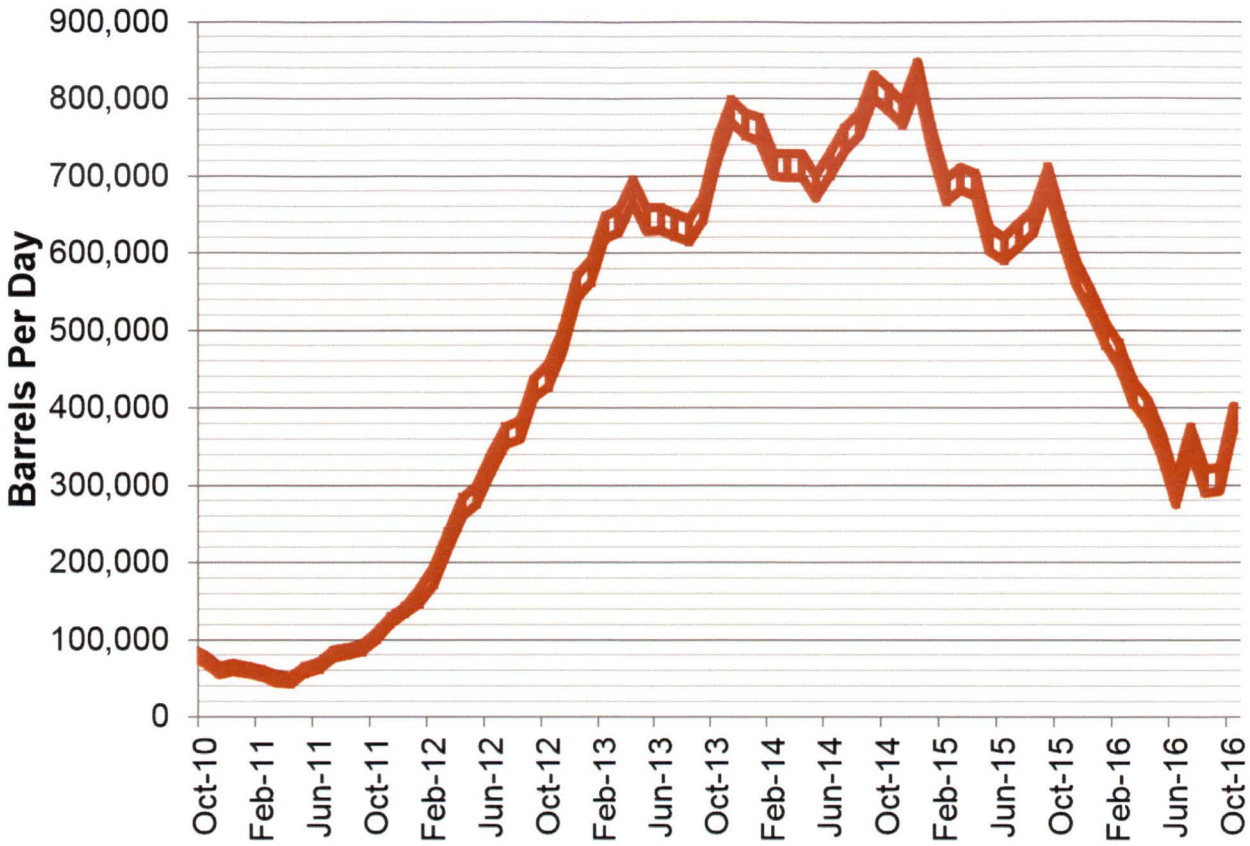


Figure 6. Estimated outbound crude oil rail shipments.

A map of North Dakota oil rail loading facilities can be found in Appendix D

Natural Gas Pipelines

Alliance Pipeline: The Alliance Pipeline is a high pressure, large diameter natural gas pipeline that originates in British Colombia, Canada and terminates at the Aux Sable gas processing plant near Chicago, IL. The Alliance Pipeline transports "dense gas" or gas that still contains high BTU natural gas liquids, such as propane and butane. In February 2010, the Alliance Pipeline began transporting rich natural gas from North Dakota via a new interconnect with the Prairie Rose Pipeline near Bantry, ND (See Aux Sable below). The 36 inch diameter United States portion of the pipeline has a certified capacity of 1.513 billion cubic feet per day (BCFD). The Alliance Pipeline has one North Dakota delivery point in Hankinson.

In response to growing natural gas production, Alliance Pipeline announced plans on June 22, 2011, to construct a new, 80 mile, natural gas pipeline from the Hess Gas Plant in Tioga, ND to an interconnection point near Sherwood, ND. Commissioned in late 2013, the "Tioga Lateral Pipeline" has the ability to deliver liquids rich, high BTU, natural gas to Chicago, IL for further processing and transportation. The Tioga Lateral has the capacity to transport up to 126 MMCFD.

Northern Border: The Northern Border Pipeline, owned by TC Pipelines and ONEOK Partners, is a 1,249 mile pipeline originating at the Port of Morgan in Montana and terminating near North Hayden, Indiana. The pipeline has a system receipt capacity of 2.37 BCFD, a large portion of which is supplied with Canadian natural gas through a receipt point with the Foothills Pipeline at the Port of Morgan. The 42 inch diameter Northern Border Pipeline receives gas deliveries at a total of 15 receipt points in the Williston Basin with twelve of those points for North Dakota gas supply. One additional North Dakota interconnect is expected to go into service in the second half of 2016 increasing total interconnect capacity to 1,690 MMCFD.

WBI Energy Transmission: Formerly known as Williston Basin Interstate Pipeline Co., WBI Energy Transmission operates more than 3,700 miles of natural gas transmission pipelines throughout North Dakota, Montana, Wyoming, and South Dakota. This network of pipelines plays a vital role in North Dakota's natural gas industry. It contains twelve interconnecting points with other regional pipelines and can also deliver natural gas to local distribution companies or natural gas storage fields. WBI continues to make system upgrades in western North Dakota in order to meet growing customer demand. In June 2016, WBI announced an open season to connect the eastern North Dakota portion of the system with the Viking Pipeline in western Minnesota. This expansion does not directly support North Dakota gas production volumes, but rather would serve to provide additional gas volumes to consuming markets in eastern North Dakota.

Aux Sable: In June 2011, Aux Sable announced the acquisition of the Prairie Rose Pipeline and condensate recovery facility near Stanley, ND. Originally constructed by Pecan Pipeline, the 75 mile, 12 inch system went into service February 2010 and has the capability to transport over 100 MMCFD of unprocessed natural gas from Mountrail County to an interconnect with the Alliance Pipeline near Bantry, ND.

Bison Pipeline: TransCanada placed the 302 mile, 30 inch Bison Pipeline into service in early 2011. The pipeline was built to connect natural gas production in the Powder River Basin of Wyoming to the Northern Border Pipeline in Morton County North Dakota. The pipeline has an initial capacity of 407 MMCFD and could be expanded to 1 BCFD.

Natural Gas Liquids Pipelines

ONEOK Bakken NGL Pipeline: On July 26, 2010, ONEOK Partners announced plans to construct a new 12 inch natural gas liquids pipeline capable of moving 60,000 BPD from existing and planned facilities in the Williston Basin to an interconnect with the Overland Pass Pipeline near Cheyenne, WY. The "Bakken NGL Pipeline" was built to address the high volumes of natural gas liquids that are extracted from the rich Bakken gas during processing. The pipeline operates as a Y-grade system, with product fractionation taking place in Bushton, KS. ONEOK announced completion of the pipeline in April 2013 and an expanded capacity of 135,000 BPD in September 2014.

Vantage Pipeline: On July 15, 2010, Mistral Energy announced a new 430 mile liquid ethane pipeline from Tioga, ND to Empress, AB. With an initial capacity of 40,000 BPD, the new "Vantage Pipeline" was built to address the high concentration of ethane found in North Dakota's natural gas. Placed into service Q2 2014 in conjunction with the Hess Tioga Gas Plant Expansion, the pipeline was constructed of 10 inch pipe. Other than this particular project, the majority of North Dakota's ethane is being left in the natural gas stream after it leaves the gas processing plant.

In September 2014, Pembina Pipeline Corporation purchased the Vantage Pipeline from Mistral Midstream.

On February 10, 2015, Pembina Pipeline announced that the Vantage ethane pipeline would expand to connect to ONEOK's Stateline plants with 50 miles of 8" pipeline. The $85 million system expansion also included taking the existing mainline capacity from 40,000 bpd to 65,000 bpd.

Carbon Dioxide Pipelines

North Dakota continues to have only one carbon dioxide pipeline in service. The Dakota Gasification Company's, 12-14 inch, 205 mile pipeline went into service in 2000 and transports roughly 150 MMCFD of carbon dioxide to oilfields near Weyburn, SK.

The Pipeline Authority continues to work with interested parties on the development of new carbon dioxide pipelines for capture and sequestration, as well as enhanced oil recovery operations. The Pipeline Authority is an active member of the Plains CO_2 Reduction Partnership through the Energy and Environmental Research Center in Grand Forks, ND.

Natural Gas Processing

For reference, a North Dakota Gas Processing and Transportation map can be found in Appendix E

New or Expanding Natural Gas Plants

Due to the vast footprint of the Bakken resource, natural gas gathering and processing operators in North Dakota have faced difficult challenges in the past to keep pace with faster, more efficient drilling and completion techniques. Despite the daunting task, industry is rising up to reap the great economic reward contained in the rich Bakken gas.

North Dakota currently has twenty-six natural gas processing/conditioning plants operating, with the capability to process roughly 1.86 BCFD. Two additional new plants are expected in 2016 and will add 160 MMCFD of processing capacity (Figure 7). Two gas plants have been suspended until market conditions justify their construction. A detailed breakdown of the existing and proposed facilities can be found on the Pipeline Authority website.

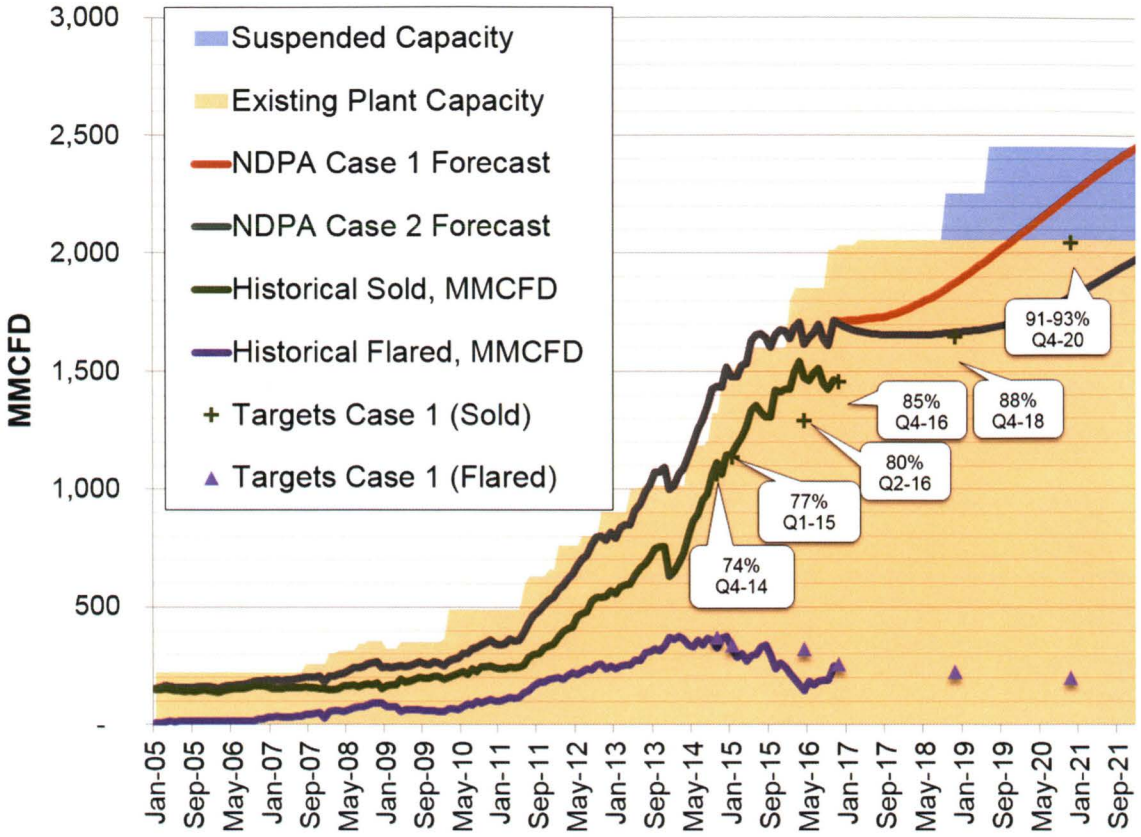


Figure 7. North Dakota natural gas processing plant intake capacity, gas production, gas forecast, and NDIC capture targets.

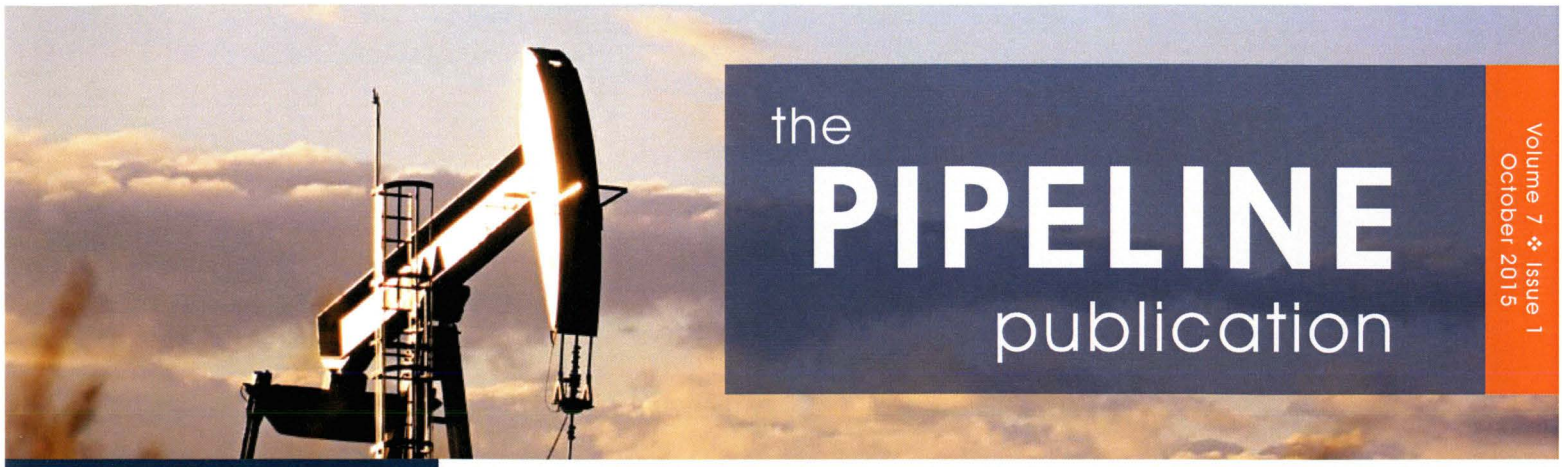
Planned Activities

Over the past year, the Pipeline Authority has continued to experience great success by working with industry to quantify future crude oil and natural gas production in order to provide the assurance needed to move forward with various expansion projects. The forecasted petroleum production levels have been modified to reflect the current low price environment and will require continuous updating and review over the next year as technology advances and market prices fluctuate. The Pipeline Authority will continue to utilize new and existing development information to gain a deeper understanding of the crude oil, natural gas, and carbon dioxide pipeline needs in Williston Basin.

Industry and public information distribution will continue with the use of newsletters, presentations, monthly updates, and agency websites. The Pipeline Authority will continue to conduct information presentations to public audiences, legislative groups, and industry representatives at various events throughout the coming year.

APPENDIX A

North Dakota Pipeline Authority's *Pipeline Publication* Newsletter



the PIPELINE publication

Volume 7 ❖ Issue 1
October 2015

INDUSTRIAL COMMISSION OF NORTH DAKOTA PIPELINE AUTHORITY

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Director
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The first step in developing a new pipeline or processing project is to understand the current and future demand for such a system. In an effort to better understand where future oil and gas production levels may be headed in the current low price environment, the Pipeline Authority has recently published two new video presentations to inform interested parties about topics of drilling, production, and economics. Both videos are available for replay on the "Presentations" page at www.northdakotapipelines.com

UNDERSTANDING 2015 OIL PRODUCTION

Released on August 20, 2015, this 40 minute video presentation takes an in-depth view at the first half of 2015 and proposes why oil and natural gas production levels did not decrease, even during a time of significant drilling rig reductions. One key takeaway is an appreciation for the time between when a drill bit begins turning (spud) and when the oil and gas are brought to the surface for sale. Data revealed that on average, it took between 170-180 days to bring a well into production. There are many factors that could decrease or increase that time span, but it does help explain why production in early 2015 seemed immune to the decreasing drilling rig fleet.

Key points from the presentation:

- In the first half of 2015, production was largely impacted by ND winter/spring conditions and drilling decisions made in 2014 (due to lag between well spud and initial production).
- The second half of 2015 is when the production impact of the rig reduction will be noticed most.
- Producers will offset rig reduction with higher producing wells, but it is unclear if it will be enough to prevent a statewide oil production drop.
- Drilled but uncompleted wells are ideally positioned in the Bakken and act as a wild card that allows some flexibility to "cherry pick" the most attractive producing locations for completion.

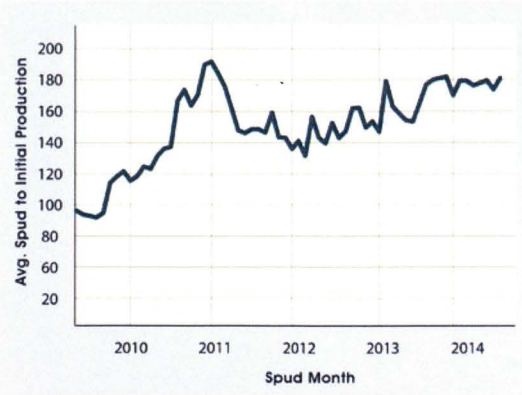


Chart showing how spud to initial production times have changed through time.

NORTH DAKOTA — Production Numbers

:: www.pipeline.nd.gov

Average Daily Oil Production, BOPD		
May 2015	Jun. 2015	Jul. 2015
1,202,714	1,211,330	1,201,920

Average Daily Gas Production, MMCFD		
May 2015	Jun. 2015	Jul. 2015
1,630.3	1,652.0	1,657.4

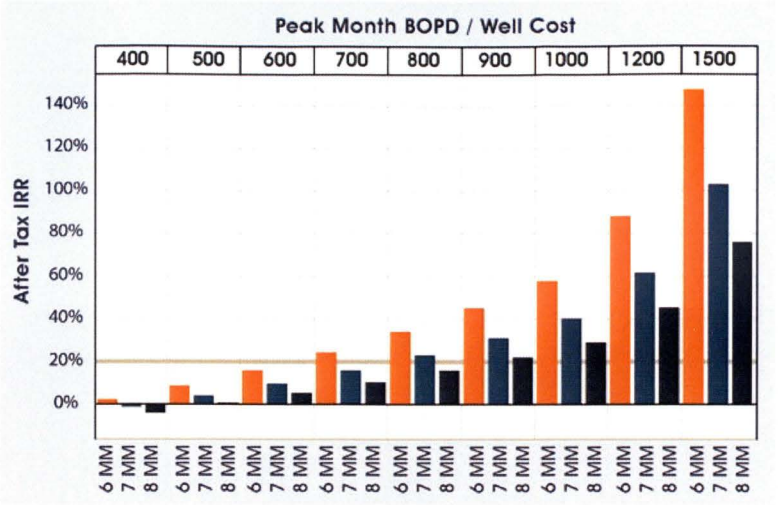
Average Rig Count		
May 2015	Jun. 2015	Jul. 2015
83	78	73

As of September 29, 2015, there are 69 active rigs in North Dakota.

Header image courtesy of the North Dakota Department of Commerce.

REVISITING DRILLING ECONOMICS

Released on September 10, 2015, this 13 minute video updates previous Pipeline Authority research on the economics of drilling wells in the Bakken/ Three Forks. The work used existing well production data as an indicator to where drilling could remain economically attractive at low oil prices. Maps were created to separate the oilfield into several "baskets" based on well performance. Several different scenarios were examined to show how sensitive the economics are to changing drilling and completion costs.



Assuming $40/bbl at the wellhead, the chart above provides a summary of after tax rate of return for various drilling/completion costs and a well's peak daily oil production. Each company has its own threshold, but 20% was chosen as baseline to show where a company may consider it attractive to drill.

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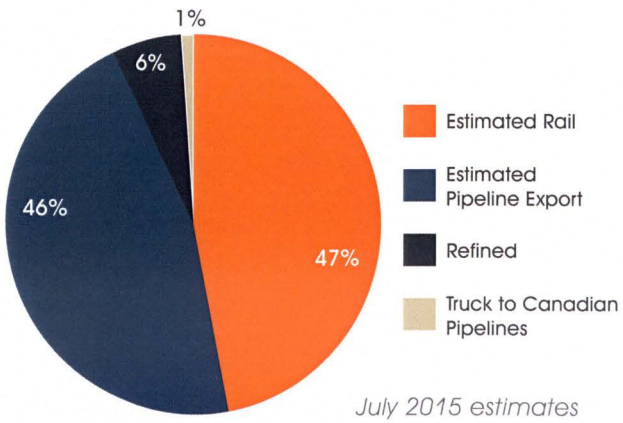
Bismarck, ND 58505-0840

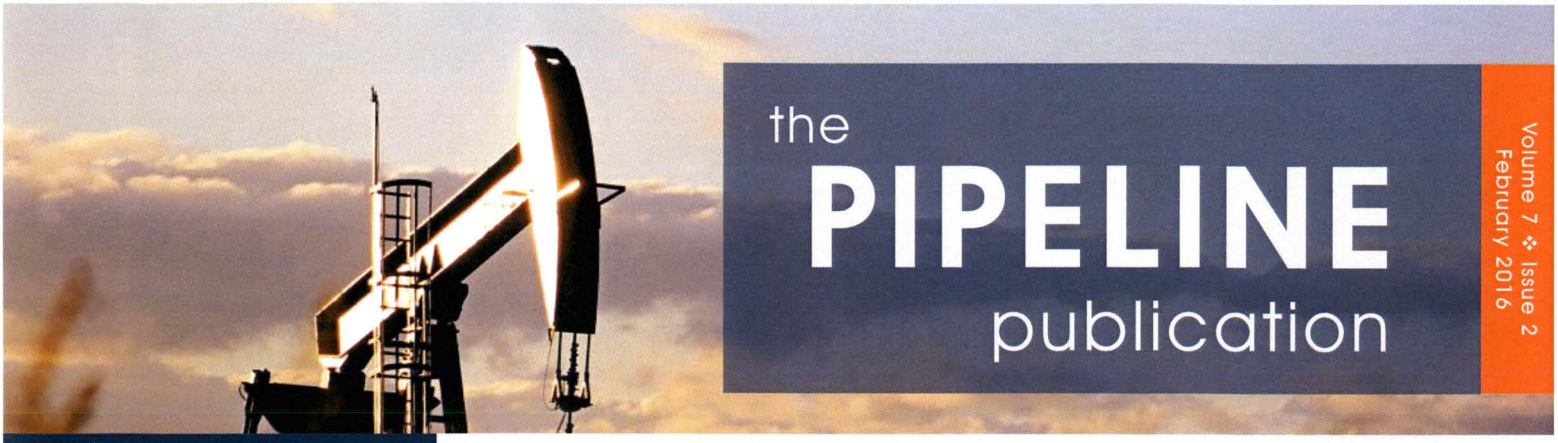
OILFIELD FACTOID

Drilling efficiency has continued to improve in North Dakota. Data now indicates that an average rig can spud 1.7 wells per month, up from 0.7 wells per month in 2011. Drilling efficiency is just one of the critical factors to consider when predicting North Dakota's future petroleum production and required pipeline infrastructure.

Estimated Williston Basin Oil Transportation



July 2015 estimates



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Volume 7 ❖ Issue 2
February 2016

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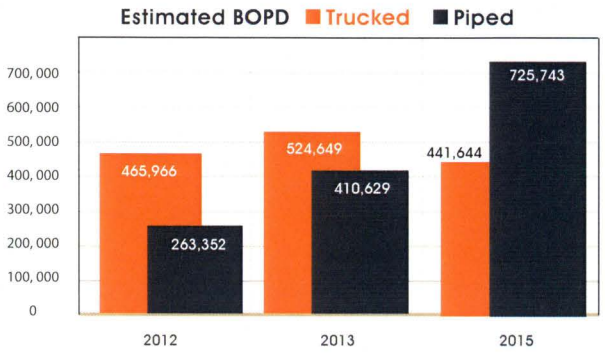


ND CRUDE OIL GATHERING

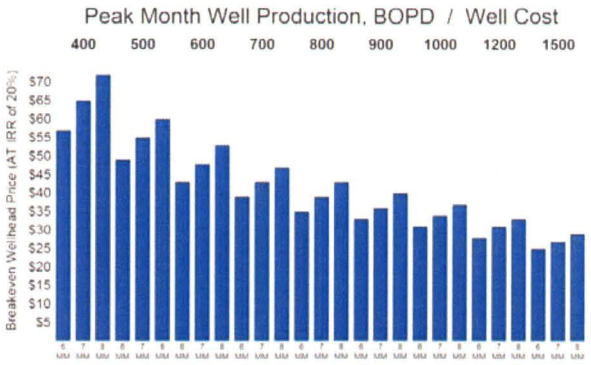
At the end of 2015, the Pipeline Authority published an updated analysis of crude oil gathering in Western North Dakota. The data indicated that crude oil gathering by pipeline had surpassed truck gathering for movement away from well locations. The amount of oil gathering by pipeline increased the most in McKenzie County, but significant increases were also seen in other producing counties. Interestingly, even though McKenzie County had the highest increase in oil pipeline gathering, the region did not see an overall decrease in trucking due to the significant rise in production that area had experienced.

Detailed video commentary and slides on the topic of oil gathering can be found on the "Presentations" page of www.northdakotapipelines.com

Bakken Drilling Economics

Drilling economics were revisited at the end of 2015 using a lower wellhead price of $30 per barrel. Since that work was published, prices have dropped, further impacting the economics of drilling and completing a Bakken/Three Forks well. Full video commentary and slides are available online and an estimated breakeven price chart is included in this newsletter.

Please note that the estimated breakeven prices are based on the cost to complete the well, the peak month average daily rate of oil from that well, and assumes an after-tax rate of return of 20%. Lowering costs, improving well performance, and lowering the expected after-tax rate of return would decrease the breakeven price per barrel beyond what is seen in the chart.



NORTH DAKOTA — Production Numbers

:: www.pipeline.nd.gov

Average Daily Oil Production, BOPD			Average Daily Gas Production, MMCFD			Average Rig Count		
Oct. 2015	Nov. 2015	Dec. 2015	Oct. 2015	Nov. 2015	Dec. 2015	Oct. 2015	Nov. 2015	Dec. 2015
1,172,832	1,181,787	1,152,280	1,658	1,676	1,671	68	65	64

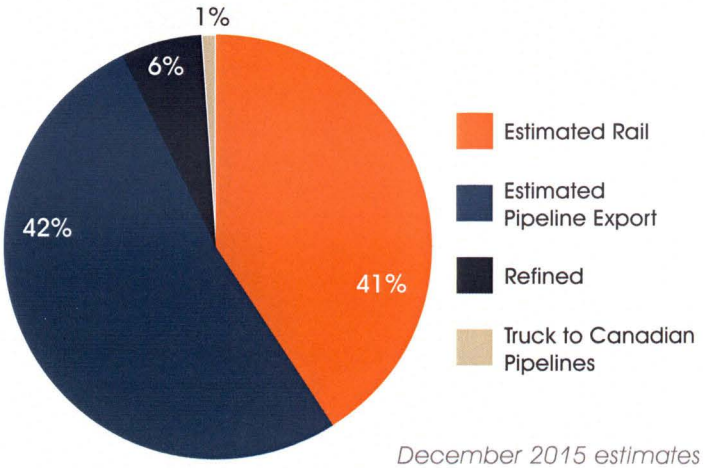
As of February 23, 2016, there are 39 active rigs in North Dakota.

Header image courtesy of the North Dakota Department of Commerce.

TRANSPORTATION AND PROCESSING UPDATES

- In December 2015, the ONEOK Lonesome Creek natural gas processing plant went into service. The 200 million cubic feet per day (MMCFD) plant is located in central McKenzie County.
- In January 2016, the North Dakota Public Service Commission approved the routing of the Dakota Access Pipeline in North Dakota. Iowa is the only state that has yet to make a route determination for the project.
- In February 2016, Enbridge made a decision to modify the anticipated startup time of the Sandpiper Pipeline from 2017 to early 2019. The decision does not have an impact on the system capacity of 225,000 barrels per day (BPD) out of North Dakota.

Estimated Williston Basin Oil Transportation



December 2015 estimates

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811
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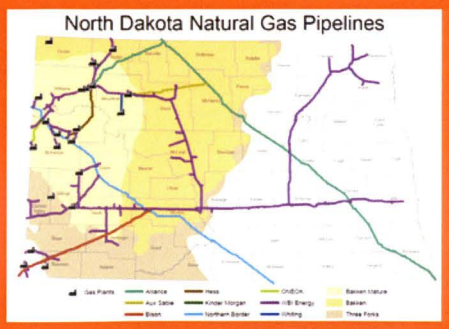
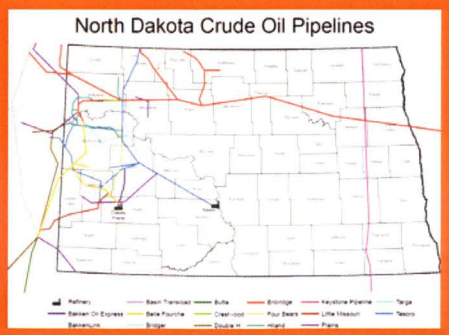
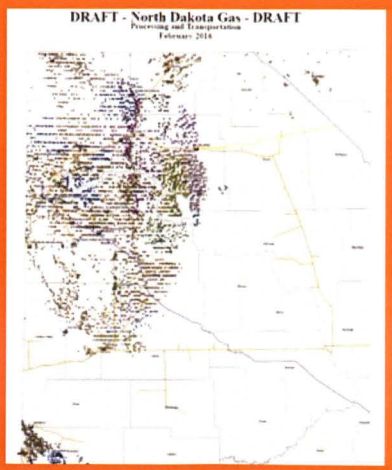
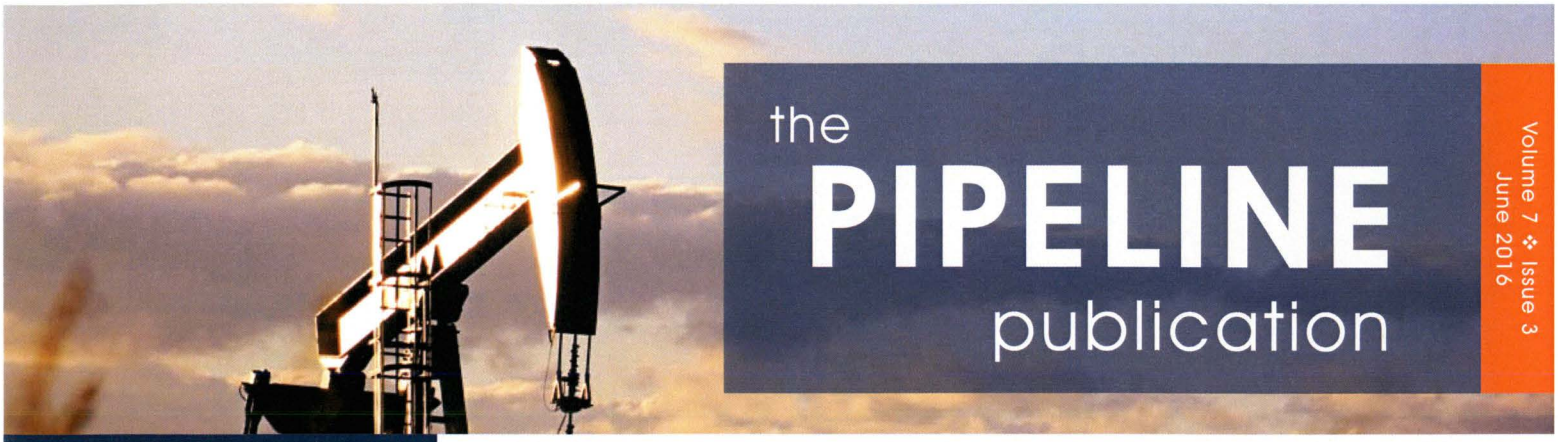
OILFIELD FACTOID

New crude oil and natural gas pipeline maps have been placed on the Pipeline Authority website. The maps are available for download in large format for high resolution printing.









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Volume 7 ❖ Issue 3
June 2016

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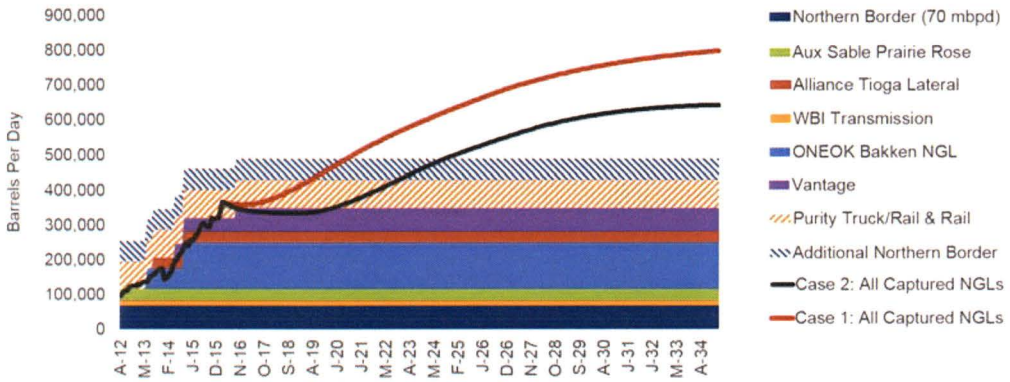
UNDERSTANDING NATURAL GAS LIQUIDS

Much attention has been focused on gathering natural gas produced in association with crude oil in western North Dakota. Receiving less attention is the unique quality of the natural gas stream being gathered to gas plants around North Dakota. Natural gas produced from the Bakken and Three Forks Formations is very high in natural gas liquids (NGLs) such as ethane, propane, and butane (see table on back page). While majority of the NGL's are removed at processing plants in the state to separate the liquids from the "dry" methane stream, a large percent of the ethane remains with the methane stream.

FORECASTED ND NGL PRODUCTION AND TAKEAWAY OPTIONS



NGLs gathered and processed in the region will ultimately need to be moved to consuming markets. A forecast of gathered NGLs in North Dakota was created to quantify the growing transportation needs from the region. The forecast in the chart shows two potential production cases based on different activity level assumptions. In either case, a significant shortfall of gross pipeline capacity occurs in the next 5-10 years. Further complicating the situation is the fact that not all NGL pipelines can handle the same types of NGL products and natural gas plants around the region produce either purity products or unfractionated product, known as Y-grade.

There are several options going forward to address the growing volume of NGLs in North Dakota. One option would be to build, expand, or repurpose existing pipeline systems. A second option could be the development of value added industries that would use NGL products as feedstock. One potential use of NGLs is for enhanced oil recovery (EOR) in the Williston Basin as fields continue to mature. The use of NGLs as a working EOR fluid is still in the research phase.

NORTH DAKOTA — Production Numbers

:: www.pipeline.nd.gov

Average Daily Oil Production, BOPD			Average Daily Gas Production, MMCFD			Average Rig Count		
Jan. 2016	Feb. 2016	Mar. 2016	Jan. 2016	Feb. 2016	Mar. 2016	Jan. 2016	Feb. 2016	Mar. 2016
1,122,462	1,119,092	1,109,246	1,641	1,689	1,710	52	40	32

As of May 20, 2016, there are 25 active rigs in North Dakota.

Header image courtesy of the North Dakota Department of Commerce.

NATURAL GAS STORAGE

One primary use of natural gas is heating residential and commercial buildings. Without the use of underground natural gas storage, the supply chain would be challenged to handle strong seasonal demand shifts. During the warm summer months, natural gas is stored in underground reservoirs and withdrawn during colder periods with higher demand. The reservoirs used for natural gas storage are typically depleted gas producing fields that are converted to serve a storage role. The nearest storage field is located near Baker, MT and is operated by WBI Transmission. Regional pipelines provide transportation service to and from the Baker storage field.

Generalized Bakken Gas Quality

Component	Gallons per MCF	% of Liquids
Nitrogen	NA	NA
Carbon Dioxide	NA	NA
Hydrogen Sulfide	NA	NA
Methane	NA	NA
Ethane	5.32	52.5%
Propane	3.11	30.7%
Isobutane	0.32	3.1%
Normal Butane	0.89	8.8%
Isopentane	0.14	1.4%
Normal Pentane	0.20	2.0%
Hexane+	0.16	1.5%
Totals	**10.14**	**100%**

Gas Stream BTU Value	1,399

Mole % Source: Energy & Environmental Research Center (EERC)

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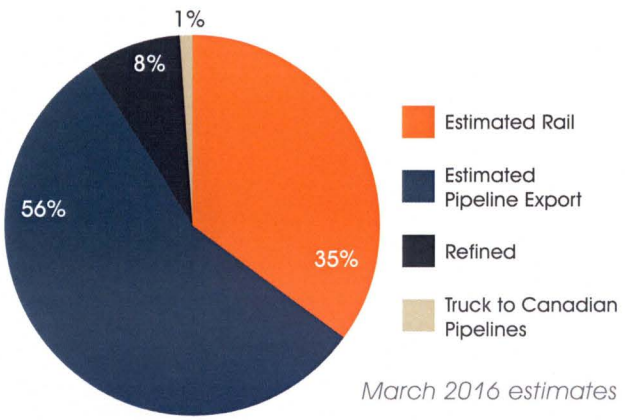
PIPELINE FACTOID

The largest natural gas storage field in the United States is located in the Williston Basin. WBI Transmission's Baker gas storage field has a working gas capacity of over 164 billion cubic feet. The storage field is located primarily in SE Montana in the Cedar Creek Anticline.

Estimated Williston Basin Oil Transportation



March 2016 estimates

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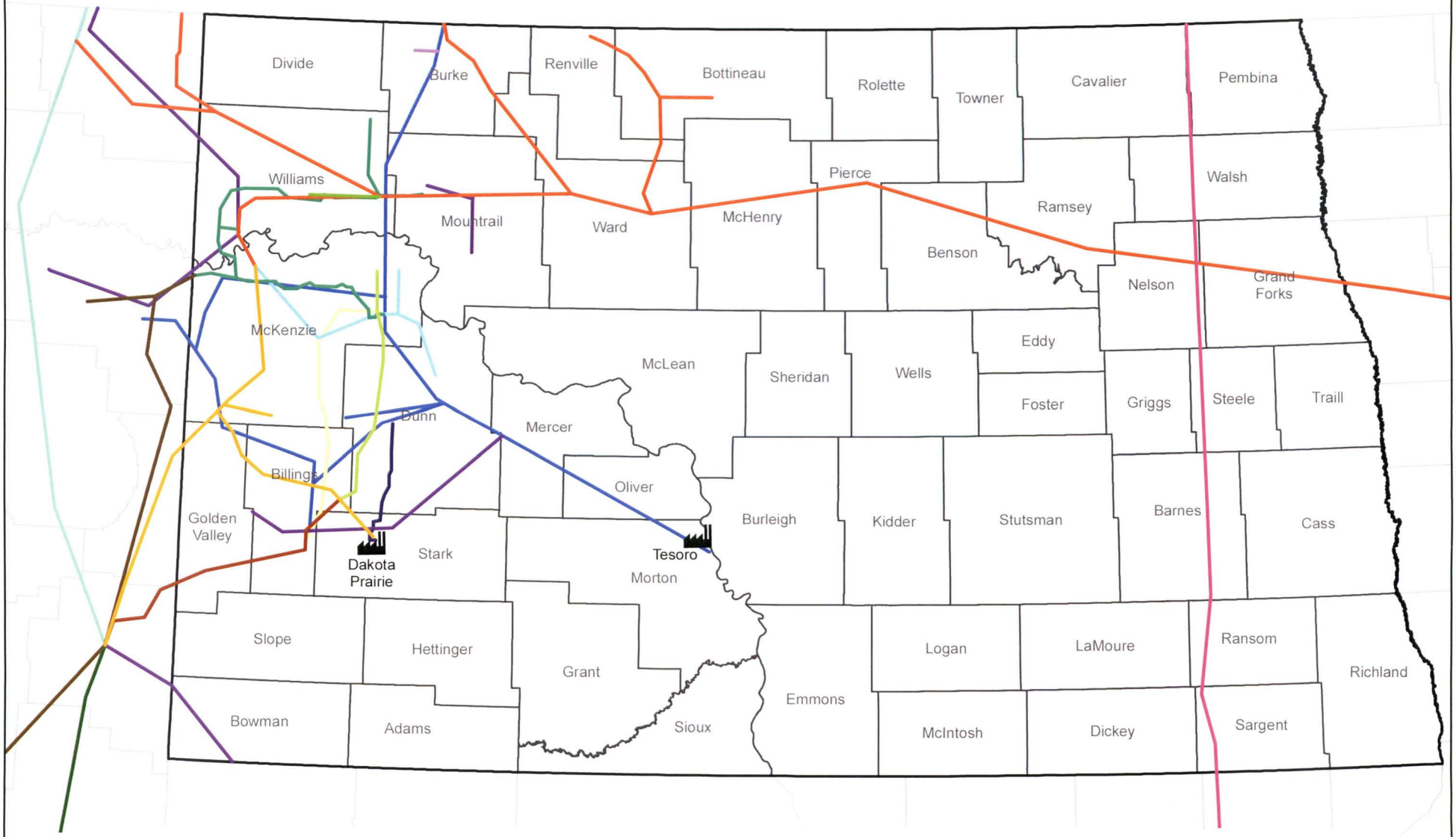
APPENDIX B

North Dakota Pipeline Maps

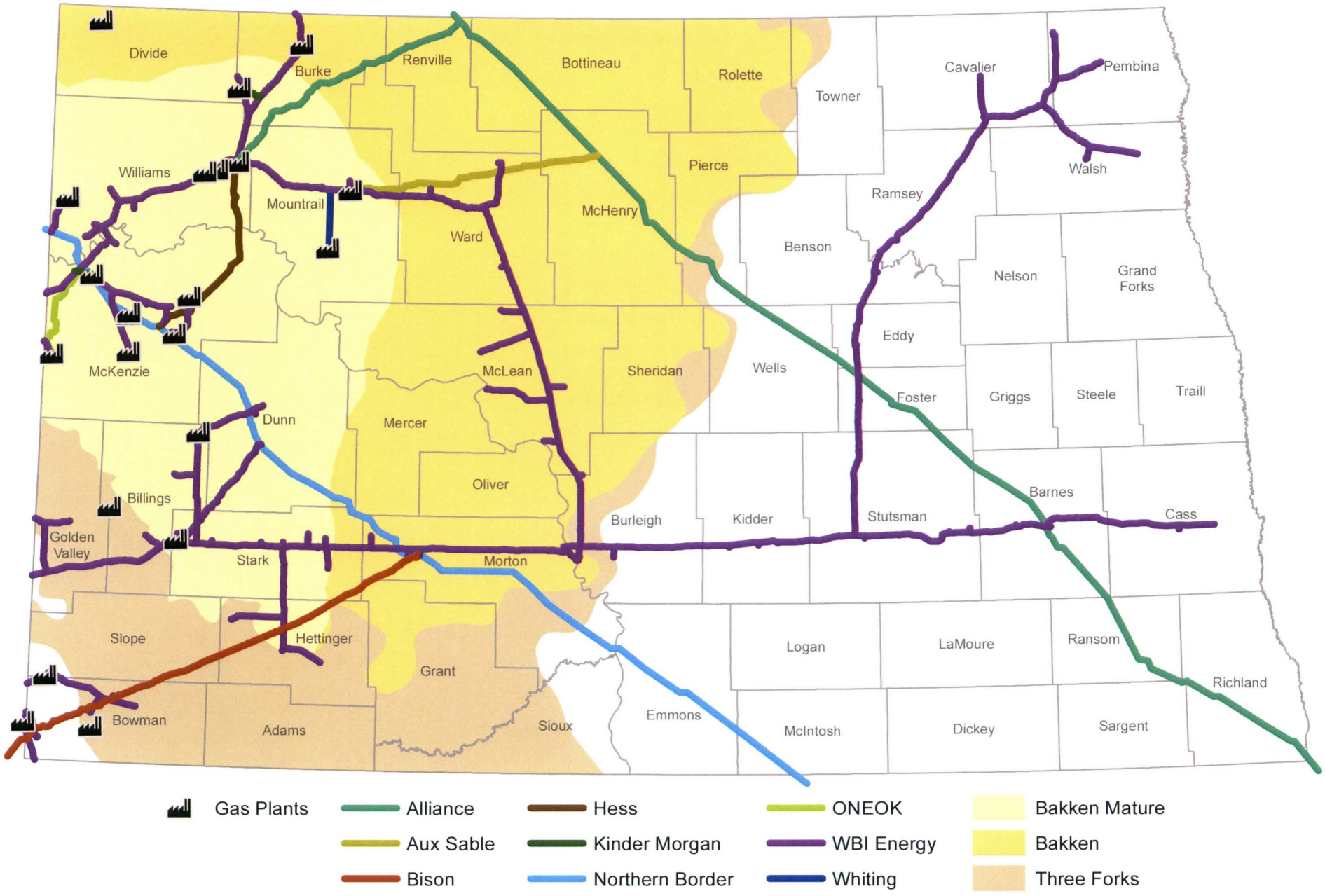
North Dakota Crude Oil Pipelines



Date: 2/22/2016

Disclaimer: Neither the State of North Dakota, nor any agency, officer, or employee of the State of North Dakota warrants the accuracy or reliability of this product and shall not be held responsible for any losses caused by reliance on this product. Portions of the information may be incorrect or out of date. Any person or entity that relies on any information obtained from this product does so at his or her own risk.

North Dakota Natural Gas Pipelines



Date: 2/23/2016

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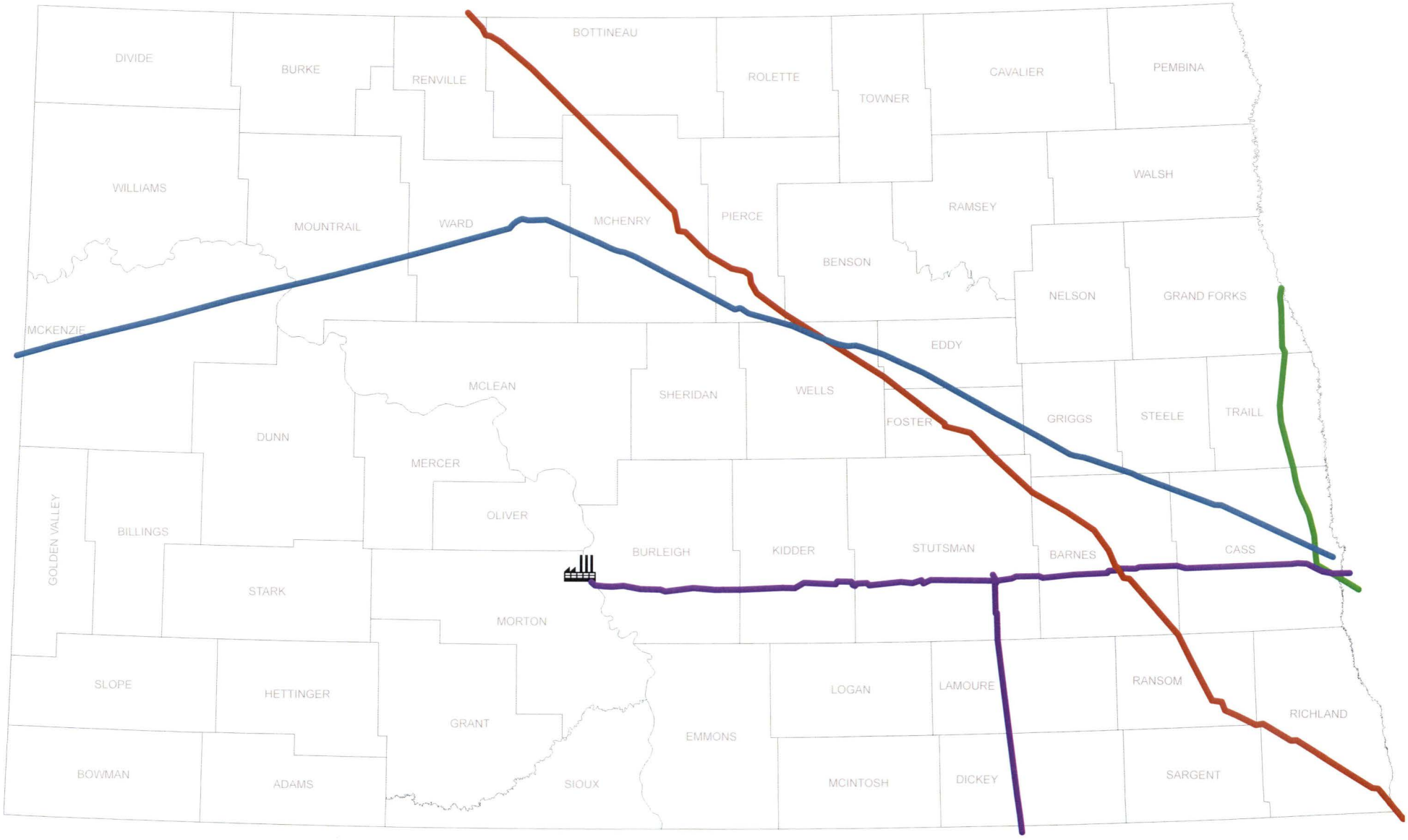
North Dakota Products Pipelines



Cenex Pipeline LLC - Refined Products

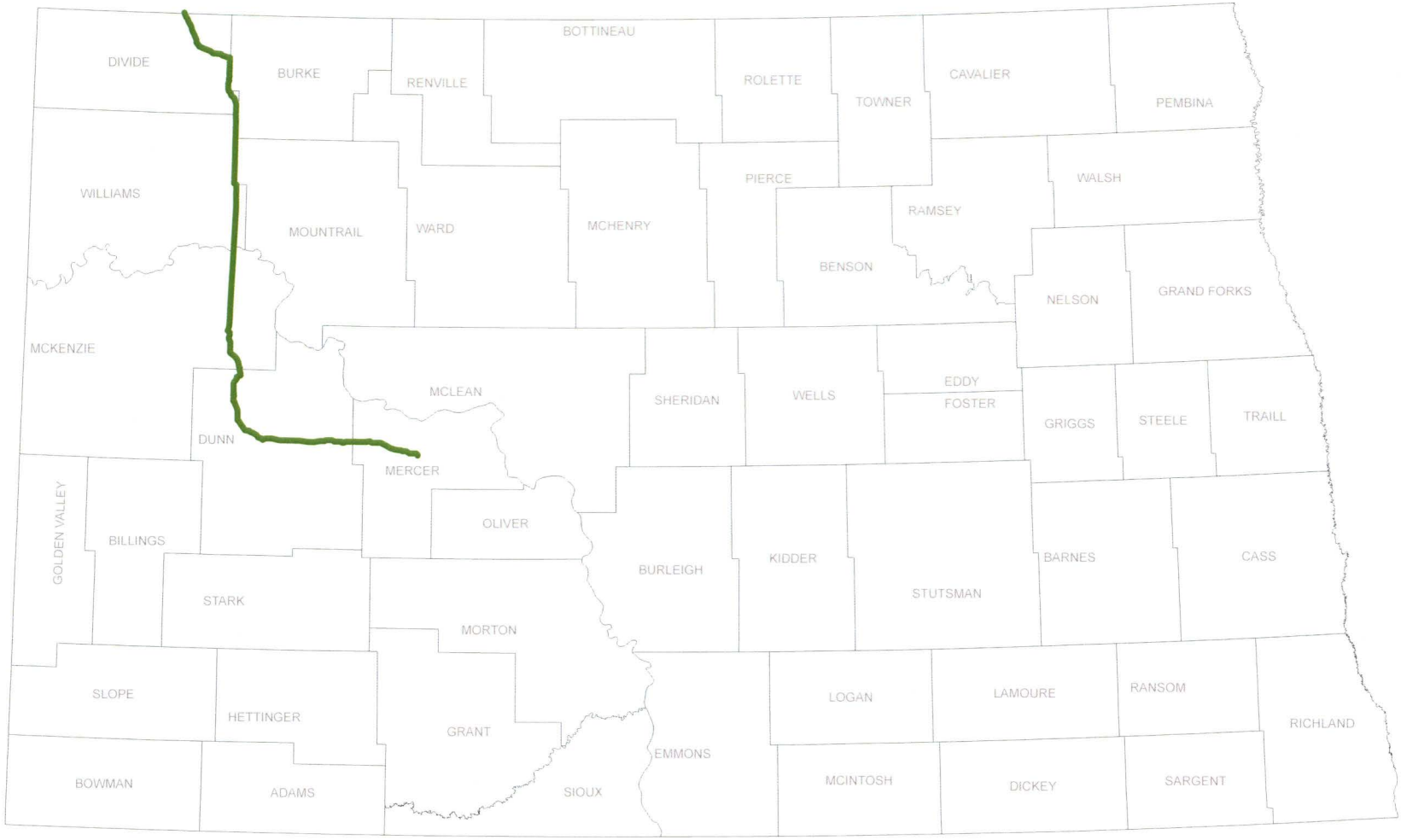
Magellan Midstream Partners LP - Refined Products

Tesoro Mandan Refinery

Kinder Morgan Cochin - Condensate

NuStar Energy - Refined Products

North Dakota CO_2 Pipeline

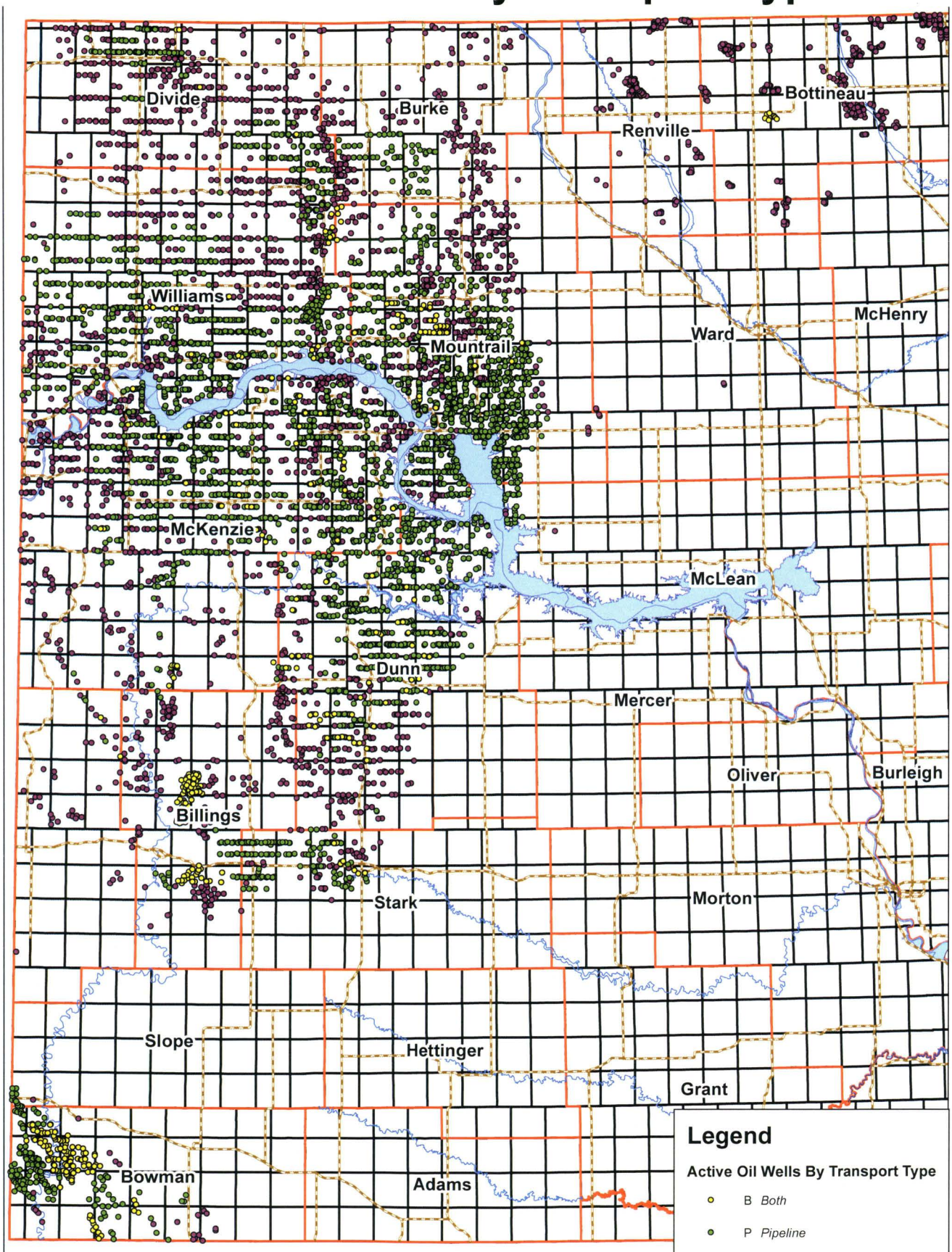


Dakota Gas

APPENDIX C

North Dakota Crude Oil Gathering Map

Active Oil Wells By Transport Type



Map Data Date : 7/1/2016
Map Update Date : 10/11/2016

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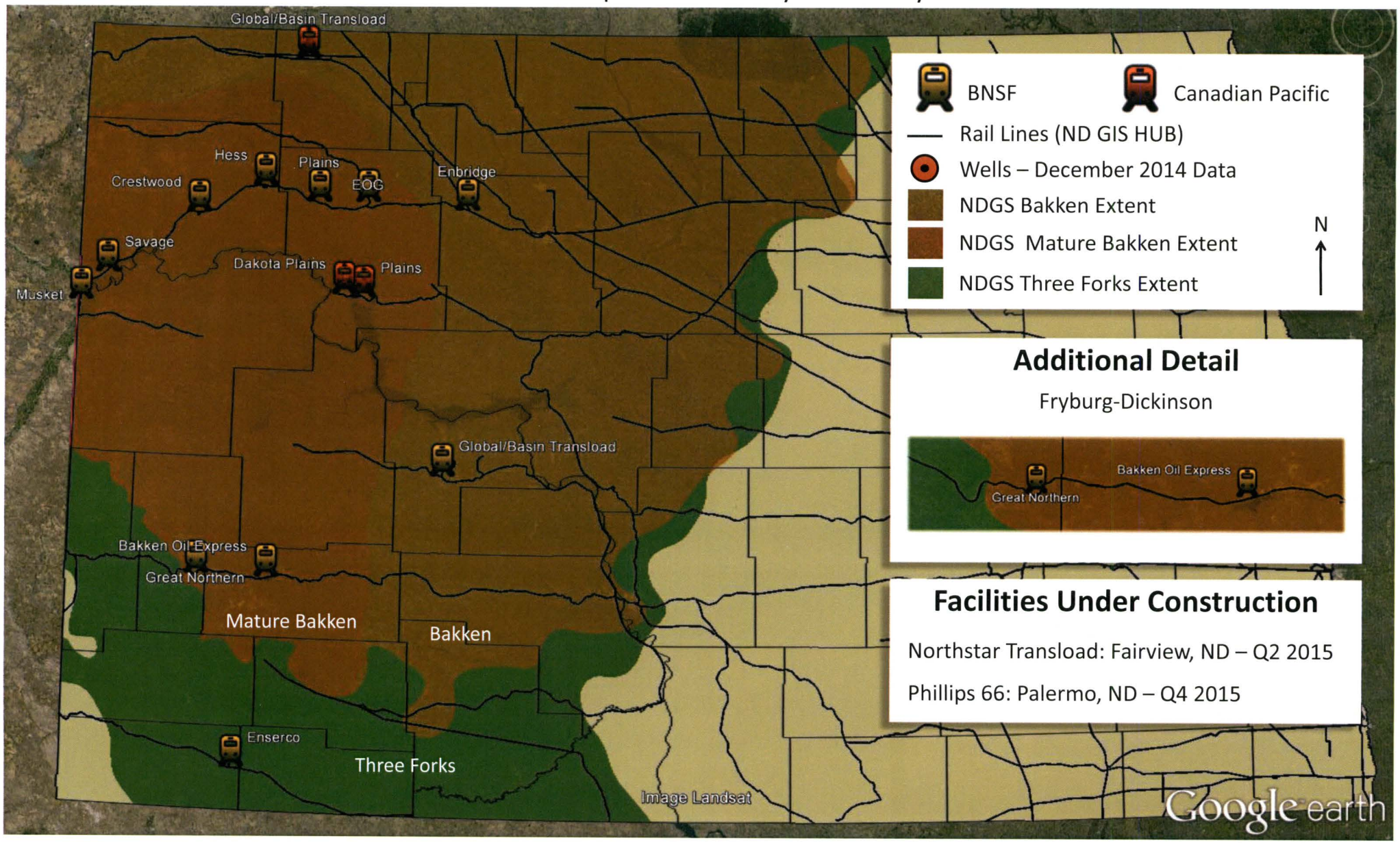
APPENDIX D

North Dakota Crude Oil Rail Loading Map

North Dakota Crude Oil Rail Loading Facilities In Service

North Dakota Pipeline Authority – February 2015



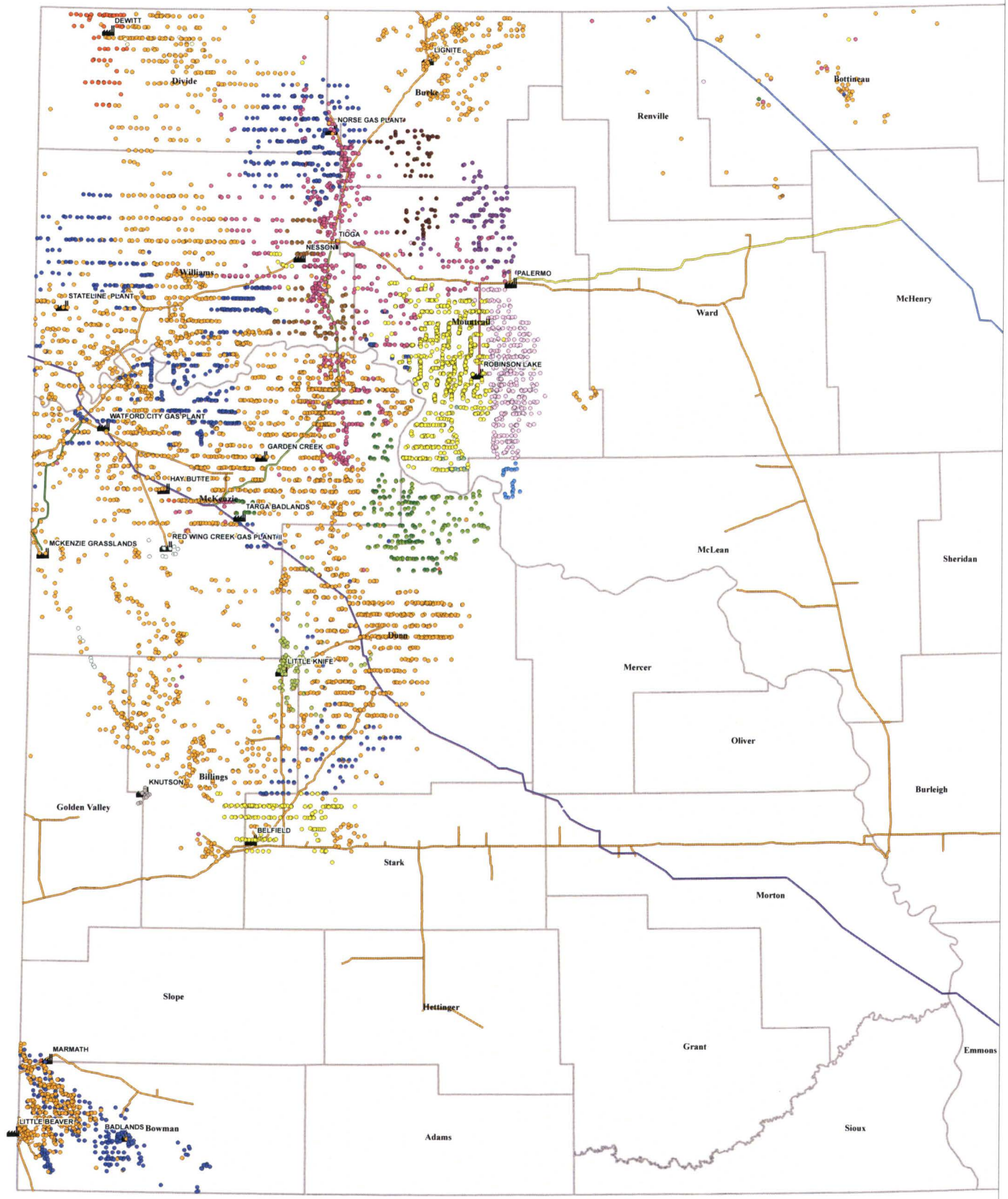
APPENDIX E

North Dakota Gas Processing and Transportation Map

DRAFT - North Dakota Gas - DRAFT

Processing and Transportation

February 2016



Gatherer							PIPELINE	
ARROW	KINDER MORGAN	KNUTSON	OASIS	ONEOK	OTHER	PECAN	PETRO HUNT	QEP
BISON	STERLING	TARGA	TRUE OIL	USG	WHITING	WPX	XTO	Gas Plant
HESS	Alliance	Aux Sable	Bear Paw	Hess	Northern Border	Whiting	WBIP	

Date: 2/19/2016

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SB 2014-2074
1-19-17

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA TRANSMISSION AUTHORITY

Governor **Doug Burgum**
Attorney General **Wayne Stenehjem**
Agriculture Commissioner **Doug Goehring**

#8

NORTH DAKOTA TRANSMISSION AUTHORITY
Chapter 17-05 North Dakota Century Code

The North Dakota Transmission Authority ("Authority") was created by the North Dakota Legislature in 2005. Since its inception the Authority's mission has been to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed transmission.

By statute the Authority membership is comprised of the members of the Industrial Commission. The Director of the Authority works closely with the Executive Director of the Commission. The Authority has no other staff and receives no direct General Fund appropriation. Funding for the Authority comes from the Lignite Research, Development and Marketing Program.

The powers of the Authority include: 1) make grants or loans or borrow money; 2) to issue up to $800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, lease, rent and dispose of transmission facilities; 5) enter into contracts to construct, maintain and operate transmission facilities; 6) investigate, plan prioritize and propose transmission corridors; and 7) participate in regional transmission organizations. In 2009 the Legislature provided the Authority with the power to attach the moral obligation of the State on up to 30% of any revenue bonds sold in conjunction with the financing of a transmission line project.

The Authority's work has focused on observing and achieving a high level of understanding of regional transmission planning. To accomplish this task, the Authority closely monitors and interacts with regional transmission organizations (RTOs) that represent North Dakota transmission developers. These include the Midcontinent Independent System Operator (MISO), and recently the Southwest Power Pool (SPP). The Authority also works with the Organization of MISO States, the Public Service Commission, and other regional and state planning and permitting authorities to ensure transmission policies developed will be favorable to any new North Dakota projects (coal, natural gas, wind or other renewable) that may come before these groups. The Authority has also recently been looking at the impacts of the EPA's Clean Power Plan on regional transmission infrastructure.

The Authority has continued to be engaged in MISO transmission line development work that seeks to identify lines that bring multiple values to transmission across the MISO footprint. This includes transmission under development through the CapX 2020 effort. Such lines with regional benefit will be eligible for cost allocation across the MISO footprint. Of particular importance to North Dakota are the Big Stone South to Ellendale, Big Stone South to Brookings, and Brookings to Twin Cities lines identified by MISO as having regional benefits. The Brookings to Twin Cities line was placed into service in 2015. Big Stone South-Brookings is expected to be completed in 2017, and Big Stone South to Ellendale remains on-schedule for 2019.

1

ND Transmission Authority
North Dakota Transmission Authority
Andrea Stomberg, Director
1016 East Owens Avenue – P.O. Box 2277 - Bismarck, ND 58502-2277
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In October 2015, Basin Electric and Western Area Power Administration (Western) officially joined the SPP, another regional transmission organization similar to MISO but with a different footprint. Similar planning and transmission line development will be supported by their power pool as is done by MISO for its members. The two RTOs are currently conducting a joint study to look at the newly created Integrated System "seam" between their markets in the Upper Midwest (primarily North Dakota, South Dakota, and Iowa). Seam issues are generally trading barriers that can arise when there are differences between market rules and designs that can affect the efficiency and reliability of transmission where two RTOs border each other. The Joint Planning Committee is currently determining the full scope and hope to conclude the study by the first quarter of 2017.

The Transmission Authority coordinates its activities with the Public Service Commission and the Department of Commerce and regularly reports to the Industrial Commission.

A copy of the Transmission Authority's annual report is available on the Industrial Commission website at http://www.nd.gov/ndic/ under publications.

SB 2014/2074
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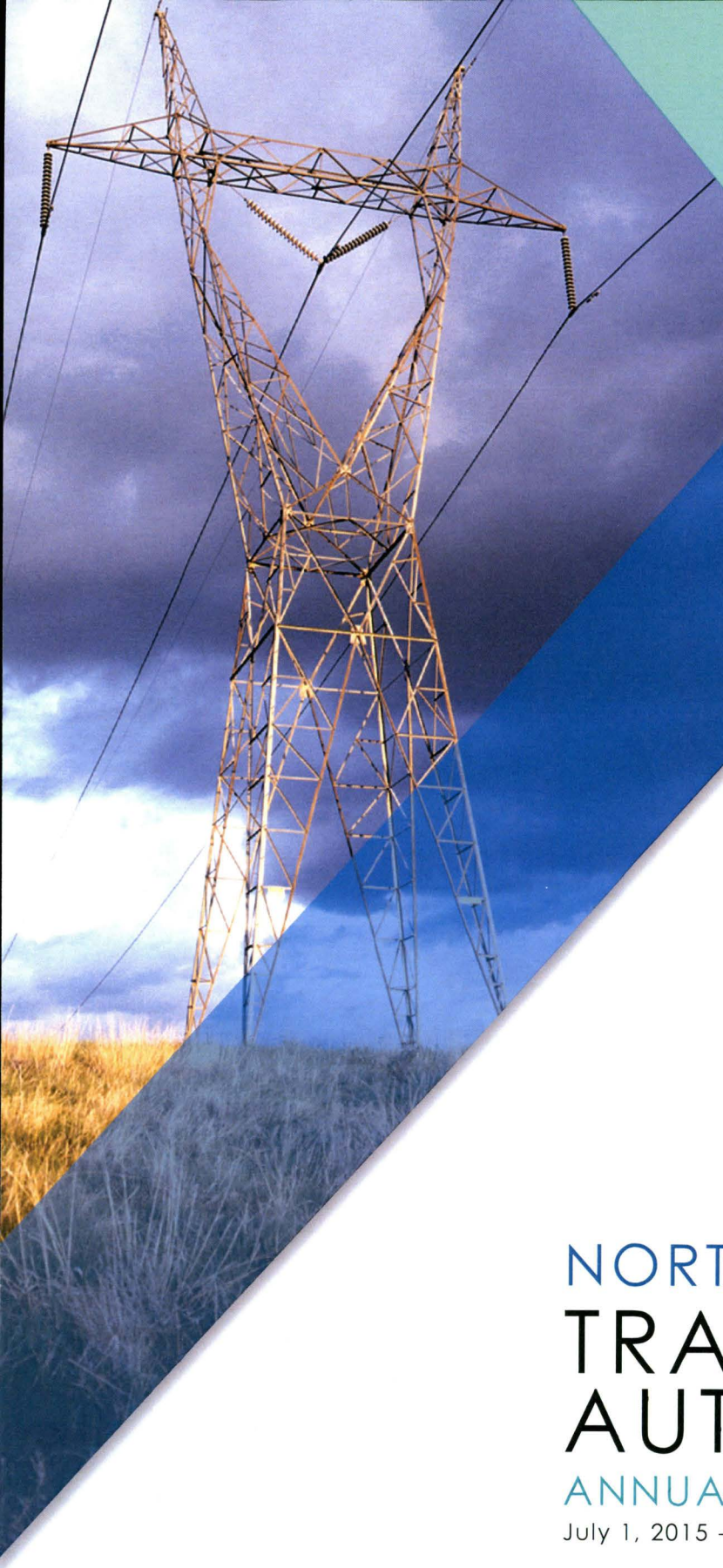


NORTH DAKOTA TRANSMISSION AUTHORITY

ANNUAL REPORT

July 1, 2015 - JUNE 30, 2016

OVERVIEW

The North Dakota Transmission Authority (Authority) was created by the North Dakota Legislative Assembly in 2005 at the request of the North Dakota Industrial Commission. The Authority's mission is to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business has the first opportunity to invest in and/or build needed transmission.

By statute the Authority membership is comprised of the members of the North Dakota Industrial Commission. Tyler Hamman was appointed Director of the Authority in July 2015. The Director works closely with the Executive Director of the NDIC, Ms. Karlene Fine. The Authority has no other staff, and receives no direct general fund appropriation.

SUMMARY OF ACTIVITIES

Whether the issue is project development or legislative initiatives, the Authority is actively engaged in seeking ways to improve North Dakota's energy export capabilities along with transmission capabilities within the state. To be successful Authority staff must have an understanding of the technical and political challenges associated with moving energy from generator to satisfied customer. Outreach to existing transmission system owners and operators and potential developers in order to understand the nuances of successful transmission infrastructure development is necessary. Another key element for success is working with officials at the state and federal levels to ensure that legislation and public policy are designed to support the movement of electricity generated from North Dakota's abundant energy resources to local, regional and national markets.

NORTH DAKOTA INDUSTRIAL COMMISSION

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

NORTH DAKOTA TRANSMISSION AUTHORITY

Tyler Hamman
Director

STATUTORY AUTHORITY

Statutory authority for the Transmission Authority is found in chapter 17-05 of the North Dakota Century Code. Section 17-05-05 N.D.C.C. delineates the powers of the Authority, including:

1) make grants or loans to borrow money;
2) issue up to $800 million in revenue bonds;
3) enter into lease-sale contracts;
4) own, lease, rent and dispose of transmission facilities;
5) enter into contracts to construct, maintain and operate transmission facilities;
6) investigate, plan, prioritize and propose transmission corridors; and
7) participate in regional transmission organizations.

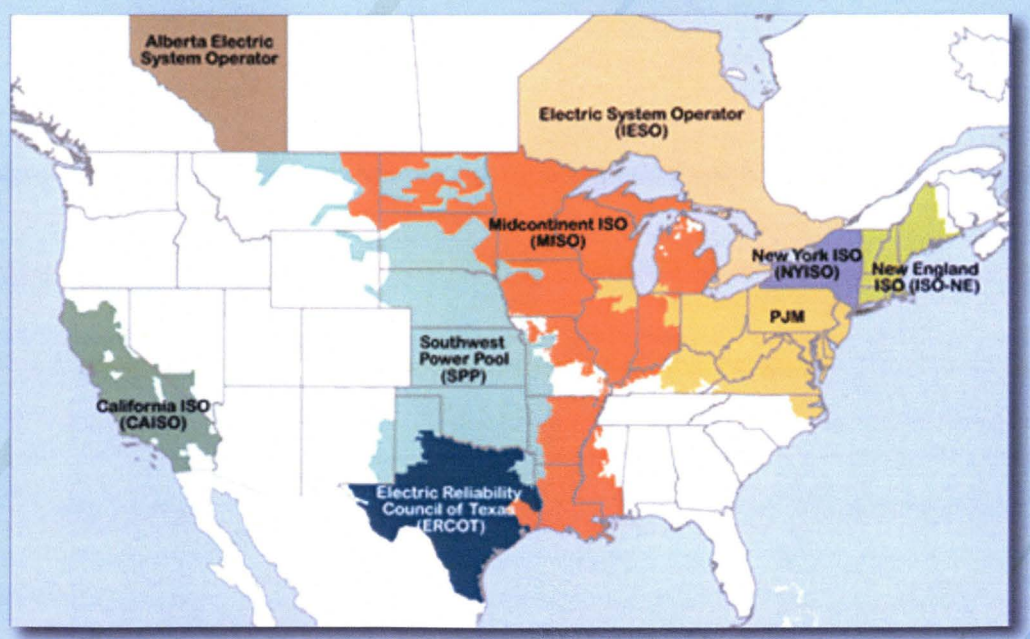
Before the Authority may exercise its power to construct transmission facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Authority must publish a notice describing the need for the transmission project. Entities interested in construction of the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Authority receives a notice of intent from an interested entity, it may not exercise its power to construct unless the Authority makes a finding that doing so would be in the public interest. In making such a finding, the Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

The Authority may finance approved projects through the issuance of bonds. Under current law up to 30 percent of the cost of a project may be financed by selling bonds that include the moral obligation of the State of North Dakota. In other words, up to $240 million of the Authority's $800 million total bonding authority may be sold with the moral obligation of the state. The moral obligation component enhances the marketability of the Authority's bonds.

KEY ELEMENT: PLANNING

A major portion of the Authority's workload includes observation and achieving a high level of understanding of regional transmission planning. To accomplish this task, the Authority closely monitors and participates in the efforts of regional transmission organizations (RTOs) that represent North Dakota transmission developers. Authorized and recognized by the Federal Energy Regulatory Commission (FERC), RTOs oversee the efficient and reliable operation of the transmission grid. While RTOs do not own any transmission assets, they do provide non-discriminatory access to the electric grid, manage congestion, provide billing and settlement services, and oversee planning, expansion, and interregional coordination of electric transmission.

Many North Dakota service providers have long been participants in the Midcontinent Independent System Operator (MISO). The MISO footprint covers the service territories of Otter Tail Power (OTP), Montana-Dakota Utilities (MDU), Great River Energy (GRE), Xcel, and Missouri River Energy Services (MRES). In October 2015, the Western Area Power Administration (Western) and Basin Electric Power Cooperative (BEPC) officially joined the Southwest Power Pool (SPP), bringing the entire state of North Dakota under the transmission planning of RTOs. Combined, North Dakota utilities and transmission developers are part of an extremely complex system that oversees the transmission of over 200,000 megawatts of electricity across 100,000 miles of transmission lines so that utilities can deliver power to homes and businesses in all or part of 20 states.



FERC-Recognized Regional Transmission Organizations and Independent System Operators
(www.ferc.gov)

MISO TRANSMISSION EXPANSION PLANNING (MTEP)

Each year, MISO begins an extensive planning process to determine transmission infrastructure needs. MTEP runs on an 18-month cycle beginning in June with a final report released in December of the following year. Transmission infrastructure identified during MTEP is intended to meet local and regional reliability standards, enable competition among wholesale energy generators, and allow for competition among transmission developers. MTEP has resulted in $17.9 billion in transmission investments across the MISO footprint since 2003.

MTEP takes into account three specific categories of transmission projects:

1. Bottom-Up Projects – Generally not cost-shared and are developed by transmission owners, includes Baseline Reliability Projects (BRP) required to meet North American Electric Reliability Corporation (NERC) standards. Other projects can include meeting local reliability needs and other drivers that are not necessarily a part of the bulk electric system. MISO evaluates bottom-up projects submitted by transmission owners in order to validate that the project is a practical solution to the identified transmission issue.

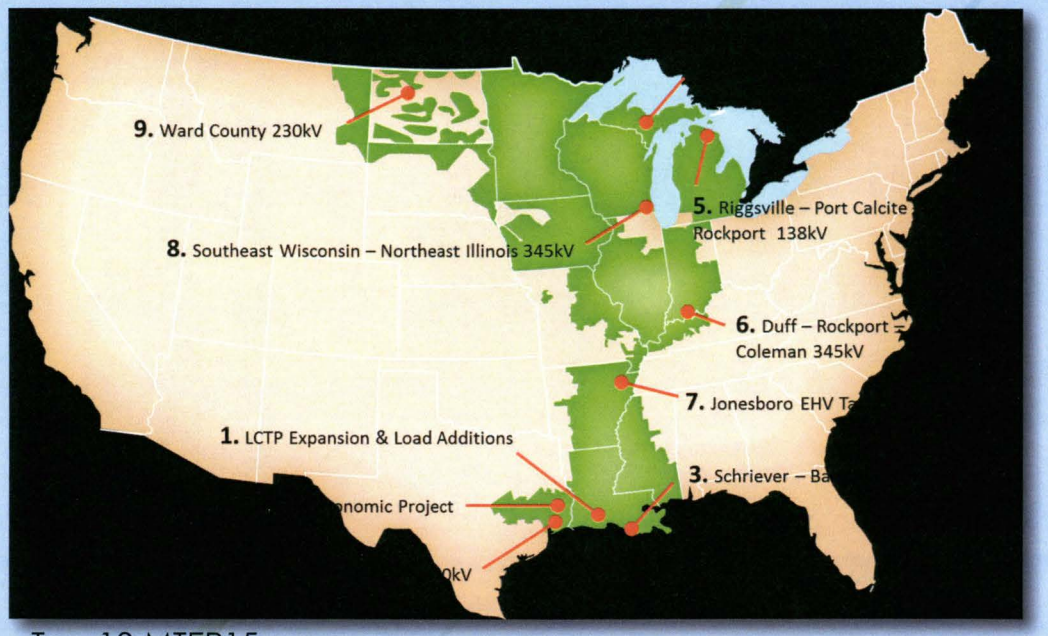
2. Top-Down Projects – Includes Market Efficiency Projects (MEP) and Multi-Value Projects (MVP) at the regional or sub-regional level. These projects are generally developed by MISO working in conjunction with stakeholders. MEPs are intended to reduce market congestion across a given area, while MVPs provide policy, economic, and/or reliability benefits.

   Top-Down Projects that provide significant benefit to MISO customers are generally cost-shared across the MISO footprint. Projects of particular importance to North Dakota are the Big Stone South to Ellendale, the Big Stone to Brookings, and Brookings to Twin Cities MVP lines. The Brookings to Twin Cities line was energized in March of 2015, while the Big Stone South to Ellendale and Big Stone to Brookings lines remain under construction.

3. Externally Driven Projects – These projects are driven by customer-initiated needs and include Generation Interconnection Projects (GIP) to connect new generation to the grid, Transmission Delivery Service Projects, and Market Participant Funded Projects that provide benefit to one or more market participants but do not qualify as a BRP, MEP, or MVP.

MTEP15: The 12th edition of the MTEP recommended the approval of 345 new transmission projects totaling $2.75 billion to the MISO Board of Directors, including 90 BRPs. MTEP15 projects that 4,600 miles of transmission lines will be upgraded along existing corridors, and 3,100 miles of new transmission line will be constructed over the 10-year planning horizon.

In North Dakota, MTEP15 recommended that MISO approve three GIPs, and two BRPs. These projects include upgrades to transformers, new substations, and rebuilt or new transmission. Of particular note, it is recommended that a new 230kV line be constructed in Ward County, between Minot to the McHenry Substation. At approximately $63.3 million, the joint project between BEPC and Xcel is among the top ten largest in the MTEP15 and is expected to be in-service by September 2018



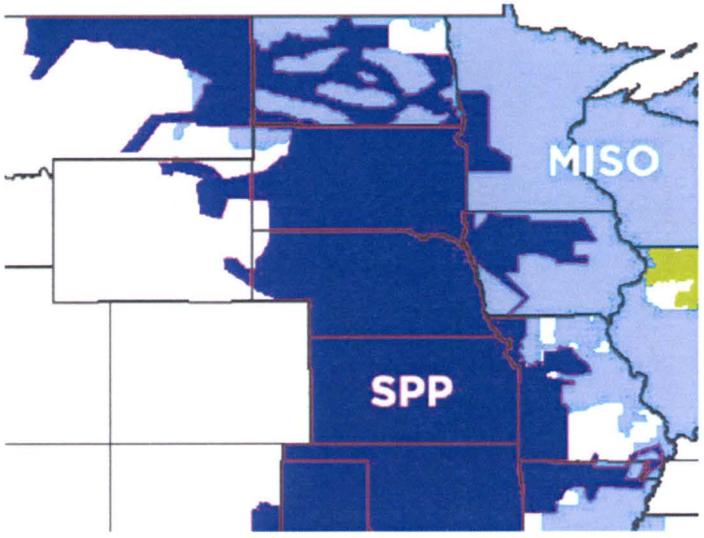
Top 10 MTEP15 new Appendix A projects (www.misoenergy.org)

MTEP 16: With the next MTEP already underway, planners are considering approximately two dozen projects that have been submitted to improve transmission in North Dakota. It remains to be seen which projects will ultimately be recommended in MTEP16, or will be deferred for future MTEPs.

MISO-SPP JOINT TRANSMISSION STUDY

Following approval by the SPP Seams Steering Committee, and the MISO Interregional Planning Stakeholder Advisory Committee, it was agreed that the two RTOs would conduct a joint study to look at the newly created Integrated System "seam" between their markets in the Upper Midwest (primarily North Dakota, South Dakota, and Iowa). Seam issues are generally trading barriers that can arise when there are differences between market rules and designs that can affect the efficiency and reliability of transmission where two RTOs border each other. The Joint Planning Committee is currently determining the full scope and hope to conclude the study by the first quarter of 2017.

SPP's Seams with MISO



Source: ACES

CLEAN POWER PLAN

As proposed in June 2014, the Environmental Protection Agency's Clean Power Plan mandated a 30 percent reduction in carbon dioxide levels from electric power generation by 2030, with an eleven percent reduction target for North Dakota. However, the final rule, released in August 2015, presented a dramatic departure from the draft rule. While it increased the target nationally from a 30 percent to a 32 percent reduction in carbon dioxide levels, it more than quadrupled its requirement for North Dakota by mandating a 45 percent reduction in carbon dioxide within the state by 2030. Although the Clean Power Plan does not affect transmission directly, it will significantly impact power generation in the state and how transmission is utilized to transfer energy across the grid.

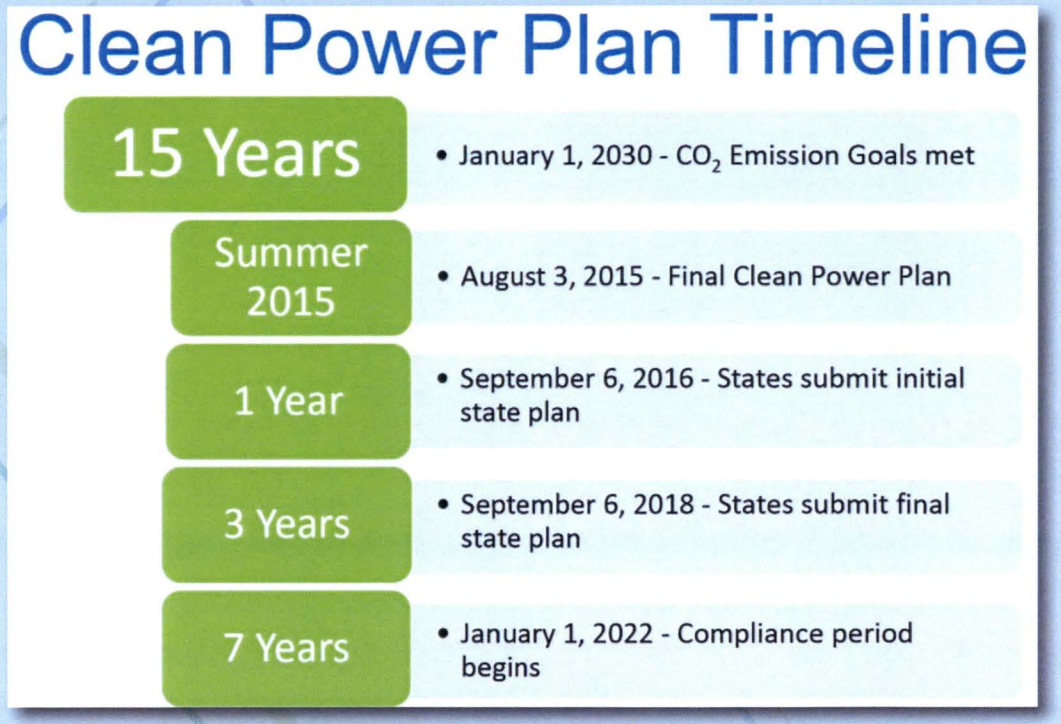
North Dakota and 26 other states subsequently filed suit against the Clean Power Plan, and achieved the first-ever stay of an administrative rule from the U.S. Supreme Court. While the stay remains in effect until a decision from the D.C. Circuit Court of Appeals, and subsequent decision from the U.S. Supreme Court, MISO and many other entities are in the process of analyzing the rule's impact.

MISO's analysis since the release of the proposed rule and analysis of the final rule indicate that the Clean Power Plan will significantly increase congestion on the grid, and that multi-billion dollar transmission buildout will be necessary for compliance. New transmission investment will be driven by retirement of existing power generation facilities and the location and type (i.e., intermittent vs. baseload) of replacement capacity. Transmission expansion is particularly needed to mitigate reliability impacts of coal retirement.

Under MISO's mid-term analysis of the Clean Power Plan, released in March of 2016, it found that compliance could lead to the retirement of 23-30 percent of its coal-fired generation across the MISO footprint by 2030. The analysis further highlighted the challenge of balancing new renewable generation with the necessary transmission to deliver that energy across the system. Similarly, the SPP projects that up to 13.9 gigawatts of generation across its footprint could be at-risk for retirement due to compliance with the Clean Power Plan, representing approximately 50 percent of its coal-fired generation. Further, the SPP estimates compliance costs of approximately $2.9 billion per year before considering costs of new transmission or other infrastructure to facilitate generator interconnection or power delivery.

North Dakota, through the Public Service Commission, is also represented in the Organization of MISO States (OMS), as well as by MISO members who continue to review the final rule. The OMS is a not-for-profit association comprised of retail energy regulators within the MISO region, consumer advocates, energy planning offices, and agencies involved in energy related environmental issues. The purpose of the OMS is to coordinate regulatory oversight of wholesale matters by making recommendations to MISO management and staff, the MISO Board, FERC, other government entities and state commissions as appropriate, as well as intervene in proceedings before FERC and the courts as appropriate.

Pending the legal outcome on the Clean Power Plan, if the regulation goes into effect as-is, it will undoubtedly bring a need for new transmission depending on how North Dakota's existing generation plants are dispatched and new generation is developed to comply with the rule. The Transmission Authority continues to closely monitor this regulation with its state and regional partners.



Clean Power Plan Compliance Timeline
NOTE: This does not reflect U.S. Supreme Court Stay. Compliance deadlines may be pushed back by the amount of time the rule was under legal review.

KEY ELEMENT: OUTREACH

Outreach is another significant element of the Authority's mission. To accomplish this task, the Authority works with interested parties, either through one-one-contacts, or through participation with other organizations, agencies, and programs focused on transmission. These interactions are essential to identify issues and develop solutions to further improve and expand electric transmission in North Dakota.

As North Dakota approaches the 2017 legislative session, utilities and transmission stakeholders have identified an interest in streamlining Public Service Commission siting authorities. Currently, the North Dakota Energy Conversion and Transmission Facility Siting Act (Chapter 49-22 N.D.C.C.) applies to siting of both electric generation and transmission facilities, along with oil and gas processing and pipeline facilities. Stakeholders believe that the statute needs to be amended to, separate the rules regarding siting of electric facilities from oil and gas facilities to address different infrastructure and siting needs of the two industries, as well as avoid unintended consequences of cross-industry impacts.

Other issues identified through outreach include modification of rights-of-way tenure for utility infrastructure, and concerns about U.S. Fish and Wildlife Service guidelines pertaining to transmission lines within wildlife corridors. The Authority continues to gather additional information regarding potential legislative proposals for the 2017 session.

TRANSMISSION UPDATES

There are a number of projects underway to expand transmission available to North Dakota generators. These are summarized briefly below.

CapX2020 - CapX2020 is a Minnesota-based initiative of 11 utilities to upgrade and expand the transmission grid in the Upper Midwest. CapX2020 partners have worked together to plan and build nearly 800 miles of new high-voltage transmission lines across Minnesota, Wisconsin, North Dakota, and South Dakota, with a total investment of $2.1 billion. Planning studies indicated that Minnesota customer demand for electricity will increase 4,000 to 6,000 megawatts (MW) by 2020. In addition, Renewable Energy Standards (RES) require utilities to deliver 25 percent of their electricity from renewable generation by 2025 in Minnesota, and 10 percent by 2015 in Wisconsin. New transmission lines designed to serve this expected growth and meet regional RES requirements are being constructed in phases. The lines identified in the first phase of the effort include:

Bemidji-Grand Rapids, 68 miles, 230-kV
Fargo-St. Cloud-Monticello, 240 miles, 345-kV
Hampton-Rochester-La Crosse, 150 miles, 345-kV
Brookings County-Hampton, 200 miles, 345-kV
Big Stone South-Brookings County, 70 miles, 345-kV

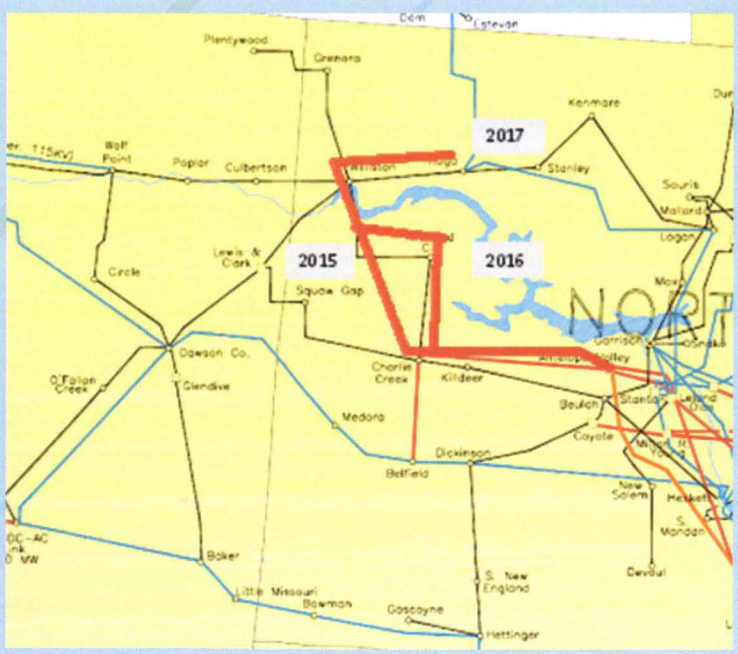
With the completion of the Fargo-St. Cloud-Monticello, and Brookings-County-Hampton line in 2015, all but two of the CapX2020 projects have been put into service. The Big Stone South-Brookings County line is targeted to be in-service in 2017, and the Hampton-Rochester-La Crosse line is expected to be completed in 2016.

Photo Courtesy of CapX2020

Minnkota Power Cooperative Project – In 2014, Minnkota saw the completion of its largest-ever capital investment in transmission facilities. The $353 million, 250-mile Center to Grand Forks (CGF) line transports energy from the Milton R. Young Station near Center, N.D., to Minnkota's service territory in eastern North Dakota and northwest Minnesota. The CGF line also enabled 500 MW of wind energy to be installed in central North Dakota and transmitted over an existing high-voltage DC line to northeastern Minnesota. This line is expected to satisfy Minnkota's obligation as a transmission services provider and meet long-term load growth needs. As such, Minnkota did not indicate the need to begin developing any large transmission projects in 2015.

Basin Electric Power Cooperative Western ND Project – In response to growth in western North Dakota related to oil and gas development, BEPC has undertaken the construction of a 200-mile 345kV line from the Antelope Valley Station (AVS) to the Neset Substation near Tioga, North Dakota. Construction of the line began in 2014, and the line has been completed and energized to the Judson Substation near Williston. The remaining segment to Neset is expected to be in-service by the end of 2017.

BEPC is also nearing completion of Phase I of the North Killdeer Loop. This portion consists of approximately 28-miles of 345kV line and two substations that tie into the AVS-Neset Line going west of Watford City. Phase I is expected to be energized by the end of August 2016 and will deliver power to the service territory of the McKenzie Electric Cooperative. BEPC is in the process of securing easements for Phase II of the North Killdeer Loop, which will be placed north of Killdeer, and is expected to be completed by the end of 2017.



AVS to Neset Line, including North Killdeer Loop

Big Stone South to Ellendale (BSSE) – Construction began in 2016 on the Big Stone South to Ellendale MVP line. BSSE is a 150-175 mile transmission line from the proposed Big Stone South substation to the proposed Ellendale substation near Ellendale, North Dakota. Montana-Dakota Utilities Co. and Otter Tail Power Company will jointly own the line. MISO has scheduled the line to be in service by 2019.

Great River Energy High Voltage Direct Current (HVDC) Refurbishment – In December 2015, GRE's Board of Directors approved the largest transmission refurbishment project in the organization's history. GRE's 436-mile HVDC line has provided 99 percent reliability since being put into service in 1978, transporting power from the Coal Creek Station in Underwood, N.D., to the Dickinson Converter Station in Buffalo, MN. There, electric power is converted to alternating current and distributed within GRE's service territory in Minnesota. GRE intends to invest approximately $200 million over the next decade to overhaul converter stations, replace valve electronics, and upgrade components to improve performance and extend the life of the HVDC line.

Montana-Dakota Utilities Subtransmission Improvements – MDU is currently focused on several projects to replace aging subtransmission infrastructure. Since 2015, MDU has replaced several miles of 115 kV line, including 35 miles from Kenmare to Lignite, N.D., as well as a 9-mile double-circuit line near Williston, N.D. In 2016, MDU began work on a 12-mile loop-feed line to increase reliability around Watford City, N.D. In addition to its subtransmission lines, MDU is also conducting work on substations near Williston, Kenmare, and Dickinson.

Great Northern Transmission Line Project - The Great Northern Transmission Line Project includes approximately 220 miles of new 500 kV transmission line connecting Manitoba to northeastern Minnesota's Iron Range. While not directly impacting North Dakota, the Great Northern Transmission Line is an integral component to realizing the regional benefits of synergies between flexible Canadian hydropower resources and intermittent wind resources in North Dakota and the rest of the Upper Midwest, as demonstrated in MISO's Manitoba Hydro Wind Synergy Study. Minnesota Power received approval from the Minnesota Public Utilities Commission in April 2016, and is awaiting issuance of a Federal Presidential Permit. Construction is expected to begin in 2017 in order to meet the required in-service date of June 1, 2020.

ALLETE Energy Corridor -ALLETE Clean Energy continues to develop the concept of a comprehensive energy corridor that would utilize existing pathways to efficiently move natural gas, petroleum products, water and wastewater, wind energy and potentially carbon dioxide captured from coal-fired power plants.

The backbone of the energy corridor would be an existing 465-mile path that contains a direct current transmission line running between Center, North Dakota, and Duluth, Minnesota. The energy corridor may parallel adjacent right of way along this existing path, as well as a potential addition that would extend some 60 miles west to the Bakken shale oil fields.

Xcel Energy Transmission Development Company - Xcel Energy Transmission Development Company, LLC (XETD) received conditional approval in November of 2014 for a transmission Formula Rate for inclusion in the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff. XETD is a transmission-only company established by Xcel Energy Inc. to, among other things, develop and own transmission projects in the MISO region. With development of the FERC Order 1000 competitive bid process now complete, XETD will be an active participant in transmission development in the MISO region.

KEY ELEMENT: GOVERMENT ACTION

Another function of the Authority staff is to act as a resource for elected officials and policymakers, and provide the necessary information to help make informed decisions. Whether the issue involves working on state energy policy regarding transmission development, or commenting on federal transmission legislation and regulations, the Authority serves as a resource for decision-makers. In the last year the Authority was involved on several fronts working with the following entities: the EmPower ND Commission, Governor's Office, Attorney General's Office, Department of Commerce, the ND Public Service Commission, and the ND Congressional Delegation.

- **EmPower ND Commission** – The Authority was an active participant in the EmPower ND Commission work. Authority activities included briefing the Commission on transmission issues in North Dakota and participating in development of Commission goals. The 2016 EmPower ND report highlighted transmission as a key infrastructure need in North Dakota, and expressed support for continued support of R&D funding to facilitate development of transformational energy technologies, as well as enhance understanding of integration between traditional and renewable electric generation sources.

- **Interagency Coordination** - As important as everything else discussed in this report, is the coordination of efforts among the various government entities with oversight, or interest in transmission development. In particular, regular meetings are held with the representatives from the Public Service Commission to discuss transmission issues and receive updates from RTOs. On occasion other offices request technical support and policy guidance from Authority staff.

- **Western North Dakota Energy Development Information Exchange Council** - At the request of the Governor, Basin Electric, MDU and the Transmission Authority serve on the Western North Dakota Energy Development Information Exchange Council. The purpose of this Council is to serve as a conduit for the exchange of future energy development plans in the Williston Basin. Other members of the Council include several oil and gas companies and representatives from the Department of Health, Department of Commerce, Department of Mineral Resources and State Water Commission.

CONCLUSION

The North Dakota legislature established the Authority over a decade ago to help facilitate the expansion of transmission capacity and take advantage of North Dakota's vast energy resources to serve the needs of North Dakota and the region. Since that time, the question of expanding and improving transmission has only grown increasingly more complex. As utilities seek to integrate more intermittent generation on the grid, changes to the transmission system must be made with great care to ensure the reliability of the existing system. Further, as the cadre of stakeholders expands and regulatory pressure intensifies, the roles of planning and outreach continue to grow to enable transmission development.

As depicted below, transmission lines in recent years must be constructed to satisfy multiple siting demands. Regulatory requirements, as well as right-of-way acquisition and landowner approval, have increased the length, and consequently, the cost of new transmission. Today the cost to construct a new high-voltage transmission line ranges approximately $1-1.5 million per mile.

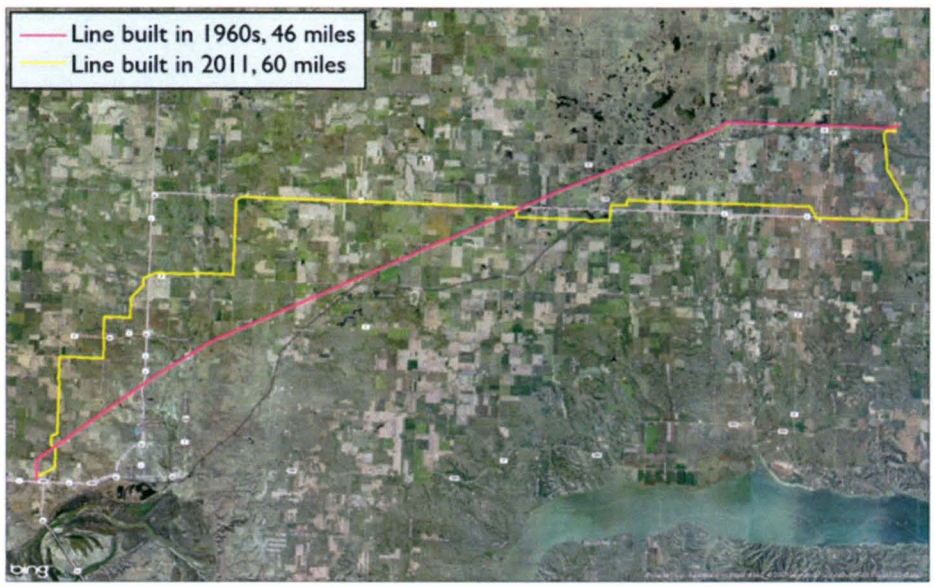


Image Courtesy of Basin Electric

The past decade also saw a significant increase in load growth both within the State of North Dakota and the surrounding region. A 2012 study commissioned by the Authority forecast an expected electrical load growth through 2032, in the study area spanning regions across North Dakota, South Dakota, and Montana. While that study did not project the recent reduction in commodity prices for energy and agriculture, and the associated slowdown in industrial activity, utilities continue to expect increased demand for electricity through this timeframe. As a result, new transmission will be needed to deliver that power.

Given this outlook, the Authority continues its mission to identify regulatory changes that should be considered to ease and incentivize transmission development in the state. The past year has witnessed significant actions relating to federal regulations that will greatly impact transmission requirements and construction. The EPA's Waters of the U.S. rule, and Clean Power Plan were both stayed by the courts to prohibit their implementation until it can be determined whether these regulations are lawful. Whether the courts ultimately uphold these rules, overturn them in their entirety, or send them back to the EPA to make changes, they continue to weigh heavily on the future use and development of transmission.

In addition, the action taken by Congress last year to provide a multi-year extension of the wind energy Production Tax Credit continues to drive significant growth in wind production. North Dakota currently has over 2,100 MW of wind energy capacity installed, with several hundred more having been permitted to-date. As mentioned, the growing integration of intermittent electric resources onto the transmission grid creates many new challenges, as well as opportunities for innovation in grid management and new transmission technologies.

The Authority also continues to closely monitor the burgeoning issue of cybersecurity as both FERC and NERC discuss standards and practices to protect the electric grid from the threat of cyber-attacks. While not directly impacting the construction of new transmission lines, cybersecurity plays an integral role in grid operations and infrastructure necessary to maintain a secure, yet flexible transmission system.

While it remains to be seen exactly how these factors will impact the state and what response might be needed from policymakers, the Authority continues to participate with industry and other state partners to prepare the best possible environment for meeting the goals and energy needs of North Dakota.

Despite a litany of challenges and uncertainty, transmission continues to be built in new and innovative ways that improve efficiency and reduce environmental impacts. Several hundred miles of new transmission has been developed in North Dakota by private investors since the North Dakota Transmission Authority was established, and it will continue to serve its mission to facilitate development.

NORTH DAKOTA TRANSMISSION AUTHORITY
STATE CAPITAL, 14TH FLOOR
600 E. BOULEVARD AVE. DEPT. 405
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SB 2014
1-26-17
#1

Recommendation Comparison Summary
473 Housing Finance Agency
Biennium 2017-2019

Description	Executive Budget Recommendation	Remove Compensation /1	5% Health Insurance /2	Remove FTE /3	Adjustments/4	Change +/-	Revised Executive Recommendation
By Line Item							
Salaries and Wages	8,258,057	(34,626)	(67,468)			(102,094)	8,155,963
Operating Expenses	4,759,905				(448,594)	(448,594)	4,311,311
Grants	31,904,828					0	31,904,828
HFA Contingency	100,000					0	100,000
Total Line Items	**45,022,790**	**(34,626)**	**(67,468)**	**0**	**(448,594)**	**(550,688)**	**44,472,102**
By Funding Source							
General Funds	0					0	0
Federal Funds	31,244,828					0	31,244,828
Special Funds	13,777,962	(34,626)	(67,468)		(448,594)	(550,688)	13,227,274
Total Funding Sources	**45,022,790**	**(34,626)**	**(67,468)**	**0**	**(448,594)**	**(550,688)**	**44,472,102**
Total FTE	**46.00**			**0.00**		**0.00**	**46.00**

/1 The 0% and 1% increase for state employee salaries has been removed.
/2 Employees will be required to pay for 5% of their health insurance premium.
/3 No additional FTE were removed.
/4 Reduces the executive budget recommendation by 1%.

SB 2014 sub-committee
2-1-17

#1

Industrial Commission - Budget No. 405
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version				Senate Changes to Revised Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	116.75	$24,957,746	$16,994,447	$41,952,193	116.75	$24,957,746	$16,994,447	$41,952,193	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes		$66,741	$82,522	$149,263				$0		($66,741)	($82,522)	($149,263)
Salary increase - Performance				***0***				0				0
Health insurance increase		314,819	20,034	334,853				0		(314,819)	(20,034)	(334,853)
Employee portion of health insurance		***(161,902)***	***(10,514)***	***(172,416)***				0		161,902	10,514	172,416
Removes FTE positions	(11.50)	(1,016,028)		(1,016,028)				0	11.50	1,016,028		1,016,028
Removes additional FTE positions	***(2.00)***	***(380,500)***		***(380,500)***				0	2.00	380,500		380,500
Reduces funding for salaries and wages		(900,000)		(900,000)				0		900,000		900,000
Adjusts funding operating expenses		(75,356)	78,000	2,644				0		75,356	(78,000)	(2,644)
Reduces funding for operating expenses		(675,000)		(675,000)				0		675,000		675,000
Decreases funding for bond payments			(1,830,345)	(1,830,345)				0			1,830,345	1,830,345
Reduces operating expenses - 2 percent		***(66,700)***		***(66,700)***				0		66,700		66,700
Total ongoing funding changes	(13.50)	($2,893,926)	($1,660,303)	($4,554,229)	0.00	$0	$0	$0	13.50	$2,893,926	$1,660,303	$4,554,229
One-time funding items												
Federal litigation costs			$1,000,000	$1,000,000				$0			($1,000,000)	($1,000,000)
Total one-time funding changes	0.00	$0	$1,000,000	$1,000,000	0.00	$0	$0	$0	0.00	$0	($1,000,000)	($1,000,000)
Total Changes to Base Level Funding	(13.50)	($2,893,926)	($660,303)	($3,554,229)	0.00	$0	$0	$0	13.50	$2,893,926	$660,303	$3,554,229
2017-19 Total Funding	103.25	$22,063,820	$16,334,144	$38,397,964	116.75	$24,957,746	$16,994,447	$41,952,193	13.50	$2,893,926	$660,303	$3,554,229
										13.1%	4.0%	9.3%

Other Sections in Industrial Commission - Budget No. 405

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Bond payments	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.	
Administrative cost transfers	Section 9 allows the Industrial Commission to transfer up to $1,107,337 from special funds from the entities under the control of the Industrial Commission for administrative services.	

Other Sections in Industrial Commission - Budget No. 405

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version	
Lignite research	Section 6 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 15 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.		
Advanced technology development	Section 8 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium. Section 16 identifies the funding may be used for advanced energy technology research and development and provides matching requirements for grant recipients. Section 17 provides a statement of intent related to grant applications for advanced energy research from the renewable energy fund. Section 21 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology.		

SB 2014 Sub-Committee
2-1-17
#2

Bank of North Dakota - Budget No. 471
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version				Senate Changes to Revised Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	181.50	$0	$59,287,301	$59,287,301	181.50	$0	$59,287,301	$59,287,301	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes			$390,404	$390,404				$0			($390,404)	($390,404)
Salary increase - Performance				***0***				0				0
Health insurance increase			520,884	520,884				0			(520,884)	(520,884)
Employee portion of health insurance			***(272,869)***	***(272,869)***				0			272,869	272,869
Additional salary increases			1,459,131	1,459,131				0			(1,459,131)	(1,459,131)
Reduces operating expenses			(1,174,818)	(1,174,818)				0			1,174,818	1,174,818
Reduces operating expenses - 2 percent			***(1,210,958)***	***(1,210,958)***				0			1,210,958	1,210,958
Adds funding for information technology equipment			65,000	65,000				0			(65,000)	(65,000)
Total ongoing funding changes	0.00	$0	($223,226)	($223,226)	0.00	$0	$0	$0	0.00	$0	$223,226	$223,226
One-time funding items												
No one-time funding items				$0				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	($223,226)	($223,226)	0.00	$0	$0	$0	0.00	$0	$223,226	$223,226
2017-19 Total Funding	181.50	$0	$59,064,075	$59,064,075	181.50	$0	$59,287,301	$59,287,301	0.00	$0	$223,226	$223,226
										N/A	0.4%	0.4%

Other Sections in Bank of North Dakota - Budget No. 471

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Transfer to general fund	Section 7 provides for a transfer of $200 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium. **(The Burgum budget recommendation decreases the transfer by $60 million, from $200 million to $140 million.)**	
Transfer to partnership in assisting community expansion (PACE) fund	Section 10 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.	
Transfer to Ag PACE fund	Section 11 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.	
Transfer to biofuels PACE fund	Section 12 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.	
Transfer to beginning farmer revolving loan fund	Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.	

Other Sections in Bank of North Dakota - Budget No. 471

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version	
School construction loan fund	Section 14 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the school construction loan fund for the 2017-19 biennium.		

SB 2014 Sub-Committee

2-1-17

#3

Mill and Elevator Association - Budget No. 475
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version				Senate Changes to Revised Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	147.00	$0	$64,315,898	$64,315,898	147.00	$0	$64,315,898	$64,315,898	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes			$2,539,491	$2,539,491				$0			($2,539,491)	($2,539,491)
Health insurance increase			437,886	437,886				0			(437,886)	(437,886)
Employee portion of health insurance			***(230,889)***	***(230,889)***				0			230,889	230,889
Adds funding for FTE positions	6.00		768,893	768,893				0	(6.00)		(768,893)	(768,893)
Removes FTE position	***(1.00)***		***(115,280)***	***(115,280)***				0	1.00		115,280	115,280
Increases in utilities, supplies, and repairs			868,000	868,000				0			(868,000)	(868,000)
Reduces operating expenses - 1 percent			***(569,643)***	***(569,643)***				0			569,643	569,643
Total ongoing funding changes	5.00	$0	$3,698,458	$3,698,458	0.00	$0	$0	$0	(5.00)	$0	($3,698,458)	($3,698,458)
One-time funding items												
No one-time funding items				$0				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	5.00	$0	$3,698,458	$3,698,458	0.00	$0	$0	$0	(5.00)	$0	($3,698,458)	($3,698,458)
2017-19 Total Funding	152.00	$0	$68,014,356	$68,014,356	147.00	$0	$64,315,898	$64,315,898	(5.00)	$0	($3,698,458)	($3,698,458)
										N/A	(5.4%)	(5.4%)

Other Sections in Mill and Elevator Association - Budget No. 475

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Transfer to general fund	Section 20 amends Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 90 percent.	

1

SB 2014 Sub-Committee
2-1-17

#4

Housing Finance Agency - Budget No. 473
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version				Senate Changes to Revised Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	46.00	$0	$37,520,089	$37,520,089	46.00	$0	$37,520,089	$37,520,089	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes			$92,182	$92,182				$0			($92,182)	($92,182)
Salary increase - Performance				***0***				0				0
Health insurance increase			128,790	128,790				0			(128,790)	(128,790)
Employee portion of health insurance			***(67,468)***	***(67,468)***				0			67,468	67,468
Additional salary increases			257,425	257,425				0			(257,425)	(257,425)
Adds Housing and Urban Development grants			6,017,048	6,017,048				0			(6,017,048)	(6,017,048)
Increases funding for operating expenses			45,630	45,630				0			(45,630)	(45,630)
Reduces operating expenses - 1 percent			***(448,594)***	***(448,594)***				0			448,594	448,594
Reduces grant funding for program outreach			(43,000)	(43,000)				0			43,000	43,000
Increases funding for mortgage servicing premiums			970,000	970,000				0			(970,000)	(970,000)
Total ongoing funding changes	0.00	$0	$6,952,013	$6,952,013	0.00	$0	$0	$0	0.00	$0	($6,952,013)	($6,952,013)
One-time funding items												
No one-time funding items				$0				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	$6,952,013	$6,952,013	0.00	$0	$0	$0	0.00	$0	($6,952,013)	($6,952,013)
2017-19 Total Funding	46.00	$0	$44,472,102	$44,472,102	46.00	$0	$37,520,089	$37,520,089	0.00	$0	($6,952,013)	($6,952,013)
										N/A	(15.6%)	(15.6%)

Other Sections in Housing Finance Agency - Budget No. 473

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Additional income	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium.	
Housing incentive fund	Section 19 continues the housing incentive fund for the 2017-19 biennium and removes the provision for the Housing Finance Agency to report quarterly to the Budget Section.	

SB 2014
Sub-committee
2-1-17
#5

BANK OF NORTH DAKOTA
PROPOSED AMENDMENTS TO SENATE BILL 2014
OPERATIONS

BND is a special fund agency so operating expenses and employee salaries are funded by revenues generated by the Bank. In essence, the Legislature appropriates revenues of BND to these expenses. The Bank of North Dakota's 2017-19 proposed operations budget is comprised of two major line items: operations and capital assets. Included in the operations line item are salaries & benefits, operating expense, and contingency.

MAJOR LINE ITEM EXPENSE CATEGORIES:

ORIGINAL BUDGET SB 2074:

OPERATIONS

Budget 2017-2019	$59,878,521	Appropriation
Budget 2015-2017	$58,542,301	Base level
	$ 1,336,220	Enhancement

CAPITAL ASSETS

Budget 2017-2019	$ 810,000	Appropriation
Budget 2015-2017	$ 745,000	Base level
	$ 65,000	Enhancement

TOTAL BUDGET

Budget 2017-2019	$60,688,521	Appropriation
Budget 2015-2017	$59,287,301	Base level
	$ 1,401,220	Enhancement

GOVERNOR BURGUM'S BUDGET:

OPERATIONS

Budget 2017-2019	$58,254,075	Appropriation
Budget 2015-2017	$58,542,301	Base level
	$ (288,226)	Enhancement

CAPITAL ASSETS

Budget 2017-2019	$ 810,000	Appropriation
Budget 2015-2017	$ 745,000	Base level
	$ 65,000	Enhancement

TOTAL BUDGET

Budget 2017-2019	$59,064,075	Appropriation
Budget 2015-2017	$59,287,301	Base level
	$ (223,226)	Enhancement

SB 2014
2-1-17
#5

Governor Burgum's Budget Details:

Governor Burgum's proposed budget would reduce operations by an additional 2% cut from BND's original budget. In addition, it would remove the salary adjustment in year 2 of the biennium and adjust the health benefit to compensate for the proposed employee contribution of 5% of the health premium. Under Governor Burgum's proposal, there would be no adjustment to Capital Assets.

OPERATIONS

Salaries and benefits are projected to increase 1% for the next biennium in our original budget. This includes a 1% salary increase in the second year of the biennium and increase expense associated with continued health coverage. We anticipate competitive pressures will require market adjustments for existing staff and new hires. Our analysis is we can meet our salaries budget for the 2015-17 biennium. However, BND will need to adjust our beginning salaries for the 2017-19 biennium to account for these increases.

Operating expenses includes data processing, training and development, supplies, postage, etc. The main reduction in operating expenses for the 2017-2019 biennium is related to the marketing and program activities that were previously funded by the College Access Challenge Grant. This federal grant expired in 2016, and the activities covered by this grant will need a new funding source or likely be eliminated. In addition, BND has made several adjustments to its operating expenses in areas like postage and IT communications where more efficient means of electronic communication replaced mail and phone services.

Of the funds requested for contingency, $1,000,000 is earmarked for compliance testing, hedge consulting and marketing costs. The financial industry is going through dramatic changes with information security requirements, compliance and regulatory needs, etc. Since we are dealing with a two year budgetary window it is important that BND has a significant amount in contingency to deal with unforeseen events.

CAPITAL ASSETS

Moneys appropriated for capital assets consist of funds for replacement of information technology, software upgrades, and hardware replacement. In the 2015-2017 biennium, the Legislature added $17 million to BND's Capital Asset appropriation to build the ND Financial Center. Since this is considered one-time funding, it is not included in the base level budget. One-time funding items are included in Section 2 of Senate Bill 2014.

Biennium-to-Date Actual Spending versus Budget

Bank of North Dakota
Biennium Appropriation Report
Eighteen Months Ended December 31, 2016

Line Item	Total Approp.	Biennium-to-Date Expenditures	To-Date Budget	To-Date Variance	To-Date Unexpended
Operating	$58,542,304	$39,291,910	$41,028,856	$ (1,736,946)	$19,250,394
Cap. Assets	$17,745,000	$ 1,071,114	$11,887,544	$(10,816,430)	$16,673,886
Total	$76,287,304	$40,363,024	$52,916,400	$(12,553,376)	$35,924,280

SB 2014
2-1-17
#5

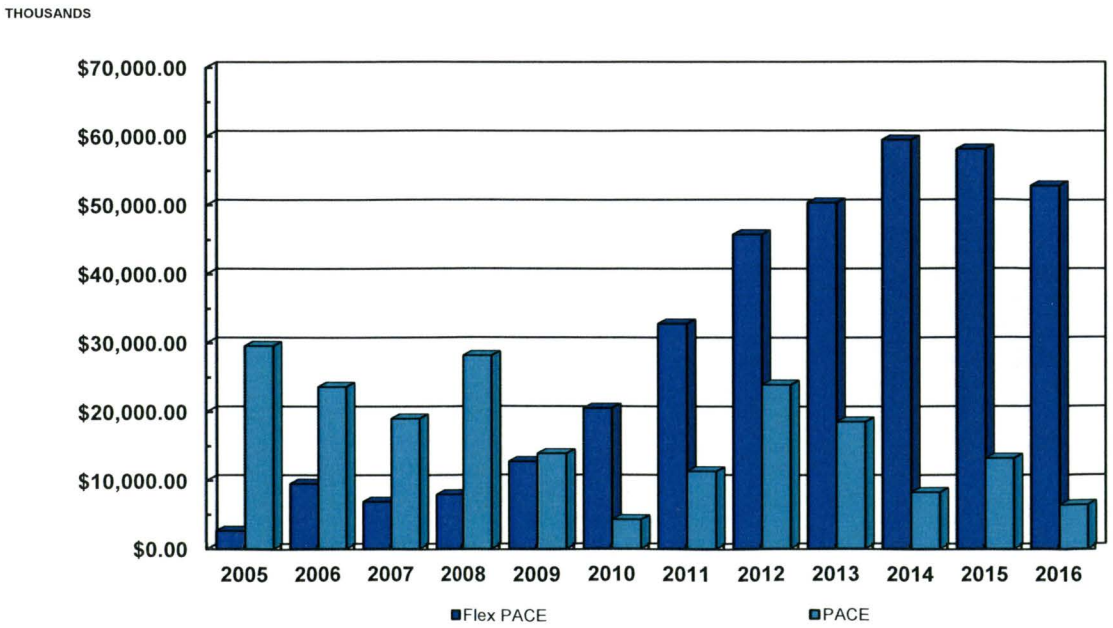
BANK OF NORTH DAKOTA
PROPOSED AMENDMENTS TO SENATE BILL 2014
Transfer to BND Economic Development Buy Down Programs

BND administers a number of economic development loan programs. A centerpiece of the economic development programming is the PACE Program. PACE includes a number of sub-sector programs targeted to stimulating economic diversification. Starting with the 2013 Legislative Session, the appropriation to fund the interest rate buy-down programs was removed from the General Fund and inserted in the budget as a draw to BND's Capital. Listed below are the detailed numbers for the pertinent buy-down programs.

Economic Development Buydown Programs

	BND Capital Allocation: 2015-2017 Bien.	Estimated Use: 2015-2017 Bien.	Estimated Remaining: 2015-2017 Bien.	BND Capital Allocation: 2017-2019 Bien.	Program Allocation: Life-to-Date
PACE / Flex PACE	$ 28,000,000	$ 24,847,059	$ 3,152,941	$ 16,000,000	138,900,000
Ag PACE	3,000,000	1,552,942	1,447,058	2,000,000	15,398,100
Bio-Fuels Pace	2,000,000	1,270,589	729,411	1,000,000	9,900,000
Medical Pace	10,249,000	10,249,000	-	-	10,249,000
Beginning Farmer	7,000,000	7,000,000	-	6,000,000	26,221,500
School Construction	7,875,000	2,407,120	5,467,880	6,000,000	13,875,000
	$ 58,124,000	$ 47,326,710	$ 10,797,290	$ 31,000,000	$ 214,543,600

The PACE Fund was established by the Legislature to assist North Dakota communities in expanding their economic base by providing support for local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries. In 2005, the PACE program was expanded to include a special limited provision called Flex PACE. This special program allows local communities to set their own standards for use of the program including business retention or essential services



SB 2014
2-1-17
#5

A total of $6.4 million in PACE loans and $52.8 million in Flex PACE loans were funded in 2016 in comparison to $13.2 million and $58.0 million respectively for 2015. As you will note in the graph, community utilization of Flex PACE surpassed PACE in 2010. This transition is reflected in the proposed allocations for the PACE Program.

BND contracted with Praxis Strategies Group in the fall of 2016 to complete an analysis of the PACE and Flex PACE programs for the time period of 2005 to 2016. The intent of this study was to determine the effectiveness and return on investment of the programs and recommend changes that could improve the program. In addition to analysis of the financial data, the study also interviewed and surveyed bankers; economic developers and loan recipients to determine ways to improve the program.

According to the analysis:

- The PACE and Flex PACE program generated projects with a total value in excess of $1 billion dollars during the ten year period.
- On average, 775 jobs were created each year by companies receiving PACE funding.
- Each dollar of BND financing leveraged $2.03 from other sources.
- Median Wages among PACE borrowers peaked in 2015 at $21.65. The median wage of PACE borrowers was $3.30 higher than the median wage of $18.35 in North Dakota.

FLEX PACE AFFORDABLE HOUSING BUYDOWN

Flex PACE for Affordable Housing provides financing with an interest buy down for new affordable multi-family housing units and non-residential, licensed, child care projects that are new or expanding in North Dakota

- There were 14 new Affordable Housing PACE loans funded in 2016 accounting for 186 affordable rental units and 3 daycare facilities.
- There are a total of 15 loans pending with a total loan amount of $30,266M which account for 303 affordable rental units and three daycare facilities.

BEGINNING FARMER REVOLVING LOAN FUND

The beginning Farmer Revolving Loan Fund was established to assist those North Dakota residents entering agriculture with purchasing land and equipment. The interest rate on these loans is fixed a 1% below BND's base rate with a maximum interest rate of 6% for the first five years of the loan.

- There were 77 Beginning Farmer Real Estate Loans in 2016 and 70 in 2015.
- There were 73 Beginning Farmer Chattel Loans in 2016 and 57 in 2015.

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AG PACE FUND

The AG PACE Fund was established to buy-down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income. This is a key tool in supporting agriculture diversification.

- A total of 39 Ag PACE loans were funded in 2016 compared to 70 in 2015.
- The majority of the loans funded during the previous three years were for field tiling projects.

BIO-FUELS PACE FUND

The Bio-Fuels PACE fund was established to buy-down the interest rates on loans to biodiesel and ethanol production facilities and livestock operations. These loans can be utilized for real property, equipment and facility expansion.

- There were 4 Bio-Fuels PACE loans funded in 2016 and 9 in 2015.

The SCHOOL CONSTRUCTION LOAN FUND

The SCHOOL CONSTRUCTION LOAN Fund was established by the 2015 legislature to buy-down the interest rate on loans for approved school construction projects. The program is available to schools that qualify for a loan through the Department of Public Instruction. This program sunsets in June of 2017 and was estimated to fund up to $250 million in school construction projects for the 2015-17 biennium. It is likely that BND will fund only $123 million of projects during the biennium.

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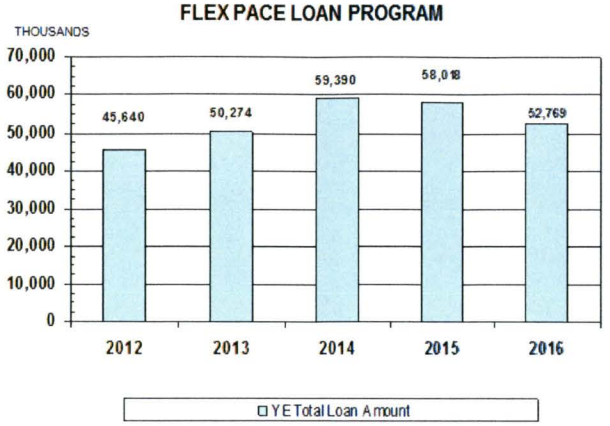
#5

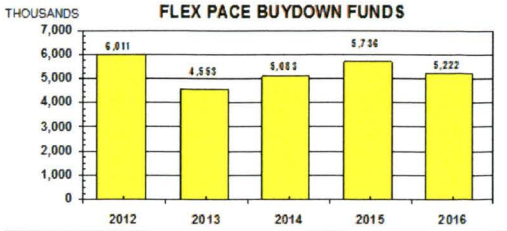
Appendix

PACE PROGRAM HIGHLIGHTS
2012 – 2016

FLEX PACE LOAN PROGRAM



FLEX PACE BUYDOWN FUNDS

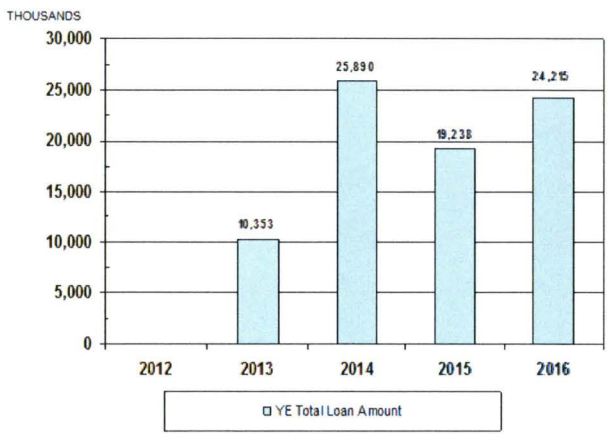


2015-2017 Biennium Flex PACE Buydown Fund	
Total Available FLEX (includes carryover from prior biennium)	$10,002,405*
Flex Buydown Funds – Funded/Committed Loans	$ 8,459,464
Remaining Buydown Funds	$ 1,542,941

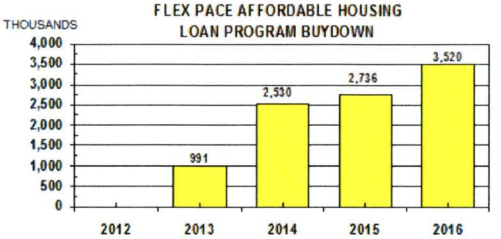
*Includes carryover and adjustments of $2,405.

A total of 87 Flex PACE Loans were funded in 2016 compared to 99 in 2015. Flex PACE buydown demand continues due to the financing of essential community approved businesses throughout North Dakota.

FLEX PACE AFFORDABLE HOUSING LOAN PROGRAM



FLEX PACE AFFORDABLE HOUSING LOAN PROGRAM BUYDOWN



2015-2017 Biennium Flex PACE Affordable Housing Buydown Fund	
Total Available Funds	$13,238,260
Funded/Committed Loans	$ 7,598,236
Remaining Buydown Funds	$ 5,640,024

*Includes carryover and adjustments of $1,238,260

There were 14 new Affordable Housing PACE loans funded in 2016 accounting for 186 affordable rental units and 3 daycare facilities. There are a total of 15 loans pending with a total loan amount of $30,266M which account for 303 affordable rental units and three daycare facilities.

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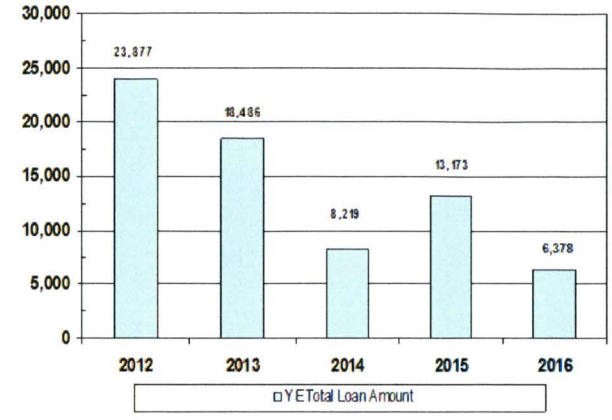
PACE PROGRAM HIGHLIGHTS
2012 – 2016

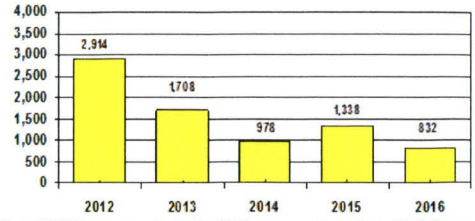
THOUSANDS

PACE LOAN PROGRAM



THOUSANDS

PACE BUYDOWN FUNDS



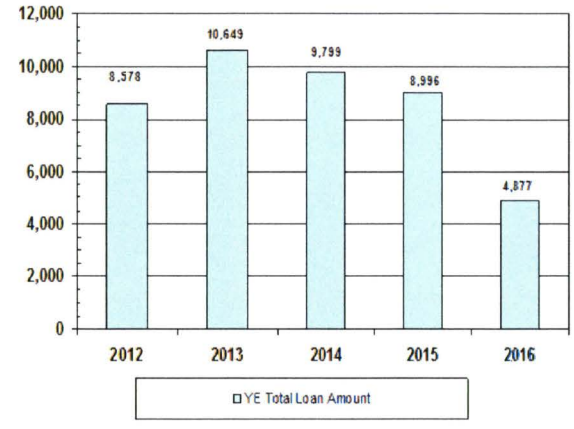
Four PACE loans were funded in 2016 compared to eight in 2015. Three of the loans funded in 2016 were committed to in 2015.

2015-2017 Biennium PACE Buydown Fund	
Total Available Funds	$ 6,229,663*
PACE Buydown Funds - Funded/Committed Loans	$ 1,282,476
Remaining Buydown Funds	$ 4,947,187

*Includes carryover and adjustments of $229,663.

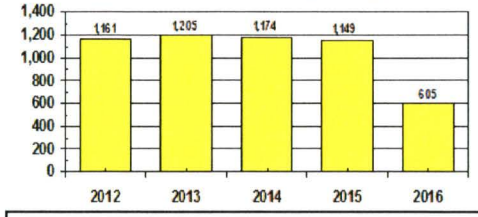
THOUSANDS

AG PACE LOAN PROGRAM



THOUSANDS

AG PACE LOAN PROGRAM BUYDOWN



2015-2017 Biennium Ag PACE Buydown Fund	
Total Available Funds	$3,061,388*
Buydown Funds - Funded/Committed Loans	$ 1,208,454
Remaining Buydown Funds	$1,852,934

*Includes carryover and adjustments of $61,388.

Thirty-nine Ag PACE loans were funded in 2016 compared to 70 in 2015. The majority of the loans funded in the last three years were for field tiling projects.

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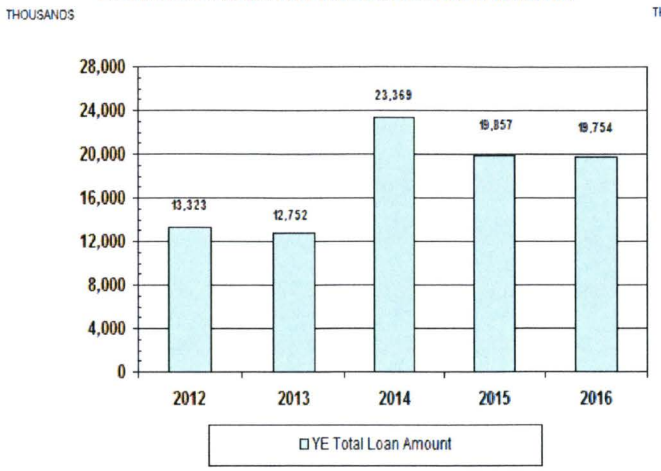
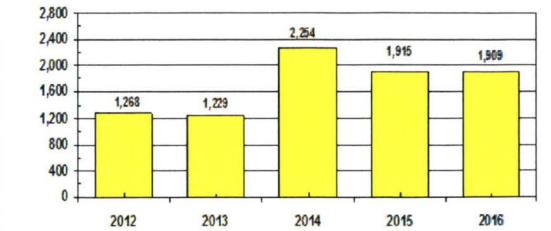
#5

FARM PROGRAM HIGHLIGHTS
2012 – 2016

BEGINNING FARMER REAL ESTATE LOAN PROGRAM



BEGINNING FARMER RE BUYDOWN

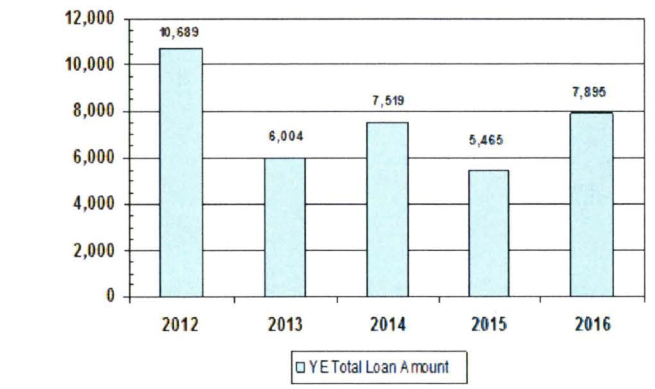


A total of 77 Beginning Farmer RE Loans were funded in 2016 compared to 70 in 2015. The large increase in loan amounts is a result of land transitioning from one generation to another.

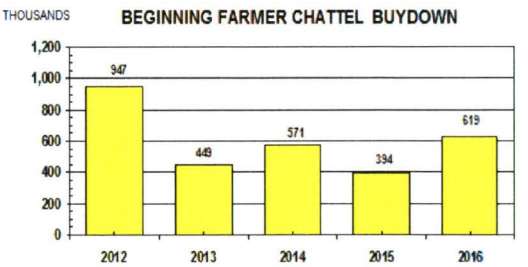
2015 – 2017 Biennium Beginning Farmer Buydown Fund	
Total Funds Available	$ 7,000,000
RE Buydown – Funded/Pending	-3,527,228
Chattel Buydown – Funded/Pending	- 756,608
Remaining Funds	$ 2,768,620*

*In addition, there is $3,554,300 remaining in the cash balance in the Beginning Farmer Revolving Loan Fund. The cash balance could be further reduced by possible draws of $1 million for Envest and $900,000 for potential PSC litigation costs.

BEGINNING FARMER CHATTEL LOAN PROGRAM



BEGINNING FARMER CHATTEL BUYDOWN

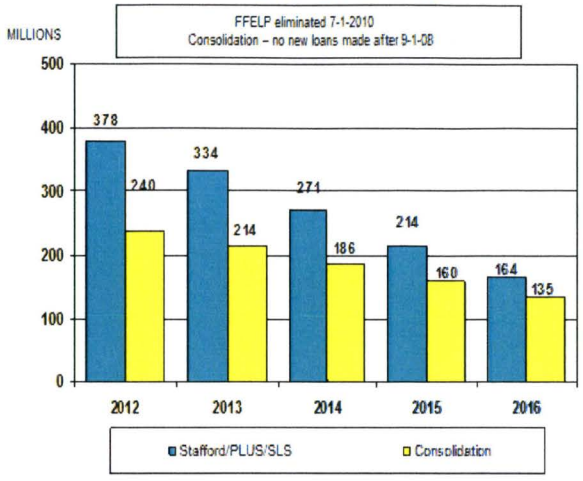


A total of 73 Beginning Farmer Chattel Loans were funded in 2016 compared to 57 in 2015.

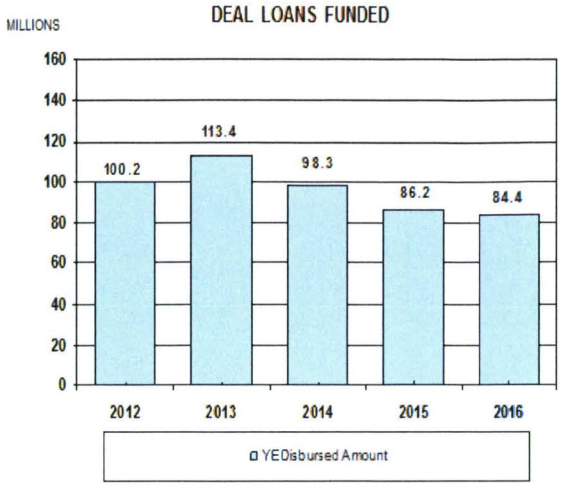
SB 2014
2-1-17
#5

STUDENT LOAN PROGRAM HIGHLIGHTS
2012 – 2016

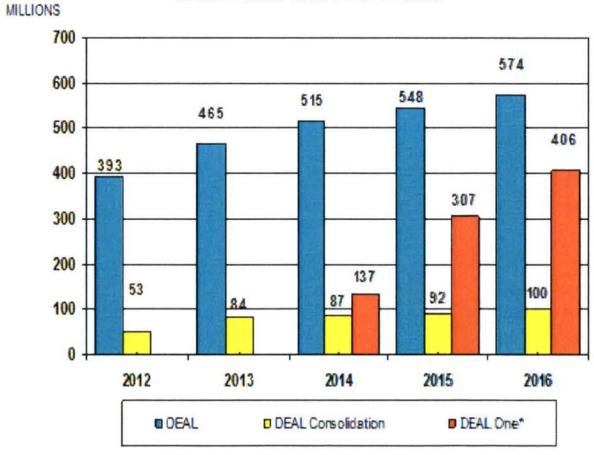
FFELP LOAN PORTFOLIO TOTALS



DEAL LOANS FUNDED

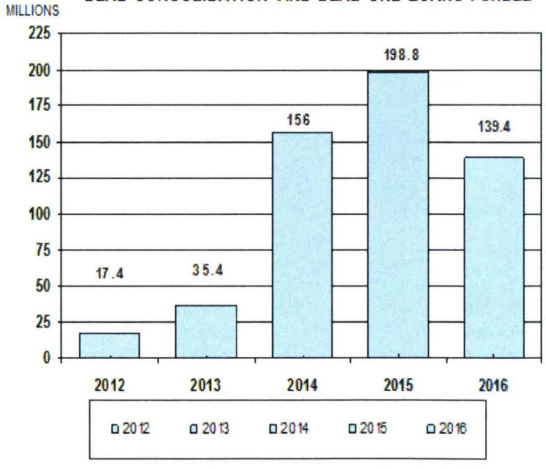


DEAL LOAN PORTFOLIO TOTALS



*Deal One Consolidation loan program began in 2014

DEAL CONSOLIDATION AND DEAL ONE LOANS FUNDED



SB 2014
Sub-committee
2-1-17

#6

Proposed NDCC Amendment Regarding Defaulted Student Loan Collection Costs

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~ may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter and either actual collection costs or no more than twenty-five percent of accumulated principal and interest to borrowers and cosigners whose loans are in default under subsection 1 of section 15-62.1-06, and ~~such~~ the fees must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the reserve fund. The authority of the agency to charge reasonable fees for guarantee and insurance and collection costs to borrowers and cosigners who are in default applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note or notes were executed as long as the note or notes provide for payment of fees and collection costs.

SB 2014
Sub-committee
2-1-17
#7

Lignite Research Program Funding (Assuming 30 Million Ton Production)			
	2015-2017 Biennium	2017-2019 Biennium	
Funding Source			
Lignite R&D (50% of Coal Trust Fund)	$3,375,000	$3,375,000	
Clean Coal Projects (20% of Coal Trust fund)	$1,350,000	$1,350,000	
2-cent/ton R&D Tax	$1,200,000	$1,200,000	
Coal Conversion Tax (2018 Sunset Repealed*)	$2,500,000	$2,500,000	*
General Fund (one-time payment) Request for carryover language to 2017-2019 biennium in Section 6 of SB 2074	$4,672,500	$0	
	$13,097,500	$8,425,000	
Funding Sources for Advanced Energy Technology Funding			
One-Time Appropriation from SIIF for Advanced Energy Technology**		$3,000,000	
15% of Coal Severance Tax Dedicated to Advanced Energy Technology***		$3,375,000	
Advanced Energy Technology $3 million SIIF Trigger****		$3,000,000	
		$17,800,000	
Renewable Energy Fund potential funding^		Unknown	
*2018 Sunset Repealed - SB 2130			
**SB 2074 Sections 8 and 16			
***SB 2074 Section 21			
****HB 1075 Section 14			
^Senate Bill 2074 Section 17 Intent			
Note: Yellow highlights relate to items in Industrial Commission Appropriation bills			

SB 2014 vs. DMR Essential Budget

SB 2014
2-7-17
#1

	SB 2014 (6.55% Allot.)	Changes	DMR Essential Budget
40510 Salaries & Benefits	$20,849,385	($219,170)	$20,630,215
40530 Operating Expense	4,346,295	518,757	4,865,052
40530 Litigation (one-time funding)	0	1,000,000	1,000,000
Less Estimated Income	(237,934)	(1,000,070)	(1,238,004)
Total General Fund	$24,957,746	$299,518	$25,257,263
FTE	110	(6.5)	103.5

40500 - Industrial Commission
Level: 405-150

Version:	Dept. of Mineral Resources Comparison	SB2014 6.55% Cut Budget	DMR Essential Budget	Difference
Expenditures				
510000	Salaries and Benefits	$14,802,664	$14,171,698	-$630,966
513005	Temporary Salaries	$221,765	$136,362	-$85,403
516000	Fringe Benefits	$5,824,956	$6,322,155	$497,199
40510	**Salaries and Benefits**	**$20,849,385**	**$20,630,215**	**-$219,170**
521000	Travel	$1,975,870	$2,281,183	$305,313
531000	IT Software/Supplies	$84,555	$177,600	$93,045
532000	Prof Supplies & Materials	$53,000	$27,157	-$25,843
533000	Food & Clothing	$21,100	$21,600	$500
534000	Bldg, Ground, Veh Maint.	$43,582	$66,300	$22,718
535000	Miscellaneous Supplies	$50,200	$44,500	-$5,700
536000	Office Supplies	$64,950	$67,000	$2,050
541000	Postage	$42,900	$39,900	-$3,000
542000	Printing	$23,850	$27,100	$3,250
551000	IT Equip Under $5000	$40,075	$26,000	-$14,075
552000	Other Equip Under $5000	$62,700	$71,500	$8,800
553000	Office Equip/Furn <$5000	$25,229	$9,205	-$16,024
561000	Utilities	$20,000	$25,889	$5,889
571000	Insurance	$16,800	$21,100	$4,300
581000	Lease/Rent Equip & Other	$2,630	$30	-$2,600
582000	Lease/Rent Bldg/Land	$1,166,133	$1,227,750	$61,617
591000	Repairs	$68,845	$85,759	$16,914
601000	IT Data Processing	$234,890	$281,414	$46,524
602000	IT Communications	$207,692	$146,898	-$60,794
603000	IT Contractual Serv & Repair	$2,235	$6,000	$3,765
611000	Professional Development	$69,709	$71,084	$1,375
621000	Operating Fees & Service	$89,850	$121,833	$31,983
623000	Fees - Prof Services	-$25,500	$1,018,000	$1,043,500
625000	Medical, Dental, Optical	$5,000	$250	-$4,750
40530	**Operating Expenses**	**$4,346,295**	**$5,865,052**	**$1,518,757**

2

SB 2014
2-7-17

#2

Helms, Lynn D.

From: Mike Smith <mike@iogcc.state.ok.us>
Sent: Monday, February 06, 2017 9:14 AM
To: Helms, Lynn D.; Foerster, Catherine P (DOA); Michael Teague
Cc: Gerry Baker
Subject: FW: Thought You'd Like to See This!

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

FYI

From: Kenneth Nemeth [mailto:Nemeth@sseb.org]
Sent: Monday, February 06, 2017 8:39 AM
To: Mike Smith <mike@iogcc.state.ok.us>; Mike Moore <mmoore@fearnoil.com>; Steve Melzer <melzerls@aol.com>
Subject: Thought You'd Like to See This!

REGULATION

More funding on deck for some state oil and gas agencies

Mike Lee, E&E News reporter
Published: Monday, February 6, 2017

Energy regulators in the biggest oil-producing states are seeing an uneven recovery as the economic pain of the price bust lingers into its third year.

[redacted]states — Texas, North Dakota, Alaska, California and Oklahoma — produce about two-thirds of the U.S. daily crude output, according to the Energy [redacted]rtment. That makes their oil and gas agencies important, since they do the bulk of the safety and environmental enforcement in the oil patch.

With the exception of California, the states have been struggling with drops in tax revenue and other economic angst caused by the worldwide crash in oil prices. Oil was selling for more than $100 a barrel in 2014 and dropped below $30 a barrel last year, sending U.S. output falling.

This year, though, the Texas Railroad Commission, which oversees the oil, gas and pipeline industries, has a chance to get the money it's been requesting for years to modernize its operations. North Dakota and Alaska are asking their state legislatures to at least keep their budgets flat over the next year. The Oklahoma Corporation Commission has asked for about 11 percent more funding, and California's Division of Oil, Gas and Geothermal Resources has seen its budget grow in response to the Aliso Canyon gas leak and other issues in the energy business.

Texas

The state House of Representatives has proposed a roughly 20 percent increase in funding for the Railroad Commission, from $176.4 million in the current two-year budget cycle to $211.4 million in the 2017-2019 cycle, according to the state Legislative Budget Board. The money would come from diverting a tax on natural gas utilities and dedicating it to the commission's operations.
The commission has been squeezed because it relies on fees and other revenue from the oil industry for most of its budget, and those sources have dried up as drilling declined. If it's approved, the new funding will allow the commission to automate some of its permitting and other paperwork and beef up its enforcement staff, something the commission and environmentalists have been asking for (*Energywire*, Aug. 25, 2016).

"Starving the agency and not allowing them to collect enough fees to do their business is ultimately going to hurt the oil and gas industry," said Cyrus Reed, conservation director at the Lone Star Chapter of the Sierra Club.

North Dakota

State revenue has fallen by almost a fourth in North Dakota over the last two years. Newly elected Gov. Doug Burgum (R), who has asked for an austere budget in his first term, originally proposed cutting the state Department of Mineral Resources budget from $25 million in the current two-year budget cycle two to $21.8 million in the 2017-2019 biennium (*Energywire*, Jan. 4).

[redacted]state Senate overrode that suggestion, and the department staff is asking legislators to provide it with flat funding for the next two years, Alison Ritter, a [redacted]rtment spokeswoman, said in an interview. Crucially, the department would hold on to its current staffing level of about 104 full-time employees, she said.

That would allow the department's field staff to continue inspecting oil and gas wells, and handle new duties that the Legislature has approved, like overseeing pipeline safety, Ritter said.

"We're going to advocate to stay whole," she said.

Alaska

The Oil and Gas Conservation Commission would see its funding rise slightly under Gov. Bill Walker's (I) proposed budget, from $7.7 million to $7.8 million.

That's a sharp contrast to most areas of Alaska's state government, which is confronting what Walker called "the gravest fiscal crisis in state history." Alaska relies on oil taxes for the bulk of its state budget, but its production has been falling, and the drop in prices has led to a string of budget deficits.

Walker has cut unrestricted state spending by $1.7 billion since taking office in 2015, and the state has cut its workforce by 3,000 (*Energywire*, Jan. 20).

California

The Division of Oil, Gas and Geothermal Resources has seen its budget grow steadily as the state reacted to complaints about its oversight of hydraulic fracturing, underground waste injection and other aspects of oil production. Since last year, DOGGR has been beefing up its regulations on underground gas storage in response to the massive leak at the Aliso Canyon site (*Climatewire*, June 1, 2016).

The agency's budget grew from $49.2 million in fiscal 2014-15 to $71 million in the current year. Its workforce grew from 148 to 269 during the same years.

For the upcoming fiscal year, DOGGR is asking for an $11 million increase and about 16 additional positions. Some of it is in response to a state law requiring DOGGR to increase its monitoring and cleanup of abandoned wells, a spokesman said in an email. The agency is also asking for extra staff to do more training, the *Sacramento Bee* reported.

Oklahoma

The Corporation Commission is asking for an 11 percent budget increase to help it cope with the ongoing rash of earthquakes linked to oil and gas activity.

The agency's elected commissioners asked state legislators for $6.4 million in additional funding in fiscal 2018, on top of this year's budget of $56.4 million, *The Oklahoman* reported. The commission gets about 18 percent of its funding from state taxes; the rest comes from fees on the oil and gas industry. Oklahoma had record-setting numbers of earthquakes for the last three years, and researchers have linked them to injection wells used to dispose of oil and gas wastewater. After a slow start, the Corporation Commission issued a string of orders limiting waste injection. But it has had to rely on emergency funds from the governor's office to hire the staff it needs for the effort (*Energywire*, April 1, 2016).

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SOUTHERN STATES ENERGY BOARD
Transcending Boundaries

	Barrels Oil per Day	Annual Gross Production Tax	Annual Oil Extraction Tax	Sales Tax	Total Revenue
Existing well	75	$82,693	$81,029	$1,757	$165,479
New Well Year 1	540	$588,757	$576,905	$149,042	$1,314,704
New Well Year 2	215	$235,503	$230,762	$1,757	$468,022

SB 2014
2-7-17 #3

Fiscal Year	Existing Wells	Year 1 Wells	Year 2 wells	Revenue per Well	Inspection & Enforcement	Wells per Field Inspector	Field Inspector Salary + Operating	Field Inspector Cost per Well
2017	17,110	0	0	$165,479	0.23%	552	$209,077	$378.81
2018	17,110	1,084	0	$233,950	0.16%	551	$209,077	$379.22
2019	17,110	1,212	1,084	$254,154	0.08%	539	$209,077	$387.86

↑ ½

SB 2014
2-7-17
#4

Core and sample library repairs	230,000	0
State facility lignite feasibility demonstration project	0	400,000
Ag PACE disaster program	0	1,000,000
Recruitment/retention bonuses	0	185,000
Renewable energy development program	0	3,000,000
Fracturing sand and coalbed methane studies	0	93,152
Total general fund	$4,680,000	$5,378,512

The 2009-11 one-time funding amounts are not a part of the entity's base budget for the 2011-13 biennium. The industrial commission shall report to the appropriations committees of the sixty-second legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of $27,441,865 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2009, and ending June 30, 2011:

North Dakota university system	$12,014,048
North Dakota university system - Energy conservation projects	1,869,248
Department of corrections and rehabilitation - State penitentiary	2,203,515
Department of corrections and rehabilitation - Energy conservation projects	18,580
State department of health	704,127
Job service North Dakota	747,772
Department of human services - State hospital	437,729
Department of human services - Developmental center at Grafton	501,657
Adjutant general	70,627
Information technology department - ConnectND	5,405,936
Office of management and budget	665,298
Office of the attorney general	765,882
State historical society	1,392,393
Parks and recreation	73,630
Research and extension service	571,423
Total	$27,441,865

SECTION 4. APPROPRIATION. In addition to the amount appropriated to the housing finance agency in subdivision 5 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 5. APPROPRIATION - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the state industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the emergency commission, funds that may become available to the commission from bonds authorized by law to be issued by the state industrial commission for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 6. CONTINGENT DEPARTMENT OF MINERAL RESOURCES FUNDING - EMERGENCY COMMISSION APPROVAL. Of the funds appropriated in the salaries and wages and operating expense line items in subdivision 1 of section 1 of this Act, $515,207 are from the lands and minerals trust fund. If funds are required due to the average drilling rig count exceeding one hundred active rigs for each month in any consecutive three-month period, the oil and gas division may spend $319,041 of these funds and hire up to two full-time equivalent positions, upon emergency commission approval. If funds are required due to receipt of an application for solution mining of potash or uranium, the geological survey division may spend $196,166 of these funds and hire up to one full-time equivalent position, upon emergency commission approval.

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Revised (2/7/2017)			
Lignite Research Program Funding (Assuming 30 Million Ton Production)			
	2015-2017 Biennium	2017-2019 Biennium	
Funding Source			
Lignite R&D (50% of Coal Trust Fund)	$3,375,000	$1,687,500	
Clean Coal Projects (20% of Coal Trust Fund)	$1,350,000	$675,000	
2-cent/ton R&D Tax	$1,200,000	$1,200,000	
Coal Conversion Tax (2018 Sunset Repealed*)	$2,500,000	$2,500,000	*
General Fund (one-time payment) Request for carryover language to 2017-2019 biennium in Section 6 of SB 2074	$4,672,500	$0	
	$13,097,500	$6,062,500	
Funding Sources for Advanced Energy Technology Funding			
One-Time Appropriation from SIIF for Advanced Energy Technology**		$3,000,000	
15% of Coal Severance Tax Dedicated to Advanced Energy Technology***		$3,375,000	
Advanced Energy Technology $3 million SIIF Trigger****		$3,000,000	
		$15,437,500	
Renewable Energy Fund potential funding^		Unknown	
*2018 Sunset Repealed - SB 2130			
**SB 2074 Sections 8 and 16			
***SB 2074 Section 21			
****HB 1075 Section 14			
^Senate Bill 2074 Section 17 Intent			
Note: Yellow highlights relate to items in Industrial Commission Appropriation bills			

Current Law

Coal Tax Distribution of the severance tax

30,000,000 tons per year

30,000,000									
0.375	tax on coal								
$11,250,000									
70%	Counties		30%	Coal Trust Fund					
$7,875,000			$3,375,000						
			x70%	LRF	x30%	stays in Fund			
			$2,362,500		$1,012,500				
			x2		x2				
			$4,725,000	Biennial #	$2,025,000	Biennial #			

SB 2074 Revision

Coal Tax Distribution of the severance tax

30,000,000 tons per year

30,000,000									
0.375	tax on coal								
$11,250,000									
70%	Counties		15%	LRF AET	15%	Coal Trust Fund			
$7,875,000			$1,687,500		$1,687,500				
			x2		x70%	LRF	x30%	stays in Fund	
			$3,375,000	Biennial #	$1,181,250		$506,250		
					x2		x2		
					$2,362,500	Biennial #	$1,012,500	Biennial #	

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17.0522.01001
Title.

Prepared by the Legislative Council staff for
Senator Hogue
February 6, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2014

Page 1, line 3, replace "and" with " to create and enact a new section to chapter 57-38 of the North Dakota Century Code, relating to housing incentive fund tax credits; to amend and reenact sections 15-62.1-07 and 54-17-40 of the North Dakota Century Code, relating to loan guarantee fees and the housing incentive fund; to repeal section 54-17-41 of the North Dakota Century Code, relating to housing incentive fund reports;"

Page 1, line 3, after "intent" insert "; and to provide an expiration date"

Page 4, after line 19, insert:

"SECTION 7. AMENDMENT. Section 15-62.1-07 of the North Dakota Century Code is amended and reenacted as follows:

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter~~, and such fees~~. The agency may charge the least of actual collection costs, up to twenty-five percent of accumulated principal and interest, or two thousand dollars per borrower to borrowers and cosigners whose loans are in default under subsection 1 of section 15-62.1-06. The fees collected under this section must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the reserve fund. The authority of the agency to charge reasonable fees under this section applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

SECTION 8. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. ~~(Effective through June 30, 2017)~~ Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.

2. a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage~~. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award~~.

b. The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

c. The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

~~The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.~~

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:

   a. New construction, rehabilitation, or acquisition of a multifamily housing project;

   b. Gap assistance, matching funds, and accessibility improvements;

   c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and

   d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.

5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be

deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

6. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.

7. The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers.

8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.

9. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. The report must include the following:

   a. The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and

   b. A listing of projects approved and the number of units within those projects that provide housing for essential service workers.

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

(Effective for the first two taxable years beginning after December 31, 2016) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five million dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 10. REPEAL. Section 54-17-41 of the North Dakota Century Code is repealed."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment includes the following:

- Adds a section to authorize the Bank of North Dakota to charge reasonable fees for student loan guarantees and for collections on defaulted student loans.
- Adds a section to continue the housing incentive fund, changes the requirement for the Housing Finance Agency to report to the Budget Section from a quarterly report to a biennial report, and requires the Housing Finance Agency to report to the Industrial Commission upon request.
- Adds a section to provide up to $5 million of income tax credits for contributions to the housing incentive fund.
- Repeals a section requiring the Housing Finance Agency to report to the Industrial Commission upon request.

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Our budget request of $44,859,374 is 70% federal funds. The federal funds we receive do not contain any matching requirements. If 1% cut needs to be made, should it be 1% of our special fund portion of our budget ($13,614,546) or a $136,145 budget cut rather than a proposed $448,594 cut. #1

($13,614,546 is income generated from our activities and pays salaries, operating expenses and funds our agency funded grant programs such as Helping HAND, RAP, Housing Market Survey Grant, and technical assistance grants.)

Our special fund agency was not subject to the allotment during 2016. In response to Governor Dalyrmple's request for special fund agencies to look for cost savings when preparing their 2017/19 budget, we looked closely at our operating expenses and cut those lines that could be cut by a net 9.5% or $177,260.

The proposed 1% additional cut simply cannot be derived from only the operating expenses as our total operating expense $4,759,905 includes $3,167,480 which is service release premiums paid out to lenders when we purchase home mortgages; $480,424 which is paid to a third party for office rent; and $186,300 which is paid to ITD. Professional/legal/audit fees are $294,775; travel of $182,600 includes required site visits to properties; and other items such as postage, printing, copiers, etc. make up the balance. If the full $480,424 is imposed, we feel we can reduce operating by $16,550 in addition to the $177,260 self-imposed cut already included in the 2017/19 OMB budget.

If the full $448,594 is imposed, in addition to the $16,550 reduction in operating expenses, we would remove the salary and benefits associated with 3 unfilled FTE's for a reduction of $322,044. We would also reduce our agency funded Helping Hand grant program by $100,000 from $250,000 to $150,000 and eliminate the $10,000 technical assistance grant program funded with agency earnings. Helping Hand funds go to community action agencies, non-profits and tribal entities for rehab activities to benefit low income families.

Putting more people into homeownership increases our SLP expenses, staffing needs and all associated expenses but these are offset by additional revenue. Revenue is used to benefit ND people. An example is the pilot program under development which will offer $3 million to CLTs to purchase land and homes in need of repair.

FY 2019

Permanent Field Staff Model

Current				Total	Action	Impact
21	Petroleum Engineer - Field Inspectors	9	Engineering Technician - Field Inspectors	30		
		1	Geophysical/coal exploration - Field Inspector	1		
		6	Engineering Technician - Pipeline Inspectors	6		
0	Petroleum Engineer - Field Inspectors - vacant FTE	4	Engineering Technician - Field Inspector - vacant FTE	4	-4.0 FTE	
Required						
55	Drilling Rigs	16,602	Current Wells and Facilities			
7	Petroleum Engineer - Field Inspectors Needed	23	Engineering Technician - Field Inspectors Needed	30		
45	hours per week	40	hours per week			
5	hours office time	5	hours office time			
20	hours Spills, Pluggings, other Engineering	5	hours Spills and Berms			
17,955	producing wells 0 visits per year	17,955	producing wells 9 visits per year		-25%	Increased risk-environment & safety
1,451	injection wells 0 visits per year	1,451	injection wells 12 visits per year			
0	hours for well inspections	29	hours for well inspections			
20	hours for rig inspection	0	hours for rig inspection			

	Rigs	Petroleum Engineer - Field Inspectors	6/30/2019 Wells	Engineering Technician - Field Inspectors	Total - Field Inspectors
Min	20	2	17,622	26	28
	30	4	18,132	27	31
FY17=40	40	5	18,642	27	32
FY18=50	50	6	19,152	28	34
FY19=55	55	7	19,406	29	36
	70	9	20,171	30	39
	80	10	20,681	30	40
	100	12	21,701	32	44
	120	15	22,721	33	48
	140	17	23,741	35	52
	160	20	24,760	36	56
	180	22	25,780	38	60
Max	200	25	26,800	39	64

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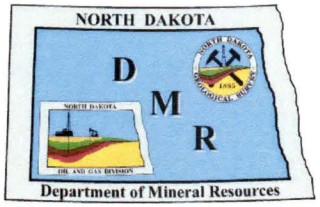

Office Staff Model	Current FT	Temp		Metrics	Fiscal work load	Year FTE	FT	2019 Temp	Action	Result
Pipeline	4.0		625	miles gathering pipeline construction / FTE	2,500	4.0	4.0			
Underground injection	1.0		1,500	UIC wells / FTE	1,538	1.0	1.0			
Treating Plants	1.0		10	permits / year / FTE	10	1.0	1.0			
Well logs, cores, samples, cement tops, and directional surveys	6.0		505	permits / year / FTE	3,050	6.0	4.0		-2.0 FTE Backlog I&E	Increased risk - correlative rights
Oil and Gas permitting	5.0		615	permits new and renewed / year / FTE	3,050	5.0	5.0			
Information Technology	5.0	1.0	20	employees / FTE	120	6.0	5.0	1.0	Use Temp Salaries	
Accounting & payroll	3.0		40	employees / FTE	120	3.0	3.0			
Reclamation	2.0		9,200	wells / FTE	19,689	2.1	2.0			
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0		900	wells / FTE	2,744	3.0	3.0			
Production auditing	3.0		3,900	wells / FTE	19,689	5.0	3.0		Increase electronic filing	
Oil and Gas measurement	3.0	0.5	5,550	wells / FTE	19,689	3.5	3.0	0.5	Use Temp Salaries	
Hearing dockets and orders	3.0		500	cases / year / FTE	1,000	2.0	2.0		-1.0 FTE	Hearing & docket case load is lower
Reception, filing, and misc temps	4.5		5,500	well files / FTE	19,689	3.6	3.5		-1.0 FTE	Visitor & filing workload is decreasing
Human Resources	1.0		115	employees / FTE	120	1.0	1.0			
Safety-Facilities-Motorpool	1.0		115	employees / FTE	120	1.0	1.0			
Bonding	1.0		18,800	wells / FTE	19,689	1.0	1.0			
Geology surface	4.0		22	permits, publications, presentations / year/ FTE	90	4.0	4.0			
Geology subsurface	1.0		6	permits, publications, presentations / year/ FTE	6	1.0	1.0			
Geology petroleum	2.0		7	permits, publications, presentations / year/ FTE	15	2.0	2.0			
Geology inquiries, georeviews, and publications	5.5		14	permits, publications, presentations / year/ FTE	70	5.0	5.0		-0.5 FTE	Geology Inquiry workload is decreasing
Core Library	3.0	2.5	470	permits / year / FTE	3,050	6.5	3.0	3.5		
Paleontology	3.0	0.5	20	permits, publications, presentations / year/ FTE	70	3.5	3.0			
Executive	4.0		17	employees / FTE	65	3.8	4.0			
Total Office Staff	69.0	4.5				74.0	64.5	5.0	-4.5 FTE	
Total DMR Staff	110.0						101.5		-8.5 FTE	

Option 1 – contingency funding for five additional field inspectors to be added to the DMR Essential Budget

SECTION _. CONTINGENT DEPARTMENT OF MINERAL RESOURCES FUNDING - EMERGENCY COMMISSION APPROVAL. Of the funds appropriated in the salaries and wages and operating expense line items in subdivision _ of section _ of this Act, (alternative 1 "is authorized to borrow from the Bank of North Dakota") $1,045,385 (alternative 2 "are from the Strategic Investment and Improvements Fund"). If funds are required due to the total number of wells capable of production and injection exceeding eighteen thousand two hundred wells, the oil and gas division may spend $418,154 of these funds and hire up to two full-time equivalent positions, upon emergency commission approval. If additional funds are required due to the total number of wells capable of production and injection exceeding nineteen thousand four hundred wells, the oil and gas division may spend $627,231 of these funds and hire up to three full-time equivalent positions, upon emergency commission approval.

Option 2 – contingency funding for eleven field inspectors to be added to the Burgum Budget

SECTION _. CONTINGENT DEPARTMENT OF MINERAL RESOURCES FUNDING - EMERGENCY COMMISSION APPROVAL. Of the funds appropriated in the salaries and wages and operating expense line items in subdivision _ of section _ of this Act, (alternative 1 "is authorized to borrow from the Bank of North Dakota") $2,299,847 (alternative 2 "are from the Strategic Investment and Improvements Fund"). If funds are required due to the total number of active production and injection wells exceeding seventeen thousand one hundred wells, the oil and gas division may spend $1,254,462 of these funds and hire up to six full-time equivalent positions, upon emergency commission approval. If funds are required due to the total number of active production and injection wells exceeding eighteen thousand two hundred wells, the oil and gas division may spend $418,154 of these funds and hire up to two full-time equivalent positions, upon emergency commission approval. If additional funds are required due to the total number of active production and injection wells exceeding nineteen thousand four hundred wells, the oil and gas division may spend $627,231 of these funds and hire up to three full-time equivalent positions, upon emergency commission approval.

Montana fee statute

82-11-137. *(Effective on occurrence of contingency)* **Class II injection well operating fee -- carbon dioxide injection well operating fee.** (1) For the purpose of providing funds for defraying the expenses of operating and enforcing:
(a) the class II injection well regulatory program, as defined by the federal environmental protection agency or any successor agency, each operator of a class II injection well may be required to pay an annual operating fee not to exceed $300 per injection well; and
(b) the carbon dioxide injection well regulatory program, each geologic storage operator of a carbon dioxide injection well may be required to pay an annual operating fee not to exceed $5,000 per injection well.
(2) The department shall collect the operating fee at a time established by board rule. All money collected under this section must be forwarded to the state treasurer for deposit in the state special revenue fund and must be used for the purpose prescribed in subsection (1).
(3) The board shall, by rule adopted pursuant to the provisions of the Montana Administrative Procedure Act, fix the amount of the fee described in subsection (1) and may from time to time reduce or increase the amount of the fee as the expenses chargeable against the state special revenue fund may require. However, the assessment fixed by the board may not exceed the limits prescribed in subsection (1). The amount of the fee must be expressed in dollars.

Montana collects a $200 per year fee for each Underground Injection Control well capable of injection. The annual fee for that type of well in North Dakota to cover the $3,193,443 difference between the DMR Essential Budget and the Governor Burgum Budget would be $1,250 per well. The only way to cover such a large difference would be a fee on every well capable of production and injection.

Option 3 – fee for funding eleven field inspectors, three pipeline inspectors, one waste treating plant inspector, one oil and gas measurement inspector, one log-core-directional survey inspector, and one petroleum geologist to be added to the Burgum Budget

SECTION _. CREATE A NEW SECTION 38-08-04._ OIL AND GAS WELL INSPECTION AND ENFORCEMENT FUND - BUDGET SECTION REPORT. There is hereby created an oil and gas well inspection and enforcement fund.
1. Revenue to the fund must include:
a. Fees collected by the oil and gas division of the industrial commission for defraying the expenses of operating and enforcing the industrial commission oil and gas regulatory program.
c. Moneys received from any federal agency for the purpose of this section.
2. Moneys in the fund may be used for the following purposes:
a. Defraying costs incurred under section 38-08-04 for inspection and enforcement of oil and gas-related wells, pipelines, and associated facilities.

SECTION _. FEE FOR DEPARTMENT OF MINERAL RESOURCES FUNDING.
Of the funds appropriated in the salaries and wages and operating expense line items in subdivision _ of section _ of this Act, $4,553,103 are from the Oil and Gas Well Inspection and Enforcement Fund. For the purpose of providing funds for defraying the expenses of operating and enforcing the industrial commission oil and gas regulatory program each operator of a well capable of production or injection may be required to pay an annual operating fee not to exceed $300 per well. The commission shall, by rule adopted pursuant to the provisions of the North Dakota Administrative Practices Act, fix the amount of the fee and may from time to time reduce or increase the amount of the fee as the expenses of the commission may require. The amount of the fee must be expressed in dollars.

The estimated annual fee for 2017-2019 would be $110 per well capable of production or injection.

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The difference between the DMR Essential Budget and the Governor Burgum Budget is $3,193,443.

$2,022,200 (63%) of that difference is underfunding of Salaries and Benefits ($1,280,000) and Operating ($742,000) based on turn back of funds in the 2011-2103 biennium and the 2013-2015 biennium.

$1,575,000 of that underfunding is in Governor Dalrymple's Executive Budget as Salaries and Benefits ($900,000) and Operating ($675,000).

$447,200 of that underfunding is in Governor Burgum's Executive Budget as Salaries and Benefits ($380,500 equated to 2.0 FTE) and Operating ($66,700).

Following is an explanation of why the turn back of funds is not a good basis for underfunding:

The 2011-2013 turn back resulted from $1,000,000 added to the DMR budget for potential litigation of EPA regulation of hydraulic fracturing which was not needed and 52 man-months of vacant positions due to the oil boom creating a housing shortage and salary disadvantage.

The 2013-2015 turn back resulted from $420,000 Legislative Council error added to the DMR budget, the legislative requirement to set aside $306,000 for accrued leave, and 149 man-months of vacant positions due to the oil boom creating a housing shortage and salary disadvantage.

Dept. of Mineral Resources **Level 40500**	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	116.75	$24,957,746	$16,994,447	$41,952,193
2017-19 Ongoing Funding Changes				
Base payroll changes	0.00	$66,741	$82,522	149,263
Salary Increase - Performance	0.00	$0	$0	0
Health Insurance increase	0.00	$314,819	$20,034	334,853
Employee portion of health insurance	0.00	-$161,902	-$10,514	(172,416)
Removes FTE positions	(11.50)	-$1,016,028	$0	(1,016,028)
Removes additional FTE positions	(2.00)	-$380,500	$0	(380,500)
Reduces funding for salaries and wages	0.00	-$900,000	$0	(900,000)
Adjusts funding operating expenses	0.00	-$75,356	$78,000	2,644
Reduces funding for operating expenses	0.00	-$675,000	$0	(675,000)
Decreases funding for bond payments	0.00	$0	-$1,830,345	(1,830,345)
Reduces operating expenses - 2 %	0.00	-$66,700	$0	(66,700)
Total ongoing funding changes	(13.50)	-$2,893,926	-$1,660,303	-$4,554,229
One-time funding items				
Federal litigation costs			1,000,000	1,000,000
Total one-time funding changes	0.00	$0	$1,000,000	$1,000,000
Total Changes to Base Level Funding	(13.50)	-$2,893,926	-$660,303	-$3,554,229
2017-19 Total Funding	103.25	$22,063,820	$16,334,144	$38,397,964

	Barrels Oil per Day	Annual Gross Production Tax	Annual Oil Extraction Tax	Sales Tax	Total Revenue
Existing well	75	$82,693	$81,029	$1,757	$165,479
New Well Year 1	540	$588,757	$576,905	$149,042	$1,314,704
New Well Year 2	215	$235,503	$230,762	$1,757	$468,022

Fiscal Year	Existing Wells	Year 1 Wells	Year 2 wells	Revenue per Well	Inspection & Enforcement	Wells per Field Inspector	Field Inspector Salary + Operating	Field Inspector Cost per Well
2017	17,110	0	0	$165,479	0.11%	552	$104,539	$189.40
2018	17,110	1,084	0	$233,950	0.08%	551	$104,539	$189.61
2019	17,110	1,212	1,084	$254,154	0.04%	539	$104,539	$193.93
AWPSRF GPT share reduction HB1075 & HB1366			$2,500,000	$128.83	66.43%	539	$104,539	$193.93

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#1

SB 2014 vs. DMR 101.5 FTE Budget

Department of Mineral Resources

	SB 2014 (6.55% Allot.)	Changes	DMR 101.5 FTE Budget
40510 Salaries & Benefits	$20,849,385	($511,188)	$20,338,197
40530 Operating Expense	4,346,295	448,753	4,795,048
40530 Litigation (one-time funding)	0	1,000,000	1,000,000
Less Estimated Income	(237,934)	(1,000,070)	(1,238,004)
Total General Fund	$24,957,746	($62,505)	$24,895,241
FTE	110	(8.5)	101.5

40500 - Industrial Commission
Level: 405-150

Version:	Dept. of Mineral Resources Comparison	SB2014 6.55% Cut Budget	DMR 101.5 FTE Budget	Difference
Expenditures				
510000	Salaries and Benefits	$14,802,664	$13,974,850	-$827,814
513005	Temporary Salaries	$221,765	$136,362	-$85,403
516000	Fringe Benefits	$5,824,956	$6,226,985	$402,029
40510	**Salaries and Benefits**	**$20,849,385**	**$20,338,197**	**-$511,188**
521000	Travel	$1,975,870	$2,234,171	$258,301
531000	IT Software/Supplies	$84,555	$174,400	$89,845
532000	Prof Supplies & Materials	$53,000	$27,157	-$25,843
533000	Food & Clothing	$21,100	$21,100	$0
534000	Bldg, Ground, Veh Maint.	$43,582	$66,300	$22,718
535000	Miscellaneous Supplies	$50,200	$43,000	-$7,200
536000	Office Supplies	$64,950	$67,000	$2,050
541000	Postage	$42,900	$39,900	-$3,000
542000	Printing	$23,850	$27,100	$3,250
551000	IT Equip Under $5000	$40,075	$20,750	-$19,325
552000	Other Equip Under $5000	$62,700	$68,700	$6,000
553000	Office Equip/Furn <$5000	$25,229	$6,500	-$18,729
561000	Utilities	$20,000	$25,889	$5,889
571000	Insurance	$16,800	$21,100	$4,300
581000	Lease/Rent Equip & Other	$2,630	$30	-$2,600
582000	Lease/Rent Bldg/Land	$1,166,133	$1,227,750	$61,617
591000	Repairs	$68,845	$85,759	$16,914
601000	IT Data Processing	$234,890	$277,696	$42,806
602000	IT Communications	$207,692	$144,149	-$63,543
603000	IT Contractual Serv & Repair	$2,235	$6,000	$3,765
611000	Professional Development	$69,709	$70,514	$805
621000	Operating Fees & Service	$89,850	$121,833	$31,983
623000	Fees - Prof Services	-$25,500	$1,018,000	$1,043,500
625000	Medical, Dental, Optical	$5,000	$250	-$4,750
40530	**Operating Expenses**	**$4,346,295**	**$5,795,048**	**$1,448,753**

2

SB 2014
2-15-17
#1

Industrial Commission - Budget No. 405
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version				Senate Changes to Revised Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	116.75	$24,957,746	$16,994,447	$41,952,193	116.75	$24,957,746	$16,994,447	$41,952,193	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes		$66,741	$82,522	$149,263		$66,741	$82,522	$149,263				$0
Salary increase - Performance				***0***				0				0
Health insurance increase		314,819	20,034	334,853		314,819	20,034	334,853				0
Employee portion of health insurance		***(161,902)***	***(10,514)***	***(172,416)***				0		161,902	10,514	172,416
Removes FTE positions	(11.50)	(1,016,028)		(1,016,028)	(8.50)	(892,818)		(892,818)	3.00	123,210		123,210
Removes additional FTE positions	***(2.00)***	***(380,500)***		***(380,500)***				0	2.00	380,500		380,500
Reduces funding for salaries and wages		(900,000)		(900,000)				0		900,000		900,000
Adds funding for contingent FTE positions				0	6.00	1,254,462		1,254,462	6.00	1,254,462		1,254,462
Adjusts funding operating expenses		(75,356)	78,000	2,644		448,753	78,000	526,753		524,109		524,109
Reduces funding for operating expenses		(675,000)		(675,000)				0		675,000		675,000
Decreases funding for bond payments			(1,830,345)	(1,830,345)			(1,830,345)	(1,830,345)				0
Reduces operating expenses - 2 percent		***(66,700)***		***(66,700)***				0		66,700		66,700
Total ongoing funding changes	(13.50)	($2,893,926)	($1,660,303)	($4,554,229)	(2.50)	$1,191,957	($1,649,789)	($457,832)	11.00	$4,085,883	$10,514	$4,096,397
One-time funding items												
Federal litigation costs			$1,000,000	$1,000,000			$1,000,000	$1,000,000			$0	$0
Total one-time funding changes	0.00	$0	$1,000,000	$1,000,000	0.00	$0	$1,000,000	$1,000,000	0.00	$0	$0	$0
Total Changes to Base Level Funding	(13.50)	($2,893,926)	($660,303)	($3,554,229)	(2.50)	$1,191,957	($649,789)	$542,168	11.00	$4,085,883	$10,514	$4,096,397
2017-19 Total Funding	103.25	$22,063,820	$16,334,144	$38,397,964	114.25	$26,149,703	$16,344,658	$42,494,361	11.00	$4,085,883	$10,514	$4,096,397
										18.5%	0.1%	10.7%

Other Sections in Industrial Commission - Budget No. 405

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Bond payments	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.
Contingent FTE positions		Section 6 identifies $1,254,462 from the general fund and 6 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds certain amounts, subject to Budget Section approval.

Other Sections in Industrial Commission - Budget No. 405

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Administrative cost transfers	Section 9 allows the Industrial Commission to transfer up to $1,107,337 from special funds from the entities under the control of the Industrial Commission for administrative services.	Section 7 allows the Industrial Commission to transfer up to $1,103,986 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 27 provides an exemption and allows any unspent 2015-17 biennium appropriations for administrative costs to continue in the 2017-19 biennium.
Advanced technology development	Section 8 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium. Section 16 identifies the funding may be used for advanced energy technology research and development and provides matching requirements for grant recipients. Section 17 provides a statement of intent related to grant applications for advanced energy research from the renewable energy fund. Section 21 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology.	Section 14 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium, identifies the funding for advanced energy technology research and development, and provides matching requirements for grant recipients. Section 25 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology. Section 29 provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.
Litigation expenses		Section 15 identifies $1 million in the estimated income line from the strategic investment and improvements fund for litigation expenses.
Lignite research	Section 6 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 15 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.	Section 28 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 31 provides intent that $4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

SB 2014
2-15-17
#2

Bank of North Dakota - Budget No. 471
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version				Senate Changes to Revised Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	181.50	$0	$59,287,301	$59,287,301	181.50	$0	$59,287,301	$59,287,301	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes			$390,404	$390,404			$390,404	$390,404				$0
Salary increase - Performance				***0***				0				0
Health insurance increase			520,884	520,884			520,884	520,884				0
Employee portion of health insurance			***(272,869)***	***(272,869)***				0			272,869	272,869
Additional salary increases			1,459,131	1,459,131			1,459,131	1,459,131				0
Reduces operating expenses			(1,174,818)	(1,174,818)			(1,174,818)	(1,174,818)				0
Reduces operating expenses - 2 percent			***(1,210,958)***	***(1,210,958)***			(1,210,958)	(1,210,958)				0
Adds funding for information technology equipment			65,000	65,000			65,000	65,000				0
Total ongoing funding changes	0.00	$0	($223,226)	($223,226)	0.00	$0	$49,643	$49,643	0.00	$0	$272,869	$272,869
One-time funding items												
No one-time funding items				$0				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	($223,226)	($223,226)	0.00	$0	$49,643	$49,643	0.00	$0	$272,869	$272,869
2017-19 Total Funding	181.50	$0	$59,064,075	$59,064,075	181.50	$0	$59,336,944	$59,336,944	0.00	$0	$272,869	$272,869
										N/A	0.5%	0.5%

Other Sections in Bank of North Dakota - Budget No. 471

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Transfer to general fund	Section 7 provides for a transfer of $200 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium. **(The Burgum budget recommendation decreases the transfer by $60 million, from $200 million to $140 million.)**	Section 8 provides for a transfer of $140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.
Transfer to partnership in assisting community expansion (PACE) fund	Section 10 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.	Section 9 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.
Transfer to Ag PACE fund	Section 11 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.	Section 10 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.
Transfer to biofuels PACE fund	Section 12 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.	Section 11 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.
Transfer to beginning farmer revolving loan fund	Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.	Section 12 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.

Other Sections in Bank of North Dakota - Budget No. 471

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
School construction loan fund	Section 14 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the school construction loan fund for the 2017-19 biennium.	Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the Bank of North Dakota for school construction loan interest rate buydowns for the 2017-19 biennium.
Student loans		Section 16 authorizes the Bank of North Dakota to charge reasonable fees for student loan guarantees and for collections on defaulted student loans. Section 17 removes the authority to suspend an occupational or professional license when the licensee's student loans are in default.

SB 2014
2-15-17
#3

Mill and Elevator Association - Budget No. 475
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version				Senate Changes to Revised Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	147.00	$0	$64,315,898	$64,315,898	147.00	$0	$64,315,898	$64,315,898	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes			$2,539,491	$2,539,491			$2,539,491	$2,539,491				$0
Health insurance increase			437,886	437,886			437,886	437,886				0
Employee portion of health insurance			***(230,889)***	***(230,889)***				0			230,889	230,889
Adds funding for FTE positions	6.00		768,893	768,893	6.00		768,893	768,893				0
Removes funding for FTE position	***(1.00)***		***(115,280)***	***(115,280)***			(115,280)	(115,280)	1.00			0
Reduces salaries and wages - 1 percent			***(569,643)***	***(569,643)***			(569,643)	(569,643)				0
Increases in utilities, supplies, and repairs			868,000	868,000			868,000	868,000				0
Total ongoing funding changes	5.00	$0	$3,698,458	$3,698,458	6.00	$0	$3,929,347	$3,929,347	1.00	$0	$230,889	$230,889
One-time funding items												
No one-time funding items				$0				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	5.00	$0	$3,698,458	$3,698,458	6.00	$0	$3,929,347	$3,929,347	1.00	$0	$230,889	$230,889
2017-19 Total Funding	152.00	$0	$68,014,356	$68,014,356	153.00	$0	$68,245,245	$68,245,245	1.00	$0	$230,889	$230,889
										N/A	0.3%	0.3%

Other Sections in Mill and Elevator Association - Budget No. 475

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Transfer to general fund	Section 20 amends Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 90 percent.	No other sections included in the Senate version.

SB 2014
2-15-17
#4

Housing Finance Agency - Budget No. 473
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version				Senate Changes to Revised Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	46.00	$0	$37,520,089	$37,520,089	46.00	$0	$37,520,089	$37,520,089	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes			$92,182	$92,182			$92,182	$92,182				$0
Salary increase - Performance				***0***				0				0
Health insurance increase			128,790	128,790			128,790	128,790				0
Employee portion of health insurance			***(67,468)***	***(67,468)***				0			67,468	67,468
Additional salary increases			257,425	257,425			257,425	257,425				0
Adds Housing and Urban Development grants			6,017,048	6,017,048			6,017,048	6,017,048				0
Increases funding for operating expenses			45,630	45,630			45,630	45,630				0
Reduces budget - 1 percent			***(448,594)***	***(448,594)***			(448,594)	(448,594)				0
Reduces grant funding for program outreach			(43,000)	(43,000)			(43,000)	(43,000)				0
Increases funding for mortgage servicing premiums			970,000	970,000			970,000	970,000				0
Total ongoing funding changes	0.00	$0	$6,952,013	$6,952,013	0.00	$0	$7,019,481	$7,019,481	0.00	$0	$67,468	$67,468
One-time funding items												
No one-time funding items				$0				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	$6,952,013	$6,952,013	0.00	$0	$7,019,481	$7,019,481	0.00	$0	$67,468	$67,468
2017-19 Total Funding	46.00	$0	$44,472,102	$44,472,102	46.00	$0	$44,539,570	$44,539,570	0.00	$0	$67,468	$67,468
										N/A	0.2%	0.2%

Other Sections in Housing Finance Agency - Budget No. 473

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Additional income	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium.	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

Other Sections in Housing Finance Agency - Budget No. 473

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Housing incentive fund	Section 19 continues the housing incentive fund for the 2017-19 biennium and removes the provision for the Housing Finance Agency to report quarterly to the Budget Section.	Section 19 continues the housing incentive fund for the 2017-19 biennium, changes the requirement for the Housing Finance Agency to report to the Budget Section from a quarterly report to a biennial report, and requires the Housing Finance Agency to report to the Industrial Commission upon request. Sections 21 and 23 provide up to $5 million of income tax credits for contributions to the housing incentive fund reducing general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections. Section 26 repeals a section of century code related to Housing Finance Agency reports to the Industrial Commission. Section 32 provides an effective date and expiration date related to the housing incentive fund tax credits.
Essential service worker home ownership incentive fund		Section 18 creates an essential service worker home ownership incentive program. Section 20 establishes the essential service worker home ownership incentive fund and identifies the uses of the fund. Sections 22 and 24 provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund reducing general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections. Section 30 identifies 50 percent of the contributions to the essential service worker home ownership fund for planning regions one and eight and the remaining contributions for the other planning areas. Section 32 provides an effective date and expiration date related to the essential service worker home ownership incentive fund tax credits.

17.0522.01003

Sixty-fifth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2014

SB 2014
2-15-17
#5

Introduced by

Appropriations Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to provide for transfers; ~~and~~ to create and enact a new subsection to section 54-17-07.3, new sections to chapter 54-17 and chapter 57-38, and two new subdivisions to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating the essential service worker home ownership program, housing incentive fund tax credits, and essential service worker home ownership fund tax credits; to amend and reenact sections 15-62.1-07, 28-25-11, 54-17-40, and 57-62-02 of the North Dakota Century Code, relating to loan guarantee fees, suspension of occupational or professional licenses, the housing incentive fund, and coal development trust fund allocations; to repeal section 54-17-41 of the North Dakota Century Code, relating to housing incentive fund reports; to provide ~~a statement~~statements of legislative intent; to provide exemptions; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the industrial commission and agencies under its control for the purpose of defraying the expenses of the industrial commission and agencies under its control, for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	Base Level	Adjustments or Enhancements	Appropriation

~~Salaries and wages~~	~~$22,132,229~~	~~$0~~	~~$22,132,229~~
~~Operating expenses~~	~~4,779,135~~	~~0~~	~~4,779,135~~
~~Grants - bond payments~~	~~15,040,829~~	~~0~~	~~15,040,829~~
~~Total all funds~~	~~$41,952,193~~	~~$0~~	~~$41,952,193~~
~~Less estimated income~~	~~16,994,447~~	~~0~~	~~16,994,447~~
~~Total general fund~~	~~$24,957,746~~	~~$0~~	~~$24,957,746~~
~~Full-time equivalent positions~~	~~116.75~~	~~0~~	~~116.75~~
Salaries and wages	$22,132,229	($408,702)	$21,723,527
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	1,254,462	1,254,462
Total all funds	$41,952,193	$542,168	$42,494,361
Less estimated income	16,994,447	(649,789)	16,344,658
Total general fund	$24,957,746	$1,191,957	$26,149,703
Full-time equivalent positions	116.75	(2.50)	114.25

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	Base Level	Adjustments or Enhancements	Appropriation
~~Bank of North Dakota operations~~	~~$58,542,301~~	~~$0~~	~~$58,542,301~~
~~Capital assets~~	~~745,000~~	~~0~~	~~745,000~~
~~Total special funds~~	~~$59,287,301~~	~~$0~~	~~$59,287,301~~
Bank of North Dakota operations	$58,542,301	($15,357)	$58,526,944
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$49,643	$59,336,944
Full-time equivalent positions	181.50	0.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$36,278,898~~	~~$0~~	~~$36,278,898~~

~~Operating expenses~~	~~27,327,000~~	~~0~~	~~27,327,000~~
~~Contingencies~~	~~500,000~~	~~0~~	~~500,000~~
~~Agriculture promotion~~	~~210,000~~	~~0~~	~~210,000~~
~~Total from mill and elevator fund~~	~~$64,315,898~~	~~$0~~	~~$64,315,898~~
~~Full-time equivalent positions~~	~~147.00~~	~~0.00~~	~~147.00~~
Salaries and wages	$36,278,898	$3,061,347	$39,340,245
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,929,347	$68,245,245
Full-time equivalent positions	147.00	6.00	153.00

Subdivision 4.

HOUSING FINANCE AGENCY

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$7,745,034~~	~~$0~~	~~$7,745,034~~
~~Operating expenses~~	~~3,744,275~~	~~0~~	~~3,744,275~~
~~Grants~~	~~25,930,780~~	~~0~~	~~25,930,780~~
~~Housing finance agency contingencies~~	~~100,000~~	~~0~~	~~100,000~~
~~Total special funds~~	~~$37,520,089~~	~~$0~~	~~$37,520,089~~
Salaries and wages	$7,745,034	$156,353	$7,901,387
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,019,481	$44,539,570
Full-time equivalent positions	46.00	0.00	46.00

Subdivision 5.

BILL TOTAL

	Base Level	Adjustments or Enhancements	Appropriation
~~Grand total general fund~~	~~$24,957,746~~	~~$0~~	~~$24,957,746~~

~~Grand total special funds~~	~~178,117,735~~	~~0~~	~~178,117,735~~
~~Grand total all funds~~	~~$203,075,481~~	~~$0~~	~~$203,075,481~~
Grand total general fund	$24,957,746	$1,191,957	$26,149,703
Grand total special funds	178,117,735	10,348,682	188,466,417
Grand total all funds	$203,075,481	$11,540,639	$214,616,120

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly as adjusted for the 2015-17 biennium and the 2017-19 biennium one-time funding items included in the appropriation in section 1 of this Act:

One-Time Funding Description	2015-17	2017-19
~~Litigation~~	~~$2,500,000~~	~~$0~~
~~Lignite research council grant~~	~~4,672,500~~	~~0~~
~~Aerial photography~~	~~104,143~~	~~0~~
~~Contract analysis~~	~~125,000~~	~~0~~
~~Digital conversion~~	~~25,000~~	~~0~~
~~Migration to RBDMS.net~~	~~250,000~~	~~0~~
~~All-terrain vehicles~~	~~41,500~~	~~0~~
~~Core library expansion~~	~~13,625,322~~	~~0~~
~~Financial center project~~	~~17,000,000~~	~~0~~
~~Total all funds~~	~~$38,343,465~~	~~$0~~
~~Total special funds~~	~~30,625,322~~	~~0~~
~~Total general fund~~	~~$7,718,143~~	~~$0~~
Litigation	$2,500,000	$1,000,000
Lignite research council grant	4,672,500	0
Aerial photography	104,143	0
Contract analysis	125,000	0
Digital conversion	25,000	0
Migration to RBDMS.net	250,000	0
All-terrain vehicles	41,500	0
Core library expansion	13,625,322	0

Financial center project	17,000,000	0
Total all funds	$38,343,465	$1,000,000
Total special funds	30,625,322	1,000,000
Total general fund	$7,718,143	$0

The 2017-19 biennium one-time funding amounts are not a part of the entity's base budget for the 2019-21 biennium. The industrial commission shall report to the appropriations committees of the sixty-sixth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of ~~$15,040,829~~$13,210,484 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2017, and ending June 30, 2019:

~~North Dakota university system~~	~~$8,368,836~~
~~North Dakota university system - energy conservation projects~~	~~491,161~~
~~Department of corrections and rehabilitation~~	~~1,279,524~~
~~Department of corrections and rehabilitation - energy conservation projects~~	~~16,206~~
~~State department of health~~	~~637,940~~
~~Job service North Dakota~~	~~427,131~~
~~Office of management and budget~~	~~664,952~~
~~Attorney general's office~~	~~765,483~~
~~State historical society~~	~~1,391,668~~
~~Parks and recreation department~~	~~73,592~~
~~Research and extension service~~	~~571,126~~
~~Veterans' home~~	~~353,210~~
~~Total~~	~~$15,040,829~~
North Dakota university system	$6,605,326
North Dakota university system - energy conservation projects	491,500
Department of corrections and rehabilitation	1,158,679
Department of corrections and rehabilitation - energy conservation projects	16,285
State department of health	636,877
Job service North Dakota	428,100

Office of management and budget	665,411
Attorney general's office	766,012
State historical society	1,392,629
Parks and recreation department	73,642
Research and extension service	571,520
Veterans' home	404,503
Total	$13,210,484

SECTION 4. APPROPRIATION - HOUSING FINANCE AGENCY - ADDITIONAL INCOME. In addition to the amount appropriated to the housing finance agency in subdivision 4 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2017, and ending June 30, 2019. The housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency.

SECTION 5. APPROPRIATION - ADDITIONAL FUNDS FROM BONDS - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the emergency commission, funds that may become available to the commission from bonds authorized by law to be issued by the industrial commission for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 6. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING. The amount of $1,254,462 from the general fund and six full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds the thresholds identified in this section. Of the $1,254,462 and the six full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. Subject to budget section approval, $418,154 from the contingencies line item and two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1 and subject to budget section approval, $836,308 from the contingencies line item and four full-time equivalent positions if the total number of wells capable of production and injection exceeds nineteen thousand four hundred wells.

SECTION 7. TRANSFER - ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND. The sum of ~~$930,000~~$1,103,986, or so much of the sum as may be necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers must be made during the biennium beginning July 1, 2017, and ending June 30, 2019, upon order of the commission. Transfers from the student loan trust fund must be made to the extent permitted by sections 54-17-24 and 54-17-25.

SECTION 8. TRANSFER - BANK OF NORTH DAKOTA PROFITS TO GENERAL FUND. The industrial commission shall transfer to the general fund $140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota during the biennium beginning July 1, 2017, and ending June 30, 2019. The moneys must be transferred in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $16,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of

$1,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - SCHOOL CONSTRUCTION LOAN INTEREST RATE BUYDOWNS. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits for interest rate buydowns on outstanding school construction loans under section 15.1-36-06 during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 14. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO LIGNITE RESEARCH FUND. The department of trust lands shall transfer the sum of $3,000,000 from the strategic investment and improvements fund to the lignite research fund during the biennium beginning July 1, 2017, and ending June 30, 2019. The funding must be used to provide grants for advanced energy technology research and development. Grant recipients must provide matching funds.

SECTION 15. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUNDS. The estimated income line item in section 1 of this Act includes $1,000,000 from the strategic investment and improvements fund for litigation expenses.

SECTION 16. AMENDMENT. Section 15-62.1-07 of the North Dakota Century Code is amended and reenacted as follows:

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter~~, and such fees~~. The agency may charge up to thirteen percent of accumulated principal and interest if the loans are in default under subsection 1 of section 15-62.1-06. The fees collected under this section must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the

reserve fund. The authority of the agency to charge reasonable fees under this section applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

SECTION 17. AMENDMENT. Section 28-25-11 of the North Dakota Century Code is amended and reenacted as follows:

28-25-11. Property applied - Wages exempt ~~- Suspension of occupational or professional license for nonpayment of defaulted state guaranteed student loans~~.

~~1.~~ The judge may order any property of the judgment debtor not exempt from execution in the hands either of the judgment debtor or of any other person or due the judgment debtor to be applied toward the satisfaction of the judgment, except that the earnings of the debtor for the debtor's personal services at any time within sixty days next preceding the order cannot be so applied when it is made to appear, by the debtor's affidavit or otherwise, that the earnings are necessary for the use of a family supported wholly or partly by the debtor's labor.

~~2. If the debt for which a judgment is entered is for a guaranteed student loan, the court, after considering the factors in subsection 1, shall address and make specific findings on the issue of whether the judgment debtor has an occupational or a professional certificate license or permit issued by or on behalf of the state or any occupational or professional boards, which the judgment debtor is required to obtain before engaging in the judgment debtor's occupation or profession. The court, based on principles of fairness, including consideration of whether the judgment debtor has been unjustly enriched, may suspend a judgment debtor's certificate, license, or permit. Following a decision to suspend a judgment debtor's certificate, license, or permit, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the proper licensing authority of the court's decision to suspend a judgment debtor's certificate, license, or permit. A certificate, license, or permit suspended by an order issued under this section may be reissued only by order of the court. An appeal by a judgment debtor who has had a certificate, license, or~~

~~permit suspended under this section is an appeal from the court's order and may not be appealed to the licensing authority.~~

SECTION 18. A new subsection to section 54-17-07.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive program. A program to provide assistance for the purchase of a primary residence by an essential service worker as provided in section 20 of this Act. The program may provide a secondary mortgage lien to assist in the acquisition of a single-family residential dwelling unit.

SECTION 19. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. ~~(Effective through June 30, 2017)~~ Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.
2. a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage~~. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award~~.

   b. The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

   c. The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second

priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

~~The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.~~

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:
   a. New construction, rehabilitation, or acquisition of a multifamily housing project;
   b. Gap assistance, matching funds, and accessibility improvements;
   c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
   d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

6. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.
7. The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers.
8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.
9. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. The report must include the following:
   a. The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and
   b. A listing of projects approved and the number of units within those projects that provide housing for essential service workers.

SECTION 20. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund - Continuing appropriation.

1. The essential service worker home ownership incentive fund is created as a special revolving fund at the Bank of North Dakota. The moneys in the fund are appropriated on a continuing basis to the housing finance agency to provide purchasing assistance on single-family residential mortgage loans under the essential worker home ownership incentive program. The agency may deduct a reasonable administrative fee from the fund.
2. For purposes of this section, "essential service worker" means an individual employed by the state or a city, county, school district, medical or long-term care facility, or any other individual employed in providing an essential public service as determined by the housing finance agency.
3. Pursuant to housing finance agency underwriting and credit standards and guidelines adopted under subsection 4, the agency may provide a secondary loan to a qualified

essential service worker in conjunction with a single-family residential mortgage loan originated by a lender under a housing finance agency home ownership program. If, at any time during the term of the loan, the borrower ceases to be employed as an essential service worker or if the borrower sells the home or refinances the mortgage loan, the borrower must repay the secondary loan in full or begin making amortized monthly payments on the secondary loan.

4. The agency shall adopt guidelines for the implementation and administration of the essential service worker home ownership incentive program. The guidelines must provide the moneys in the essential service worker home ownership incentive fund may be used only to assist in the acquisition of owner-occupied single-family residential housing that will serve as the primary residence of the essential service worker. The guidelines must establish income limits for eligibility to participate in the program and purchase price limitations as determined by the agency.

5. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing bases for the purposes of this section.

SECTION 21. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five million dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 22. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Essential service worker home ownership incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the essential service worker home ownership incentive fund under section 19 of this Act. The

amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five hundred thousand dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the essential service worker home ownership incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the essential service worker home ownership incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity

level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 23. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit under section 21 of this Act.

SECTION 24. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund tax credit under section 22 of this Act.

SECTION 25. AMENDMENT. Section 57-62-02 of the North Dakota Century Code is amended and reenacted as follows:

57-62-02. Allocation of moneys in coal development fund

Moneys deposited in the coal development fund shall be apportioned monthly by the state treasurer as follows:

1. ~~Thirty~~Fifteen percent must be deposited in a permanent trust fund in the state treasury, to be known as the coal development trust fund, pursuant to section 21 of article X of the Constitution of North Dakota. Those funds held in trust and administered by the board of university and school lands on March 5, 1981, pursuant to section 12, chapter 563, 1975 Session Laws; section 12, chapter 560, 1977 Session Laws; or section 13, chapter 626, 1979 Session Laws must also be deposited in the trust fund created pursuant to this subsection. The fund must be held in trust and administered by the board of university and school lands for loans to coal-impacted counties, cities, and school districts as provided in section 57-62-03 and for loans to school districts pursuant to chapter 15.1-36. The board of university and school lands may invest such funds as are not loaned out as provided in this chapter and may consult with the state investment board as provided by law. The income, including interest payments on loans, from the trust must be used first to replace uncollectible loans made from the fund and the balance must be deposited in the school construction assistance loan fund. Loan principal payments must be redeposited in the trust fund. The trust fund must be perpetual and held in trust as a replacement for depleted natural resources subject to the provisions of this chapter and chapter 15.1-36.

2. Fifteen percent must be deposited in the lignite research fund for the purpose of developing advanced energy technology.

3. Seventy percent must be allocated to the coal-producing counties and must be distributed among such counties in such proportion as the number of tons [metric tons] of coal severed at each mining operation bears to the total number of tons [metric tons] of coal severed in the state during such monthly period. Allocations under subdivisions a and b must be apportioned by the state treasurer as follows:

   a. If the tipple of the currently active coal mining operation in a county is not within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue apportioned according to this subdivision must be allocated as follows:

      (1) Thirty percent must be paid by the state treasurer to the incorporated cities of the county based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

      (2) Forty percent must be paid to the county treasurer who shall deposit it in the county general fund to be used for general governmental purposes.

      (3) Thirty percent must be apportioned by the state treasurer to school districts within the county on the average daily membership basis, as certified to the state treasurer by the county superintendent of schools.

   b. If the tipple of a currently active coal mining operation in a county is within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue from the production not exceeding the production limitation in a calendar year which is apportioned from that coal mining operation according to this subsection must be allocated, subject to the definitions of terms and the requirements in paragraph 4, as provided in this subdivision. For purposes of this subdivision, the production limitation is three million eight hundred thousand tons [3447302.02 metric tons] through calendar year 1995, three million six hundred thousand tons [3265865.07 metric tons] in calendar years 1996 and 1997, and three million four hundred thousand tons [3084428.12 metric tons] in calendar years after 1997. Revenue from production exceeding the production limitation in a calendar year

from that coal mining operation must be allocated only within the coal-producing county under subdivision a. Allocations under this subdivision must be made as follows:

(1) Thirty percent must be paid by the state treasurer to the incorporated cities of the coal-producing county and to any city of a non-coal-producing county when any portion of the city lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county, based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

(2) Forty percent must be divided by the state treasurer between the general fund of the coal-producing county and the general fund of any non-coal-producing county when any portion of the latter county lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county. The non-coal-producing county portion must be based upon the ratio which the assessed valuation of all quarter sections of land in that county, any portion of which lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation, bears to the combined assessed valuations of all land in the coal-producing county and the quarter sections of land in the non-coal-producing county within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation. The county director of tax equalization of the coal-producing county shall certify to the state treasurer the number of quarter sections of land in the non-coal-producing counties which lie at least in part within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation and their assessed valuations.

(3) Thirty percent must be apportioned by the state treasurer to school districts within the coal-producing county and to school districts in adjoining non-coal-producing counties when a portion of those school districts' land

includes any of the quarter sections of land certified by the director of tax equalization to the state treasurer to be eligible to share county funds as provided for in paragraph 2. The county superintendent of the non-coal-producing counties shall certify to the state treasurer the number of students actually residing on these quarter sections lying outside the coal-producing county and each school district in non-coal-producing counties shall receive a portion of the money under this paragraph based upon the ratio of the number of children residing on quarter sections of that school district within the fifteen-mile [24.14-kilometer] radius of the tipple of a currently active coal mining operation to the total number of schoolchildren from the coal-producing county combined with all the schoolchildren certified to be living on quarter sections within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county.

(4) For the purposes of this subdivision:

(a) The terms "currently active coal mining operation in a county", "currently active coal mining operation in the coal-producing county", and "currently active coal mining operation" mean a coal mining operation that produced more than one hundred fifty thousand tons [136077.71 metric tons] of coal in a coal-producing county during the prior quarterly period.

(b) The term "coal-producing county" means a county in which more than one hundred fifty thousand tons [136077.71 metric tons] of coal were mined in the prior quarterly period.

(c) The term "another county in which no coal is mined" means a county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(d) The terms "non-coal-producing county" and "non-coal-producing counties" mean any county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(e) In computing each amount to be paid as provided in paragraph 1, 2, or 3 for coal severance tax revenue from coal mined during a monthly period, the state treasurer shall deduct from the allocation the amount of coal severance tax revenue, if any, that the governmental body in the non-coal-producing county received from the coal mined in the non-coal-producing county during the same monthly period.

(5) The state treasurer shall allocate funds provided by legislative appropriation to cities, the county general fund, and school districts within a coal-producing county according to the allocation method provided in subdivision a in an amount to offset fifty percent of the loss of that county's share of coal severance tax revenue allocated to a non-coal-producing county under this subdivision in the previous calendar year. The state treasurer shall make the allocation and distribute the funds, within the limits of legislative appropriations, under this paragraph during the first month of each calendar year. The state treasurer shall include in each biennial budget request the amounts estimated to be necessary for the biennium for purposes of this paragraph, based on the allocations under this subdivision in the most recent calendar years.

SECTION 26. REPEAL. Section 54-17-41 of the North Dakota Century Code is repealed.

SECTION 27. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 14 of the 2015 Session Laws and transferred pursuant to section 6 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 28. EXEMPTION - LIGNITE RESEARCH GRANTS. The amount appropriated to the industrial commission from the general fund for lignite research grants in the grants line item in section 1 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial

commission for lignite research grants during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 29. LEGISLATIVE INTENT - RENEWABLE ENERGY DEVELOPMENT FUND. It is the intent of the sixty-fifth legislative assembly that the industrial commission consider applications for funding from the renewable energy development fund for advanced energy technology development projects.

SECTION 30. LEGISLATIVE INTENT - ESSENTIAL SERVICE WORKER HOME OWNERSHIP INCENTIVE FUND. Of the contributions deposited in the essential service worker home ownership incentive fund during the biennium beginning July 1, 2017, and ending June 30, 2019, it is the intent of the sixty-fifth legislative assembly that the housing finance agency disburse fifty percent within planning regions one and eight and shall disburse the remaining fifty percent within the other planning regions.

SECTION 31. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM - LIGNITE MARKETING FEASIBILITY STUDY. The amount of $4,500,000 from the lignite research fund, or so much of the amount as may be necessary, may be used for the purpose of contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and industry jobs or that will lead to increased development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. Moneys appropriated pursuant to this section also may be used for the purpose of contracting for nonmatching studies and activities in support of the lignite vision 21 program; for litigation that may be necessary to protect and promote the continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for the purposes stated in this section are available to the industrial commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

SECTION 32. EFFECTIVE DATE - EXPIRATION DATE. Sections 23 and 24 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective.

2-15-17
SB 2014
#1
p1

17.0522.01004
Title.
Fiscal No. 2

Prepared by the Legislative Council staff for
Senator Sorvaag
February 15, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2014

Page 1, line 2, after the semicolon insert "to provide a continuing appropriation; to provide a contingent appropriation;"

Page 1, line 3, replace "and" with " to create and enact a new subsection to section 54-17-07.3, new sections to chapter 54-17 and chapter 57-38, and two new subdivisions to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating the essential service worker home ownership program, housing incentive fund tax credits, and essential service worker home ownership fund tax credits; to amend and reenact sections 15-62.1-07, 28-25-11, 54-17-40, and 57-62-02 of the North Dakota Century Code, relating to loan guarantee fees, suspension of occupational or professional licenses, the housing incentive fund, and coal development trust fund allocations; to repeal section 54-17-41 of the North Dakota Century Code, relating to housing incentive fund reports;"

Page 1, line 3, replace "a statement" with "statements"

Page 1, line 3, after "intent" insert "; to provide exemptions; to provide an effective date; and to provide an expiration date"

Page 1, replace lines 15 through 21 with:

"Salaries and wages	$22,132,229	($93,883)	$22,038,346
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	1,254,462	1,254,462
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
Total general fund	$24,957,746	$1,506,776	$26,464,522
Full-time equivalent positions	116.75	(2.50)	114.25"

Page 2, replace lines 3 through 5 with:

"Bank of North Dakota operations	$58,542,301	($15,357)	$58,526,944
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$49,643	$59,336,944"

Page 2, replace lines 11 through 16 with:

"Salaries and wages	$36,278,898	$3,061,347	$39,340,245
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,929,347	$68,245,245
Full-time equivalent positions	147.00	6.00	153.00"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$7,745,034	$156,353	$7,901,387
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828

Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,019,481	$44,539,570"

Page 2, remove line 31

Page 3, replace lines 1 and 2 with:

"Grand total general fund	$24,957,746	$1,506,776	$26,464,522
Grand total special funds	178,117,735	10,348,682	188,466,417
Grand total all funds	$203,075,481	$11,855,458	$214,930,939"

Page 3, line 3, after "**FUNDING**" insert "**- EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SIXTH LEGISLATIVE ASSEMBLY**"

Page 3, line 4, after "biennium" insert "and the 2017-19 biennium one-time funding items included in the appropriation in section 1 of this Act"

Page 3, replace lines 6 through 17 with:

"Litigation	$2,500,000	$1,000,000
Lignite research council grant	4,672,500	0
Aerial photography	104,143	0
Contract analysis	125,000	0
Digital conversion	25,000	0
Migration to RBDMS.net	250,000	0
All-terrain vehicles	41,500	0
Core library expansion	13,625,322	0
Financial center project	17,000,000	0
Total all funds	$38,343,465	$1,000,000
Total special funds	30,625,322	1,000,000
Total general fund	$7,718,143	$0

The 2017-19 biennium one-time funding amounts are not a part of the entity's base budget for the 2019-21 biennium. The industrial commission shall report to the appropriations committees of the sixty-sixth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 3, line 18, replace "$15,040,829" with "$13,210,484"

Page 3, remove lines 22 through 31

Page 4, replace lines 1 through 3 with:

"North Dakota university system	$6,605,326
North Dakota university system - energy conservation projects	491,500
Department of corrections and rehabilitation	1,158,679
Department of corrections and rehabilitation - energy conservation projects	16,285
State department of health	636,877
Job service North Dakota	428,100
Office of management and budget	665,411
Attorney general's office	766,012
State historical society	1,392,629
Parks and recreation department	73,642
Research and extension service	571,520
Veterans' home	404,503
Total	$13,210,484"

Page 4, line 4, after "**APPROPRIATION**" insert "**- HOUSING FINANCE AGENCY - ADDITIONAL INCOME**"

Page 4, line 7, after the period insert "The housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency."

Page 4, line 8, after "**APPROPRIATION**" insert "**- ADDITIONAL FUNDS FROM BONDS**"

Page 4, after line 12, insert:

"**SECTION 6. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.** The amount of $1,254,462 from the general fund and six full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds the thresholds identified in this section. Of the $1,254,462 and the six full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. Subject to budget section approval, $418,154 from the contingencies line item and two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1 and subject to budget section approval, $836,308 from the contingencies line item and four full-time equivalent positions if the total number of wells capable of production and injection exceeds nineteen thousand four hundred wells."

Page 4, line 13, after "**TRANSFER**" insert "**- ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND**"

Page 4, line 13, replace "$930,000" with "$1,103,986"

Page 4, after line 19, insert:

"**SECTION 8. TRANSFER - BANK OF NORTH DAKOTA PROFITS TO GENERAL FUND.** The industrial commission shall transfer to the general fund $140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota during the biennium beginning July 1, 2017, and ending June 30, 2019. The moneys must be transferred in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $16,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from

the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $1,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - SCHOOL CONSTRUCTION LOAN INTEREST RATE BUYDOWNS. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits for interest rate buydowns on outstanding school construction loans under section 15.1-36-06 during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 14. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO LIGNITE RESEARCH FUND. The department of trust lands shall transfer the sum of $3,000,000 from the strategic investment and improvements fund to the lignite research fund during the biennium beginning July 1, 2017, and ending June 30, 2019. The funding must be used to provide grants for advanced energy technology research and development. Grant recipients must provide matching funds.

SECTION 15. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUNDS. The estimated income line item in section 1 of this Act includes $1,000,000 from the strategic investment and improvements fund for litigation expenses.

SECTION 16. AMENDMENT. Section 15-62.1-07 of the North Dakota Century Code is amended and reenacted as follows:

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter~~, and such fees~~. The agency may charge up to thirteen percent of accumulated principal and interest if the loans are in default under subsection 1 of section 15-62.1-06. The fees collected under this section must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the reserve fund. The authority of the agency to charge reasonable fees under this section applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

SECTION 17. AMENDMENT. Section 28-25-11 of the North Dakota Century Code is amended and reenacted as follows:

28-25-11. Property applied - Wages exempt ~~- Suspension of occupational or professional license for nonpayment of defaulted state guaranteed student loans.~~

~~1.~~ The judge may order any property of the judgment debtor not exempt from execution in the hands either of the judgment debtor or of any other person or due the judgment debtor to be applied toward the satisfaction of the judgment, except that the earnings of the debtor for the debtor's personal services at any time within sixty days next preceding the order cannot be so applied when it is made to appear, by the debtor's affidavit or otherwise, that the earnings are necessary for the use of a family supported wholly or partly by the debtor's labor.

~~2. If the debt for which a judgment is entered is for a guaranteed student loan, the court, after considering the factors in subsection 1, shall address and make specific findings on the issue of whether the judgment debtor has an occupational or a professional certificate license or permit issued by or on behalf of the state or any occupational or professional boards, which the judgment debtor is required to obtain before engaging in the judgment debtor's occupation or profession. The court, based on principles of fairness, including consideration of whether the judgment debtor has been unjustly enriched, may suspend a judgment debtor's certificate, license, or permit. Following a decision to suspend a judgment debtor's certificate, license, or permit, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the proper licensing authority of the court's decision to suspend a judgment debtor's certificate, license, or permit. A certificate, license, or permit suspended by an order issued under this section may be reissued only by order of the court. An appeal by a judgment debtor who has had a certificate, license, or permit suspended under this section is an appeal from the court's order and may not be appealed to the licensing authority.~~

SECTION 18. A new subsection to section 54-17-07.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive program. A program to provide assistance for the purchase of a primary residence by an essential service worker as provided in section 20 of this Act. The program may provide a secondary mortgage lien to assist in the acquisition of a single-family residential dwelling unit.

SECTION 19. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. ~~(Effective through June 30, 2017)~~ Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.

2. a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage~~. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award~~.

   b. The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

   c. The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

~~The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.~~

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:

   a. New construction, rehabilitation, or acquisition of a multifamily housing project;

   b. Gap assistance, matching funds, and accessibility improvements;

c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and

d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.

5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

6. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.

7. The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers.

8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.

9. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. The report must include the following:

   a. The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and

   b. A listing of projects approved and the number of units within those projects that provide housing for essential service workers.

SECTION 20. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund - Continuing appropriation.

1. The essential service worker home ownership incentive fund is created as a special revolving fund at the Bank of North Dakota. The moneys in the fund are appropriated on a continuing basis to the housing finance agency to provide purchasing assistance on single-family residential mortgage

loans under the essential worker home ownership incentive program. The agency may deduct a reasonable administrative fee from the fund.

2. For purposes of this section, "essential service worker" means an individual employed by the state or a city, county, school district, medical or long-term care facility, or any other individual employed in providing an essential public service as determined by the housing finance agency.

3. Pursuant to housing finance agency underwriting and credit standards and guidelines adopted under subsection 4, the agency may provide a secondary loan to a qualified essential service worker in conjunction with a single-family residential mortgage loan originated by a lender under a housing finance agency home ownership program. If, at any time during the term of the loan, the borrower ceases to be employed as an essential service worker or if the borrower sells the home or refinances the mortgage loan, the borrower must repay the secondary loan in full or begin making amortized monthly payments on the secondary loan.

4. The agency shall adopt guidelines for the implementation and administration of the essential service worker home ownership incentive program. The guidelines must provide the moneys in the essential service worker home ownership incentive fund may be used only to assist in the acquisition of owner-occupied single-family residential housing that will serve as the primary residence of the essential service worker. The guidelines must establish income limits for eligibility to participate in the program and purchase price limitations as determined by the agency.

5. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing bases for the purposes of this section.

SECTION 21. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five million dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 22. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Essential service worker home ownership incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the essential service worker home ownership incentive fund under section 19 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five hundred thousand dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the essential service worker home ownership incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the essential service worker home ownership incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 23. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit under section 21 of this Act.

SECTION 24. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund tax credit under section 22 of this Act.

SECTION 25. AMENDMENT. Section 57-62-02 of the North Dakota Century Code is amended and reenacted as follows:

57-62-02. Allocation of moneys in coal development fund

Moneys deposited in the coal development fund shall be apportioned monthly by the state treasurer as follows:

1. ~~Thirty~~Fifteen percent must be deposited in a permanent trust fund in the state treasury, to be known as the coal development trust fund, pursuant to section 21 of article X of the Constitution of North Dakota. Those funds held in trust and administered by the board of university and school lands on March 5, 1981, pursuant to section 12, chapter 563, 1975 Session Laws; section 12, chapter 560, 1977 Session Laws; or section 13, chapter 626, 1979 Session Laws must also be deposited in the trust fund created pursuant to this subsection. The fund must be held in trust and administered by the board of university and school lands for loans to coal-impacted counties, cities, and school districts as provided in section 57-62-03 and for loans to school districts pursuant to chapter 15.1-36. The board of university and school lands may invest such funds as are not loaned out as provided in this chapter and may consult with the state investment board as provided by law. The income, including interest payments on loans, from the trust must be used first to replace uncollectible loans made from the fund and the balance must be deposited in the school construction assistance loan fund. Loan principal payments must be redeposited in the trust fund. The trust fund must be perpetual and held in trust as a replacement for depleted natural resources subject to the provisions of this chapter and chapter 15.1-36.

2. Fifteen percent must be deposited in the lignite research fund for the purpose of developing advanced energy technology.

3. Seventy percent must be allocated to the coal-producing counties and must be distributed among such counties in such proportion as the number of tons [metric tons] of coal severed at each mining operation bears to the total number of tons [metric tons] of coal severed in the state during such monthly period. Allocations under subdivisions a and b must be apportioned by the state treasurer as follows:

   a. If the tipple of the currently active coal mining operation in a county is not within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue apportioned according to this subdivision must be allocated as follows:

      (1) Thirty percent must be paid by the state treasurer to the incorporated cities of the county based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

      (2) Forty percent must be paid to the county treasurer who shall deposit it in the county general fund to be used for general governmental purposes.

      (3) Thirty percent must be apportioned by the state treasurer to school districts within the county on the average daily membership basis, as certified to the state treasurer by the county superintendent of schools.

   b. If the tipple of a currently active coal mining operation in a county is within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue from the production not exceeding the

production limitation in a calendar year which is apportioned from that coal mining operation according to this subsection must be allocated, subject to the definitions of terms and the requirements in paragraph 4, as provided in this subdivision. For purposes of this subdivision, the production limitation is three million eight hundred thousand tons [3447302.02 metric tons] through calendar year 1995, three million six hundred thousand tons [3265865.07 metric tons] in calendar years 1996 and 1997, and three million four hundred thousand tons [3084428.12 metric tons] in calendar years after 1997. Revenue from production exceeding the production limitation in a calendar year from that coal mining operation must be allocated only within the coal-producing county under subdivision a. Allocations under this subdivision must be made as follows:

(1) Thirty percent must be paid by the state treasurer to the incorporated cities of the coal-producing county and to any city of a non-coal-producing county when any portion of the city lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county, based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

(2) Forty percent must be divided by the state treasurer between the general fund of the coal-producing county and the general fund of any non-coal-producing county when any portion of the latter county lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county. The non-coal-producing county portion must be based upon the ratio which the assessed valuation of all quarter sections of land in that county, any portion of which lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation, bears to the combined assessed valuations of all land in the coal-producing county and the quarter sections of land in the non-coal-producing county within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation. The county director of tax equalization of the coal-producing county shall certify to the state treasurer the number of quarter sections of land in the non-coal-producing counties which lie at least in part within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation and their assessed valuations.

(3) Thirty percent must be apportioned by the state treasurer to school districts within the coal-producing county and to school districts in adjoining non-coal-producing counties when a portion of those school districts' land includes any of the quarter sections of land certified by the director of tax equalization to the state treasurer to be eligible to share county funds as provided for in paragraph 2. The county superintendent of the non-coal-producing counties shall certify to the state treasurer the number of students actually residing on these quarter sections lying outside the coal-producing county and each

school district in non-coal-producing counties shall receive a portion of the money under this paragraph based upon the ratio of the number of children residing on quarter sections of that school district within the fifteen-mile [24.14-kilometer] radius of the tipple of a currently active coal mining operation to the total number of schoolchildren from the coal-producing county combined with all the schoolchildren certified to be living on quarter sections within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county.

(4) For the purposes of this subdivision:

(a) The terms "currently active coal mining operation in a county", "currently active coal mining operation in the coal-producing county", and "currently active coal mining operation" mean a coal mining operation that produced more than one hundred fifty thousand tons [136077.71 metric tons] of coal in a coal-producing county during the prior quarterly period.

(b) The term "coal-producing county" means a county in which more than one hundred fifty thousand tons [136077.71 metric tons] of coal were mined in the prior quarterly period.

(c) The term "another county in which no coal is mined" means a county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(d) The terms "non-coal-producing county" and "non-coal-producing counties" mean any county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(e) In computing each amount to be paid as provided in paragraph 1, 2, or 3 for coal severance tax revenue from coal mined during a monthly period, the state treasurer shall deduct from the allocation the amount of coal severance tax revenue, if any, that the governmental body in the non-coal-producing county received from the coal mined in the non-coal-producing county during the same monthly period.

(5) The state treasurer shall allocate funds provided by legislative appropriation to cities, the county general fund, and school districts within a coal-producing county according to the allocation method provided in subdivision a in an amount to offset fifty percent of the loss of that county's share of coal severance tax revenue allocated to a non-coal-producing county under this subdivision in the previous calendar year. The state treasurer shall make the allocation and distribute the funds, within the limits of legislative appropriations, under this paragraph during the first month of each calendar year. The

state treasurer shall include in each biennial budget request the amounts estimated to be necessary for the biennium for purposes of this paragraph, based on the allocations under this subdivision in the most recent calendar years.

SECTION 26. REPEAL. Section 54-17-41 of the North Dakota Century Code is repealed.

SECTION 27. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 14 of the 2015 Session Laws and transferred pursuant to section 6 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 28. EXEMPTION - LIGNITE RESEARCH GRANTS. The amount appropriated to the industrial commission from the general fund for lignite research grants in the grants line item in section 1 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for lignite research grants during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 29. LEGISLATIVE INTENT - RENEWABLE ENERGY DEVELOPMENT FUND. It is the intent of the sixty-fifth legislative assembly that the industrial commission consider applications for funding from the renewable energy development fund for advanced energy technology development projects.

SECTION 30. LEGISLATIVE INTENT - ESSENTIAL SERVICE WORKER HOME OWNERSHIP INCENTIVE FUND. Of the contributions deposited in the essential service worker home ownership incentive fund during the biennium beginning July 1, 2017, and ending June 30, 2019, it is the intent of the sixty-fifth legislative assembly that the housing finance agency disburse fifty percent within planning regions one and eight and shall disburse the remaining fifty percent within the other planning regions."

Page 5, after line 5, insert:

"**SECTION 32. EFFECTIVE DATE - EXPIRATION DATE.** Sections 23 and 24 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Senate Action

	Base Budget	Senate Changes	Senate Version
Industrial Commission			
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
General fund	$24,957,746	$1,506,776	$26,464,522
Bank of North Dakota			
Total all funds	$59,287,301	$49,643	$59,336,944
Less estimated income	59,287,301	49,643	59,336,944
General fund	$0	$0	$0

Housing Finance Agency			
Total all funds	$37,520,089	$7,019,481	$44,539,570
Less estimated income	37,520,089	7,019,481	44,539,570
General fund	$0	$0	$0
Mill and Elevator			
Total all funds	$64,315,898	$3,929,347	$68,245,245
Less estimated income	64,315,898	3,929,347	68,245,245
General fund	$0	$0	$0
Bill total			
Total all funds	$203,075,481	$11,855,458	$214,930,939
Less estimated income	178,117,735	10,348,682	188,466,417
General fund	$24,957,746	$1,506,776	$26,464,522

Senate Bill No. 2014 - Industrial Commission - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	$22,132,229	($93,883)	$22,038,346
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - Bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies		1,254,462	1,254,462
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
General fund	$24,957,746	$1,506,776	$26,464,522
FTE	116.75	(2.50)	114.25

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Removes FTE Positions[3]	Adds Funding for Contingent FTE Positions[4]	Adds Funding for Operating Expenses[5]	Reduces Funding for Bond Payments[6]
Salaries and wages	$149,263	$334,853	($577,999)			
Operating expenses					526,753	
Grants - Bond payments						(1,830,345)
Contingencies				1,254,462		
Total all funds	$149,263	$334,853	($577,999)	$1,254,462	$526,753	($1,830,345)
Less estimated income	82,522	20,034	0	0	78,000	(1,830,345)
General fund	$66,741	$314,819	($577,999)	$1,254,462	$448,753	$0
FTE	0.00	0.00	(8.50)	6.00	0.00	0.00

	Adds One-Time Funding for Litigation[7]	Total Senate Changes
Salaries and wages		($93,883)
Operating expenses	1,000,000	1,526,753
Grants - Bond payments		(1,830,345)
Contingencies		1,254,462
Total all funds	$1,000,000	$856,987
Less estimated income	1,000,000	(649,789)
General fund	$0	$1,506,776
FTE	0.00	(2.50)

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is removed for 8.5 FTE positions, including 6.5 engineering technician positions and 2 administrative assistant positions. A portion of the funding for these positions may have been removed due to 2015-17 budget reductions.

[4] Contingent funding and authorization for 6 FTE positions is added. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds certain amounts as identified in Section 6 of the bill.

[5] Funding is added for operating expenses related to travel, information technology software and services, and professional services.

[6] Funding for bond payments is reduced by $1,830,345, from $15,040,829 to $13,210,484.

[7] One-time funding from the strategic investment and improvements fund is added for litigation costs.

This amendment also includes the following items related to the Industrial Commission:

- Provides legislative intent for bond payments and provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.
- Identifies $1,254,462 from the general fund and 6 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds certain amounts, subject to Budget Section approval.
- Allows the Industrial Commission to transfer up to $1,103,986 from special funds from the entities under the control of the Industrial Commission for administrative services and provides an exemption to allow any unspent 201517 biennium appropriations for administrative costs to continue in the 201719 biennium.
- Provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium, identifies the funding for advanced energy technology research and development, and provides matching requirements for grant recipients.
- Reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology.
- Provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.
- Identifies $1 million in the estimated income line from the strategic investment and improvements fund for litigation expenses.
- Provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium.
- Provides intent that $4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

	Base Budget	Senate Changes	Senate Version
Capital assets	$745,000	$65,000	$810,000
Bank of North Dakota operations	58,542,301	(15,357)	58,526,944
	$59,287,301	$49,643	$59,336,944
Total all funds			
Less estimated income	59,287,301	49,643	59,336,944
	$0	$0	$0
General fund			
	181.50	0.00	181.50
FTE			

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for Market Equity Salary Adjustments[3]	Reduces Funding for Operating Expenses[4]	Adds Funding for Information Technology Equipment[5]	Total Senate Changes
Capital assets					$65,000	$65,000
Bank of North Dakota operations	390,404	520,884	1,459,131	(2,385,776)		(15,357)
Total all funds	$390,404	$520,884	$1,459,131	($2,385,776)	$65,000	$49,643
Less estimated income	390,404	520,884	1,459,131	(2,385,776)	65,000	49,643
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is provided for additional salary increases related to higher starting salaries for new employees and higher than anticipated salary adjustments for market rate equity adjustments.

[4] Funding is reduced for operating expenses primarily related to marketing activities that were paid with a federal grant that expired in calendar year 2016 as well as cost savings from efficiencies.

[5] Funding is added for information technology equipment.

This amendment also includes the following items related to the Bank of North Dakota:

- Provides for a transfer of $140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.
- Provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.
- Provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.
- Provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.
- Provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.
- Provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the Bank of North Dakota for school construction loan interest rate buydowns for the 2017-19 biennium.
- Authorizes the Bank of North Dakota to charge reasonable fees for student loan guarantees and for collections on defaulted student loans.
- Removes the authority to suspend an occupational or professional license when the licensee's student loans are in default.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	$7,745,034	$156,353	$7,901,387
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
HFA contingencies	100,000		100,000

Total all funds	$37,520,089	$7,019,481	$44,539,570
Less estimated income	37,520,089	7,019,481	44,539,570
General fund	$0	$0	$0
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for Other Salary Adjustments[3]	Adds Funding for Federal Grants[4]	Adds Funding for Operating Expenses[5]	Adds Grant Funding for Program Outreach[6]
Salaries and wages	$92,182	$128,790	$257,425			
Operating expenses					1,015,630	
Grants				6,017,048		(43,000)
HFA contingencies						
Total all funds	$92,182	$128,790	$257,425	$6,017,048	$1,015,630	($43,000)
Less estimated income	92,182	128,790	257,425	6,017,048	1,015,630	(43,000)
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Reduces Budget Funding[7]	Total Senate Changes
Salaries and wages	($322,044)	$156,353
Operating expenses	(16,550)	999,080
Grants	(110,000)	5,864,048
HFA contingencies		
Total all funds	($448,594)	$7,019,481
Less estimated income	(448,594)	7,019,481
General fund	$0	$0
FTE	0.00	0.00

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is provided for additional salary increases related to salary adjustments for vacant positions and higher than anticipated 2015-17 biennium salary adjustments.

[4] Funding is added for federal Housing and Urban Development grants related to distributions from the federal housing trust fund.

[5] Funding is added for operating expenses, including $970,000 to continue additional expenses related to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of 2015 House Bill No. 1014.

[6] Funding is reduced for grants for program outreach related to assisting communities with housing development.

[7] Budget funding is reduced for the following:

- $322,044 for salaries and wages related to 3 vacant positions.
- $16,550 for operating expenses.
- $100,000 for grants related to the Helping Hand grant program reflecting a decrease from $250,000 to $150,000.

- $10,000 for grants related to technical assistance.

This amendment also adds the following sections related to the Housing Finance Agency:

- To provide appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium and to require the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.
- To continue the housing incentive fund for the 2017-19 biennium, to change the requirement for the Housing Finance Agency to report to the Budget Section from a quarterly report to a biennial report, and to require the Housing Finance Agency to report to the Industrial Commission upon request.
- To provide up to $5 million of income tax credits for contributions to the housing incentive fund reducing general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections.
- To repeal Housing Finance Agency reports to the Industrial Commission.
- To provide an effective date and expiration date related to the housing incentive fund tax credits.
- To create an essential service worker home ownership incentive program.
- To establish the essential service worker home ownership incentive fund and to identify the uses of the fund.
- To provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund reducing general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections.
- To identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions one and eight and the remaining contributions for the other planning areas.
- To provide an effective date and expiration date related to the essential service worker home ownership incentive fund tax credits.

Senate Bill No. 2014 - Mill and Elevator - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	$36,278,898	$3,061,347	$39,340,245
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000		500,000
Agriculture promotion	210,000		210,000
Total all funds	$64,315,898	$3,929,347	$68,245,245
Less estimated income	64,315,898	3,929,347	68,245,245
General fund	$0	$0	$0
FTE	147.00	6.00	153.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for FTE Positions[3]	Reduces Funding for Salaries and Wages[4]	Adds Funding for Operating Expenses[5]	Total Senate Changes
Salaries and wages	$2,539,491	$437,886	$768,893	($684,923)		$3,061,347
Operating expenses					868,000	868,000
Contingencies						
Agriculture promotion						
Total all funds	$2,539,491	$437,886	$768,893	($684,923)	$868,000	$3,929,347
Less estimated income	2,539,491	437,886	768,893	(684,923)	868,000	3,929,347
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	6.00	0.00	0.00	6.00

[1] Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.

[2] Funding is added for increases in health insurance premiums from $1,130 to $1,249 per month.

[3] Funding is added for 6 FTE positions, including 2 grain handling positions, 2 food safety positions, 1 flour packer position, and 1 utility worker position.

[4] Funding is reduced for salaries and wages, primarily related to overtime.

[5] Funding is added for operating expenses related to utilities, supplies, and repairs.

No other sections were included by the Senate related to the Mill and Elevator Association.

Department 405 - Industrial Commission
Senate Bill No. 2014

Dalrymple Executive Budget Comparison to Prior Biennium Appropriations

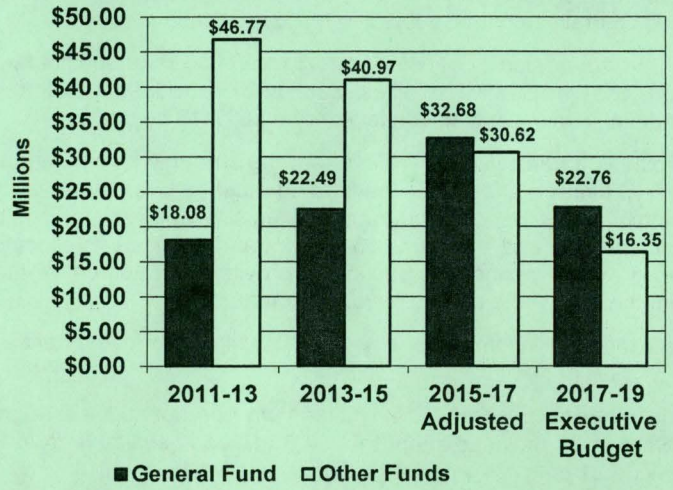
	FTE Positions	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	105.25	$22,763,880	$16,350,496	$39,114,376
2015-17 Adjusted Legislative Appropriations[1]	116.75	32,675,889	30,619,769	63,295,658
Increase (Decrease)	(11.50)	($9,912,009)	($14,269,273)	($24,181,282)

[1]The 2015-17 biennium agency appropriations amounts reflect general fund budget reductions made in August 2016.

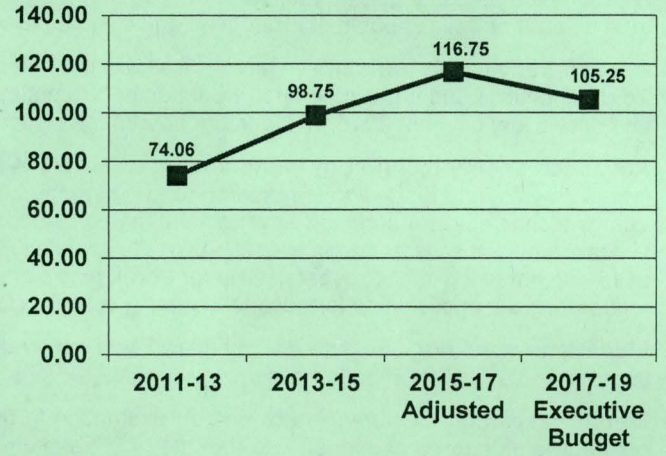
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2017-19 Dalrymple Executive Budget	$22,763,880	$0	$22,763,880
2015-17 Adjusted Legislative Appropriations	24,957,746	7,718,143	32,675,889
Increase (Decrease)	($2,193,866)	($7,718,143)	($9,912,009)

Agency Funding



FTE Positions



Dalrymple Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	$22,763,880	$16,350,496	$39,114,376
2017-19 Base Level	24,957,746	16,994,447	41,952,193
Increase (Decrease)	($2,193,866)	($643,951)	($2,837,817)

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

Dalrymple and Burgum Executive Budget Highlights (With First House Changes in Bold)

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which $96,796 is for salary increases and $334,853 is for health insurance increases. (The Burgum budget removed funding for salary increases and provided for employees to pay for a portion of health insurance.) **The Senate removed funding for the salary increases.**	$405,777	$25,872	$431,649
2. Removes 11.5 FTE positions, including 9 FTE engineering technician positions and 2 FTE administrative assistant positions. (The Burgum budget removed an additional 2 FTE positions and $380,500 from the general fund.) **The Senate restored funding for 5 of the 13.5 FTE positions and added 6 contingent FTE positions and $1,254,462 from the general fund.**	($1,016,028)		($1,016,028)

3. Underfunds salaries and wages. **The Senate restored this funding.**	($900,000)		($900,000)
4. Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services. **The Senate restored the general fund reduction and added $448,753 from the general fund for operating expenses.**	($75,356)	$78,000	$2,64
5. Reduces funding for operating expenses. (The Burgum budget reduced funding for operating expenses by an additional $66,700 from the general fund.) **The Senate restored the funding for operating expenses.**	($675,000)		($675,000)
6. Decreases funding for bond payments		($1,830,345)	($1,830,345)
7. Adds one-time funding from the strategic investment and improvements fund for litigation costs		$1,000,000	$1,000,000

Other Sections in Senate Bill No. 2014

Bond payments - Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to emergency commission approval, for bond issuances during the 2017-19 biennium.

Contingent FTE positions - Section 6 identifies $1,254,462 from the general fund and 6 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds certain amounts, subject to Budget Section approval.

Administrative cost transfers - Section 7 allows the Industrial Commission to transfer up to $1,103,986 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 27 provides an exemption and allows any unspent 2015-17 biennium appropriations for administrative costs to continue in the 2017-19 biennium.

Advanced energy technology development - Section 14 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund during the 2017-19 biennium, identifies the funding must be used for advanced energy technology research and development, and provides matching requirements for grant recipients. Section 25 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology. Section 29 provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.

Litigation expenses - Section 15 identifies $1 million in the estimated income line item from the strategic investment and improvements fund for litigation expenses.

Lignite research - Section 28 provides an exemption to allow any unexpended 2015-17 biennium appropriations for lignite research grants to be continued into the 2017-19 biennium. Section 31 provides intent that $4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation.

Continuing Appropriations

Abandoned oil and gas reclamation fund - North Dakota Century Code Section 38-08-04.5 - Abandoned oil and gas reclamation.

Carbon dioxide storage facility administration fund - Section 38-22-14 - For defraying costs of processing applications for regulating carbon dioxide storage facilities.

Carbon dioxide storage facility trust fund - Section 38-22-15 - For costs associated with long-term monitoring and management of a closed carbon dioxide storage facility.

Cartographic products fund - Section 54-17.4-10 - Topographic map sales and purchases.

Cash bond fund - Section 38-08-04.11 - For defraying costs incurred in plugging and reclamation of abandoned oil and gas wells and related activities.

Fossil excavation and restoration fund - Section 54-17.4-09.1 - Excavation and restoration of fossils.

Geological data preservation fund - Section 54-17.4-13 - Data preservation.

Geophysical, geothermal, subsurface minerals, and coal exploration fund - Section 38-21-03 - Reclamation of orphaned facilities and exploration holes.

Global positioning system community base station - Section 54-17.4-12 - For maintenance of base station.

Lignite research fund - Section 57-61-01.5 - Research, development, and marketing for lignite industry.

North Dakota outdoor heritage fund - Section 54-17.8-02 - For grants to conserve natural areas, restore wildlife and fish habitats, and provide access to sportsmen.

North Dakota Pipeline Authority administrative fund - Section 54-17.7-11 - For operations of the Pipeline Authority.

Oil and gas research fund - Section 57-51.1-07.3 - Oil and gas research and education.

Oil and gas reservoir data fund - Section 38-08-04.6 - Oil and gas reservoir data.

Renewable energy development fund - Section 54-63-04 - Renewable energy research, development, and education.

Significant Audit Findings

The operational audit for the Industrial Commission conducted by the State Auditor's office during the 2015-16 interim identified the following significant audit findings:

- Untimely approval of meeting minutes.
- Lack of supporting documentation for in-kind matching funds related to grants from the North Dakota outdoor heritage fund.

Major Related Legislation

House Bill No. 1151 - Restricts the Industrial Commission from requiring well operators to report spills of 10 barrels or less when the spills are contained on the well pad.

House Bill No. 1152 - Changes the allocation of the state's share of oil and gas tax revenue to increase the allocation to the general fund and provide allocations to the budget stabilization fund and the lignite research fund, providing up to $3 million of allocations to the lignite research fund.

House Bill No. 1347 - Authorizes $5 million from the abandoned oil and gas well plugging and site reclamation fund for restoration projects related to pipelines and facilities that were abandoned or inadequately reclaimed before August 1, 1983, and for demonstration projects related to reclamation. This bill also provides an appropriation of $5 million from the abandoned oil and gas well plugging and site reclamation fund for brine pond and remediation studies and designates $500,000 under the continuing appropriation from the oil and gas research fund to continue a study of pipeline leak detection technology.

Senate Bill No. 2333 - Requires any land disturbed by oil and gas activity to be reclaimed as close as possible to its original condition and allows the Industrial Commission to waive the requirement.

Industrial Commission - Budget No. 405
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	116.75	$24,957,746	$16,994,447	$41,952,193	116.75	$24,957,746	$16,994,447	$41,952,193
2017-19 Ongoing Funding Changes								
Base payroll changes		$66,741	$82,522	$149,263		$66,741	$82,522	$149,263
Salary increase - Performance				***0***				0
Health insurance increase		314,819	20,034	334,853		314,819	20,034	334,853
Employee portion of health insurance		***(161,902)***	***(10,514)***	***(172,416)***				0
Removes FTE positions	(11.50)	(1,016,028)		(1,016,028)	(8.50)	(577,999)		(577,999)
Removes additional FTE positions	***(2.00)***	***(380,500)***		***(380,500)***				0
Reduces funding for salaries and wages		(900,000)		(900,000)				0
Adds funding for contingent FTE positions				0	6.00	1,254,462		1,254,462
Adjusts funding operating expenses		(75,356)	78,000	2,644		448,753	78,000	526,753
Reduces funding for operating expenses		(675,000)		(675,000)				0
Decreases funding for bond payments			(1,830,345)	(1,830,345)			(1,830,345)	(1,830,345)
Reduces operating expenses - 2 percent		***(66,700)***		***(66,700)***				0
Total ongoing funding changes	(13.50)	($2,893,926)	($1,660,303)	($4,554,229)	(2.50)	$1,506,776	($1,649,789)	($143,013)
One-time funding items								
Federal litigation costs			$1,000,000	$1,000,000			$1,000,000	$1,000,000
Total one-time funding changes	0.00	$0	$1,000,000	$1,000,000	0.00	$0	$1,000,000	$1,000,000
Total Changes to Base Level Funding	(13.50)	($2,893,926)	($660,303)	($3,554,229)	(2.50)	$1,506,776	($649,789)	$856,987
2017-19 Total Funding	103.25	$22,063,820	$16,334,144	$38,397,964	114.25	$26,464,522	$16,344,658	$42,809,180

Other Sections in Industrial Commission - Budget No. 405

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Bond payments	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.

Other Sections in Industrial Commission - Budget No. 405

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Contingent FTE positions		Section 6 identifies $1,254,462 from the general fund and 6 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds certain amounts, subject to Budget Section approval.
Administrative cost transfers	Section 9 allows the Industrial Commission to transfer up to $1,107,337 from special funds from the entities under the control of the Industrial Commission for administrative services.	Section 7 allows the Industrial Commission to transfer up to $1,103,986 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 27 provides an exemption and allows any unspent 2015-17 biennium appropriations for administrative costs to continue in the 2017-19 biennium.
Advanced technology development	Section 8 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium. Section 16 identifies the funding may be used for advanced energy technology research and development and provides matching requirements for grant recipients. Section 17 provides a statement of intent related to grant applications for advanced energy research from the renewable energy fund. Section 21 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology.	Section 14 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium, identifies the funding for advanced energy technology research and development, and provides matching requirements for grant recipients. Section 25 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology. Section 29 provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.
Litigation expenses		Section 15 identifies $1 million in the estimated income line item from the strategic investment and improvements fund for litigation expenses.
Lignite research	Section 6 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 15 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.	Section 28 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 31 provides intent that $4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Department 405 - Industrial Commission

Appropriations Comparisons to the Original and Adjusted Base Budgets

General Fund Appropriations Adjustments

(As a result of the August 2016 General Fund Budget Reductions)

	Ongoing	One-Time	Total
2015-17 original general fund appropriations	$26,289,270	$8,676,903	$34,966,173
General fund reductions	(1,331,524)	(958,760)	(2,290,284)
Adjusted 2015-17 appropriations	$24,957,746	$7,718,143	$32,675,889
Dalrymple Executive Budget changes	(2,193,866)	(7,718,143)	(9,912,009)
2017-19 Dalrymple Executive Budget	$22,763,880	$0	$22,763,880

Summary of August 2016 General Fund Budget Reductions

	Ongoing	One-Time	Total
Vacant positions salary savings	($363,102)		($363,102)
Contingent positions salary and operating savings		($556,260)	(556,260)
Reduced funding for operating expenses primarily related to travel, information technology software and services, and professional services	(968,422)		(968,422)
Reduced funding for lignite research council grants		(327,500)	(327,500)
Reduced funding for a seismic profile digital conversion project		(75,000)	(75,000)
Total reductions	($1,331,524)	($958,760)	($2,290,284)
Percentage reduction to ongoing and one-time general fund appropriations	5.06%	11.05%	6.55%

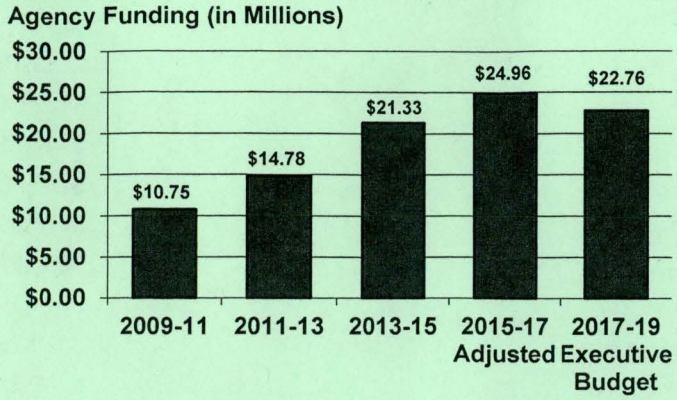
2017-19 Dalrymple Executive Budget Changes to the Original and Adjusted Base Budgets

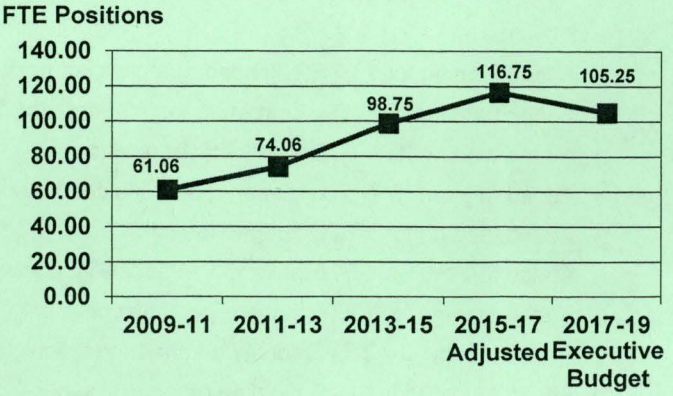
	Changes to Original Budget	Budget Reduction Adjustments	Changes to Adjusted Budget
Base payroll changes	$66,741		$66,741
Adds funding for state employee salary and benefit increases	405,777		405,777
Adjusts funding for vacant FTE positions, FTE positions reductions, and 2015-17 biennium contingent FTE positions	(1,379,130)	$363,102	(1,016,028)
Underfunds salaries and wages	(900,000)		(900,000)
Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services	(1,043,778)	968,422	(75,356)
Reduces funding for operating expenses	(675,000)		(675,000)
Total	($3,525,390)	$1,331,524	($2,193,866)

Department 405 - Industrial Commission

Historical Appropriations Information

Ongoing General Fund Appropriations Since 2009-11





Ongoing General Fund Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Dalrymple Executive Budget
Ongoing general fund appropriations	$10,747,102	$14,776,213	$21,333,325	$24,957,746	$22,763,880
Increase (decrease) from previous biennium	N/A	$4,029,111	$6,557,112	$3,624,421	($2,193,866)
Percentage increase (decrease) from previous biennium	N/A	37.5%	44.4%	17.0%	(8.8%)
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	37.5%	98.5%	132.2%	111.8%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2011-13 Biennium

1. Changed funding source for 2 FTE positions previously funded from the lands and minerals trust fund	$319,219
2. Added funding for 1 FTE petroleum engineering position	$199,865
3. Added funding for 6 FTE engineering technician field inspector positions	$841,086
4. Added funding for 1 FTE engineering technician measurement specialist position	$186,371
5. Added funding for 1 FTE production analyst position	$124,841
6. Added funding for 1 FTE subsurface geologist position	$221,314
7. Added funding for the carbon dioxide storage facility administration fund, including 1 FTE position	$532,000
8. Added funding for contingent engineering technician positions	$743,972
9. Added funding for temporary employees for the Geological Survey Division	$90,000
10. Added funding for salary equity increases for geologists and engineers	$255,819
11. Added funding for retention bonuses for the Department of Mineral Resources' staff	$247,013
12. Added funding for increased operating expenses due to inflationary increases	$158,317

2013-15 Biennium

1. Added funding for 2 FTE engineering technician positions authorized by the Emergency Commission in the 2011-13 biennium	$390,820
2. Added funding for 4 FTE engineering technician positions, 1 FTE geology analyst position, and 1 FTE accounting specialist position	$930,223
3. Added funding for 1 FTE geologist position	$215,251
4. Added funding for 3 FTE petroleum engineering field inspector positions, 3 FTE engineering technician field inspector positions, and 1 FTE engineering technician core library specialist position	$1,356,581
5. Added funding for 1 FTE petroleum engineering production supervisor position, 1 FTE engineering technician measurement analyst position, and 2 FTE administrative assistant positions	$534,900
6. Added funding for 3 FTE contingent engineering technician positions	$586,230

7. Removed funding for the carbon dioxide storage facility administration fund, including 1 FTE position, which had been added in the 2011-13 biennium	($532,000)
8. Added funding to allow the department to hire 5 FTE positions prior to the start of the biennium	$61,751
9. Added funding for lease payments in a new space for the additional staff	$224,868
10. Added funding for travel expenses related to State Fleet Services rate increases	$244,872

2015-17 Biennium

1. Added funding for 7 FTE engineering technician positions	$1,513,195
2. Added funding for 1 FTE petroleum engineering position	$162,018
3. Added funding for 1 FTE safety officer position	$187,717
4. Added funding for 1 FTE human resources specialist position	$139,380
5. Added funding for 1 FTE budget specialist position	$174,519
6. Added funding for 1 FTE reclamation specialist position	$230,911
7. Added funding for 1 FTE surface geologist position	$244,192
8. Added funding for 2 FTE survey engineering technician positions	$323,769
9. Added funding for 1 FTE pipeline regulatory supervisor position	$240,339
10. Added funding for 1 FTE pipeline regulatory administrative assistant position	$139,639
11. Added funding for operating expenses, including travel and ongoing costs related to the core library	$233,125

2017-19 Biennium (Dalrymple and Burgum Executive Budget Recommendations)

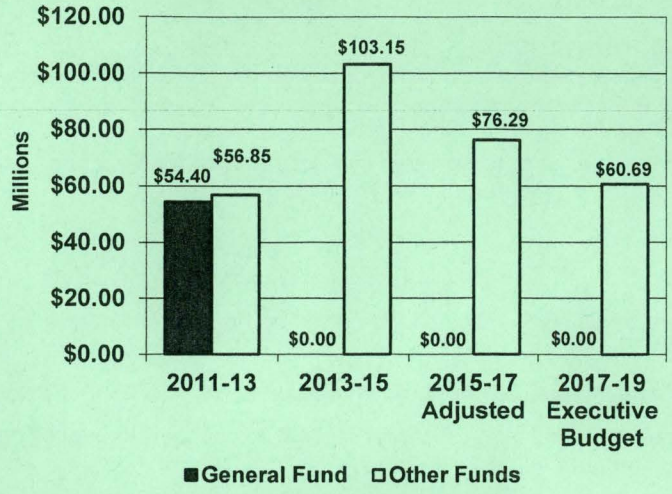
1. Removes 11.5 FTE positions, including 9 FTE engineering technician positions and 2 FTE administrative assistant positions. (The Burgum budget removed an additional 2 FTE positions and $380,500 from the general fund.) (The Senate restored funding for 5 of the 13.5 FTE positions and added 6 contingent FTE positions and $1,254,462 from the general fund.)	($1,016,028)
2. Underfunds salaries and wages. (The Senate restored this funding.)	($900,000)
3. Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services. (The Senate restored the general fund reduction and added $448,753 from the general fund for operating expenses.)	($75,356)
4. Reduces funding for operating expenses. (The Burgum budget reduced funding for operating expenses by an additional $66,700 from the general fund.) (The Senate restored the funding for operating expenses.)	($675,000)

Department 471 - Bank of North Dakota
Senate Bill No. 2014

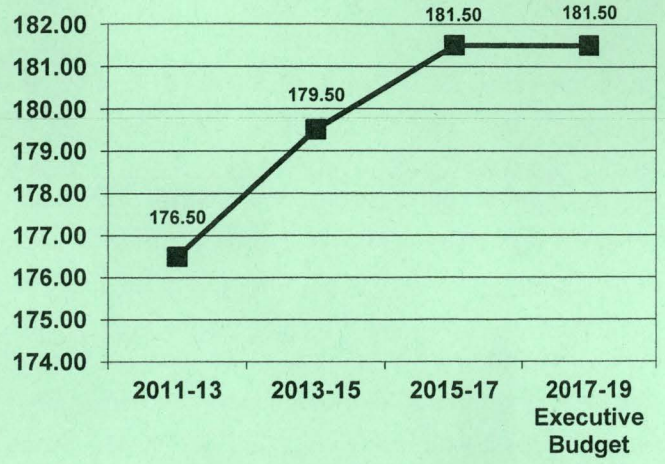
Dalrymple Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	181.50	$0	$60,688,521	$60,688,521
2015-17 Adjusted Legislative Appropriations	181.50	0	76,287,301	76,287,301
Increase (Decrease)	0.00	$0	($15,598,780)	($15,598,780)

Agency Funding



FTE Positions



Dalrymple Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	$0	$60,688,521	$60,688,521
2017-19 Base Level	0	59,287,301	59,287,301
Increase (Decrease)	$0	$1,401,220	$1,401,220

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

Dalrymple and Burgum Executive Budget Highlights (With First House Changes in Bold)

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which $140,619 is for salary increases and $520,884 is for health insurance increases. (The Burgum budget removed funding for salary increases and provided for employees to pay for a portion of health insurance.) **The Senate removed funding for the salary increases.**	$0	$661,503	$661,503
2. Provides funding for additional salary increases related to higher starting salaries for new employees and higher than anticipated salary adjustments for market rate adjustments	$0	$1,459,131	$1,459,131
3. Reduces funding for operating expenses primarily related to marketing activities that were funded with a federal grant that expired in calendar year 2016 as well as cost savings from efficiencies. (The Burgum budget reduced funding for operating expenses by an additional $1,210,958 from other funds.)	$0	($1,174,818)	($1,174,818)
4. Adds funding for information technology equipment	$0	$65,000	$65,000

Other Sections in Senate Bill No. 2014

Transfer to general fund - Section 8 provides for a transfer of $140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.

Transfer to partnership in assisting community expansion (PACE) fund - Section 9 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.

Transfer to Ag PACE fund - Section 10 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.

Transfer to biofuels PACE fund - Section 11 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.

Transfer to beginning farmer revolving loan fund - Section 12 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.

School construction loan fund - Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the school construction loan fund for the 2017-19 biennium.

Student loans - Section 16 authorizes the Bank of North Dakota to charge reasonable fees for student loan guarantees and for collections on defaulted student loans. Section 17 removes the authority to suspend an occupational or professional license when the licensee's student loans are in default.

Continuing Appropriations

PACE - North Dakota Century Code Section 6-09.14-02 - Buydown interest rates on loans for new or expanding businesses.

Agriculture PACE - Section 6-09.13-04 - Buydown interest rates on agriculture-related loans.

Beginning farmer revolving loan fund - Section 6-09-15.5 - Direct loans or to buydown interest rates on loans to beginning farmers for the first purchase of farm real estate or chattels.

College SAVE - Section 6-09-38 - Higher education savings plan.

North Dakota achieving a better life experience plan - Section 6-09-38.1 - Savings plans for individuals with disabilities.

Rebuilders loan program - Section 6-09-46 - Loan program for residents to rebuild flood-damaged homes related to a flood event during 2011.

Medical facility infrastructure loan fund - Section 6-09-47 - Loans for medical facility construction.

Federal student loan proceeds - Section 6-09-48 - Funds received in relation to federal student loans used to support the functions of the Bank of North Dakota related to higher education programs.

Infrastructure revolving loan fund - Section 6-09-49 - Loans for political subdivision infrastructure projects.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1008 - Section 3 provides for a transfer of up to $900,000 from the beginning farmer revolving loan fund to the Public Service Commission for costs associated with a rail rate complaint case.

Senate Bill No. 2124 - Excludes an individual's assets under the North Dakota achieving a better life experience plan from determining eligibility for state and local benefits or assistance programs.

Senate Bill No. 2162 - Requires individuals in professional student exchange programs to obtain an agreement from the Bank of North Dakota to repay professional student exchange awards if the student does not return to practice the profession in North Dakota.

Senate Bill No. 2174 - Authorizes the Adjutant General to borrow up to $11 million from the Bank of North Dakota for law enforcement costs related to unlawful activity associated with the construction of the Dakota access pipeline.

Senate Bill No. 2178 - Clarifies the infrastructure projects that are eligible for loans from the infrastructure revolving loan fund.

Senate Bill No. 2272 - Consolidates the school construction loan programs and provides a transfer from the foundation aid stabilization fund to repay the Bank for a portion of the loans issued under the school construction loan interest rate buydown program.

Bank of North Dakota - Budget No. 471
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	181.50	$0	$59,287,301	$59,287,301	181.50	$0	$59,287,301	$59,287,301
2017-19 Ongoing Funding Changes								
Base payroll changes			$390,404	$390,404			$390,404	$390,404
Salary increase - Performance				***0***				0
Health insurance increase			520,884	520,884			520,884	520,884
Employee portion of health insurance			***(272,869)***	***(272,869)***				0
Additional salary increases			1,459,131	1,459,131			1,459,131	1,459,131
Reduces operating expenses			(1,174,818)	(1,174,818)			(1,174,818)	(1,174,818)
Reduces operating expenses - 2 percent			***(1,210,958)***	***(1,210,958)***			(1,210,958)	(1,210,958)
Adds funding for information technology equipment			65,000	65,000			65,000	65,000
Total ongoing funding changes	0.00	$0	($223,226)	($223,226)	0.00	$0	$49,643	$49,643
One-time funding items								
No one-time funding items				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	($223,226)	($223,226)	0.00	$0	$49,643	$49,643
2017-19 Total Funding	181.50	$0	$59,064,075	$59,064,075	181.50	$0	$59,336,944	$59,336,944

Other Sections in Bank of North Dakota - Budget No. 471

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Transfer to general fund	Section 7 provides for a transfer of $200 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium. **(The Burgum budget recommendation decreases the transfer by $60 million, from $200 million to $140 million.)**	Section 8 provides for a transfer of $140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.
Transfer to partnership in assisting community expansion (PACE) fund	Section 10 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.	Section 9 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.
Transfer to Ag PACE fund	Section 11 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.	Section 10 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.
Transfer to biofuels PACE fund	Section 12 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.	Section 11 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.

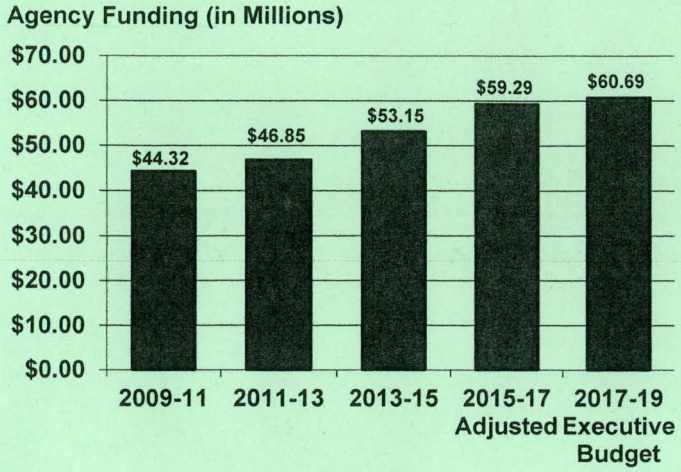
Other Sections in Bank of North Dakota - Budget No. 471

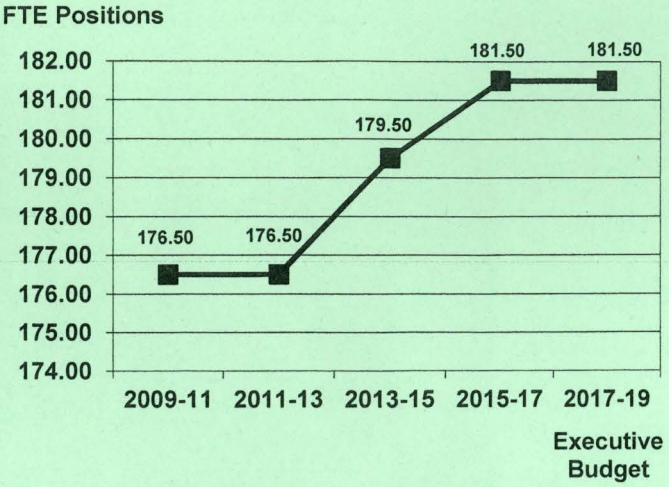
	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Transfer to beginning farmer revolving loan fund	Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.	Section 12 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.
School construction loan fund	Section 14 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the school construction loan fund for the 2017-19 biennium.	Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the Bank of North Dakota for school construction loan interest rate buydowns for the 2017-19 biennium.
Student loans		Section 16 authorizes the Bank of North Dakota to charge reasonable fees for student loan guarantees and for collections on defaulted student loans. Section 17 removes the authority to suspend an occupational or professional license when the licensee's student loans are in default.

Department 471 - Bank of North Dakota

Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2009-11





Ongoing Other Funds Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Dalrymple Executive Budget
Ongoing other funds appropriations	$44,317,274	$46,853,155	$53,150,147	$59,287,301	$60,688,521
Increase (decrease) from previous biennium		$2,535,881	$6,296,992	$6,137,154	$1,401,220
Percentage increase (decrease) from previous biennium	N/A	5.7%	13.4%	11.6%	2.4%
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	5.7%	19.9%	33.8%	36.9%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2011-13 Biennium

1. Added funding for Bank operations	$1,821,357
2. Added funding information technology equipment	$1,134,000
3. Reduced funding for the beginning farmer revolving loan program	($950,000)

2013-15 Biennium

1. Added funding for 3 FTE positions, including a loan officer position, a compliance officer position, and a collection officer position	$503,698
2. Added funding operating expenses	$1,931,000
3. Added funding for information technology equipment	$745,000

2015-17 Biennium

1. Added funding for 2 FTE positions, including a credit analyst position and an information technology security position	$387,645
2. Added funding for operating expenses, including $2.5 million for information technology costs and $800,000 for audit fees	$3,968,123

2017-19 Biennium (Dalrymple and Burgum Executive Budget Recommendations)

1. Provides funding for additional salary increases related to higher starting salaries for new employees and higher than anticipated salary adjustments for market rate adjustments	$1,459,131
2. Reduces funding for operating expenses primarily related to marketing activities that were funded with a federal grant that expired in calendar year 2016 as well as cost savings from efficiencies. (The Burgum budget reduced funding for operating expenses by an additional $1,210,958 from other funds.)	($1,174,818)
3. Adds funding for information technology equipment	$65,000

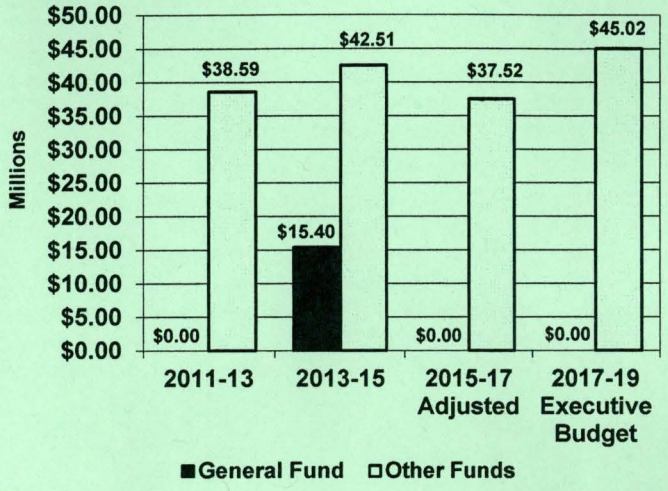
Department 473 - Housing Finance Agency
Senate Bill No. 2014

Dalrymple Executive Budget Comparison to Prior Biennium Appropriations

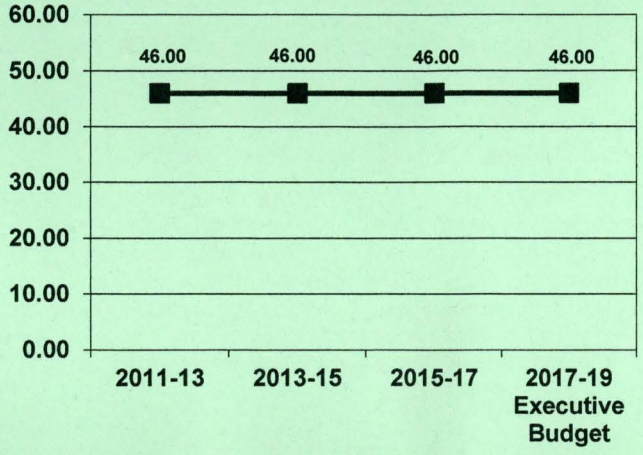
	FTE Positions	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	46.00	$0	$45,022,790	$45,022,790
2015-17 Adjusted Legislative Appropriations	46.00	0	37,520,089[1]	37,520,089
Increase (Decrease)	0.00	$0	$7,502,701	$7,502,701

[1]The 2015-17 biennium adjusted legislative appropriations do not include $970,000 of additional special funds authority related to additional income received and expenses incurred for additional volume in mortgage servicing premiums during the 2015-17 biennium.

Agency Funding



FTE Positions



Dalrymple Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	$0	$45,022,790	$45,022,790
2017-19 Base Level	0	37,520,089	37,520,089
Increase (Decrease)	$0	$7,502,701	$7,502,701

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

Dalrymple and Burgum Executive Budget Highlights (With First House Changes in Bold)

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which $34,626 is for salary increases and $128,790 is for health insurance increases. (The Burgum budget removed funding for salary increases and provided for employees to pay for a portion of health insurance.) **The Senate removed funding for the salary increases.**	$0	$163,416	$163,416
2. Provides funding for additional salary increases related to salary adjustments for vacant positions and higher than anticipated 2015-17 biennium salary adjustments	$0	$257,425	$257,425
3. Adds funding for federal Housing and Urban Development grants related to distributions from the federal housing trust fund	$0	$6,017,048	$6,017,048
4. Increases funding for operating expenses	$0	$45,630	$45,630
5. Reduces grant funding for program outreach related to assisting communities with housing development	$0	($43,000)	($43,000)

6. Increases funding for operating expenses to continue additional expenses relating to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of 2015 House Bill No. 1014	$0	$970,000	$970,000
7. The Burgum budget reduced funding for operating expenses. **The Senate reduced salaries and wages by $322,044, operating expenses by $16,550, and grants by $110,000.**	$0	($448,594)	($448,594)

Other Sections in Senate Bill No. 2014

Additional income - Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

Housing incentive fund - Section 19 continues the housing incentive fund for the 2017-19 biennium, changes the requirement for the Housing Finance Agency to report to the Budget Section from a quarterly report to a biennial report, and requires the Housing Finance Agency to report to the Industrial Commission upon request. Sections 21 and 23 provide up to $5 million of income tax credits for contributions to the housing incentive fund reducing general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections. Section 26 repeals a section of North Dakota Century Code related to Housing Finance Agency reports to the Industrial Commission. Section 32 provides an effective date and expiration date related to the housing incentive fund tax credits.

Essential service worker home ownership incentive fund - Section 18 creates an essential service worker home ownership incentive program. Section 20 establishes the essential service worker home ownership incentive fund and identifies the uses of the fund. Sections 22 and 24 provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund reducing general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections. Section 30 identifies 50 percent of the contributions to the essential service worker home ownership fund for planning regions one and eight and the remaining contributions for the other planning areas. Section 32 provides an effective date and expiration date related to the essential service worker home ownership incentive fund tax credits.

Continuing Appropriations

Housing incentive fund - Section 54-17-40 - Provides grants for housing projects.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

At this time, there is no major related legislation affecting this agency.

Housing Finance Agency - Budget No. 473
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	46.00	$0	$37,520,089	$37,520,089	46.00	$0	$37,520,089	$37,520,089
2017-19 Ongoing Funding Changes								
Base payroll changes			$92,182	$92,182			$92,182	$92,182
Salary increase - Performance				***0***				0
Health insurance increase			128,790	128,790			128,790	128,790
Employee portion of health insurance			***(67,468)***	***(67,468)***				0
Additional salary increases			257,425	257,425			257,425	257,425
Adds Housing and Urban Development grants			6,017,048	6,017,048			6,017,048	6,017,048
Increases funding for operating expenses			45,630	45,630			45,630	45,630
Reduces budget - 1 percent			***(448,594)***	***(448,594)***			(448,594)	(448,594)
Reduces grant funding for program outreach			(43,000)	(43,000)			(43,000)	(43,000)
Increases funding for mortgage servicing premiums			970,000	970,000			970,000	970,000
Total ongoing funding changes	0.00	$0	$6,952,013	$6,952,013	0.00	$0	$7,019,481	$7,019,481
One-time funding items								
No one-time funding items				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	$6,952,013	$6,952,013	0.00	$0	$7,019,481	$7,019,481
2017-19 Total Funding	46.00	$0	$44,472,102	$44,472,102	46.00	$0	$44,539,570	$44,539,570

Other Sections in Housing Finance Agency - Budget No. 473

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Additional income	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium.	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

Other Sections in Housing Finance Agency - Budget No. 473

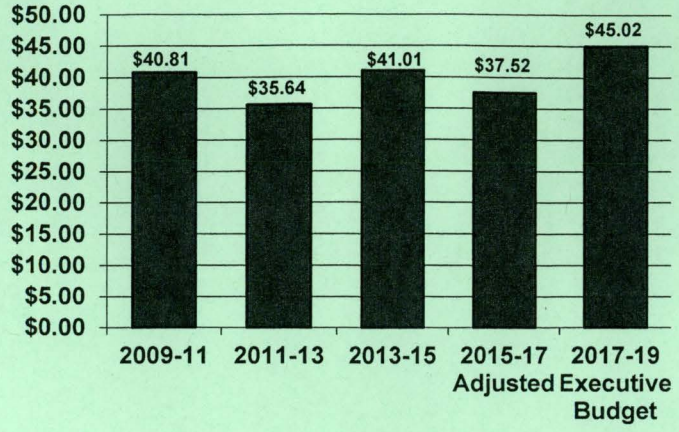
	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Housing incentive fund	Section 19 continues the housing incentive fund for the 2017-19 biennium and removes the provision for the Housing Finance Agency to report quarterly to the Budget Section.	Section 19 continues the housing incentive fund for the 2017-19 biennium, changes the requirement for the Housing Finance Agency to report to the Budget Section from a quarterly report to a biennial report, and requires the Housing Finance Agency to report to the Industrial Commission upon request. Sections 21 and 23 provide up to $5 million of income tax credits for contributions to the housing incentive fund reducing general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections. Section 26 repeals a section of North Dakota Century Code related to Housing Finance Agency reports to the Industrial Commission. Section 32 provides an effective date and expiration date related to the housing incentive fund tax credits.
Essential service worker home ownership incentive fund		Section 18 creates an essential service worker home ownership incentive program. Section 20 establishes the essential service worker home ownership incentive fund and identifies the uses of the fund. Sections 22 and 24 provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund reducing general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections. Section 30 identifies 50 percent of the contributions to the essential service worker home ownership fund for planning regions one and eight and the remaining contributions for the other planning areas. Section 32 provides an effective date and expiration date related to the essential service worker home ownership incentive fund tax credits.

Department 473 - Housing Finance Agency

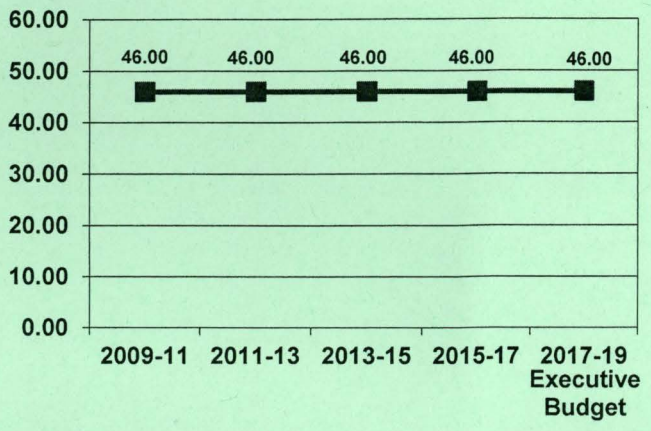
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2009-11

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Dalrymple Executive Budget
Ongoing other funds appropriations	$40,813,769	$35,640,046	$41,007,497	$37,520,089	$45,022,790
Increase (decrease) from previous biennium	N/A	($5,173,723)	$5,367,451	($3,487,408)	$7,502,701
Percentage increase (decrease) from previous biennium	N/A	(12.7%)	15.1%	(8.5%)	20.0%
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	(12.7%)	0.5%	(8.1%)	10.3%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2011-13 Biennium

1. Reduced funding for federal Housing and Urban Development grants	($5,960,440)

2013-15 Biennium

1. Added funding for grants under the federal neighborhood stabilization program	$4,000,000
2. Increased funding for program outreach	$131,000

2015-17 Biennium

1. Reduced funding for federal Housing and Urban Development grants	($2,214,445)
2. Reduced funding for housing development grant programs	($1,287,825)

2017-19 Biennium (Dalrymple and Burgum Executive Budget Recommendations)

1. Provides funding for state employee salary and benefit increases, of which $34,626 is for salary increases and $128,790 is for health insurance increases. (The Burgum budget removed funding for salary increases and provided for employees to pay for a portion of health insurance.) (The Senate removed funding for the salary increases.)	$163,416
2. Provides funding for additional salary increases related to salary adjustments for vacant positions and higher than anticipated 2015-17 biennium salary adjustments	$257,425
3. Adds funding for federal Housing and Urban Development grants related to distributions from the federal housing trust fund	$6,017,048
4. Increases funding for operating expenses	$45,630
5. Reduces grant funding for program outreach related to assisting communities with housing development	($43,000)

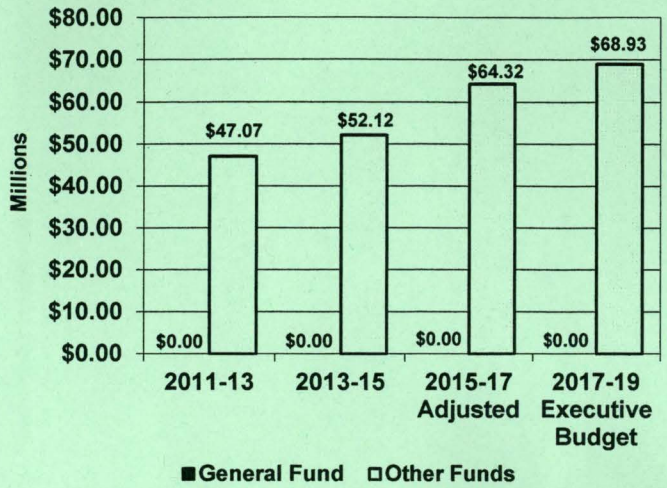
6. Increases funding for operating expenses to continue additional expenses relating to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of 2015 House Bill No. 1014	$970,000
7. The Burgum budget reduced funding for operating expenses. (The Senate reduced salaries and wages by $322,044, operating expenses by $16,550, and grants by $110,000.)	($448,594)

Department 475 - Mill and Elevator Association
Senate Bill No. 2014

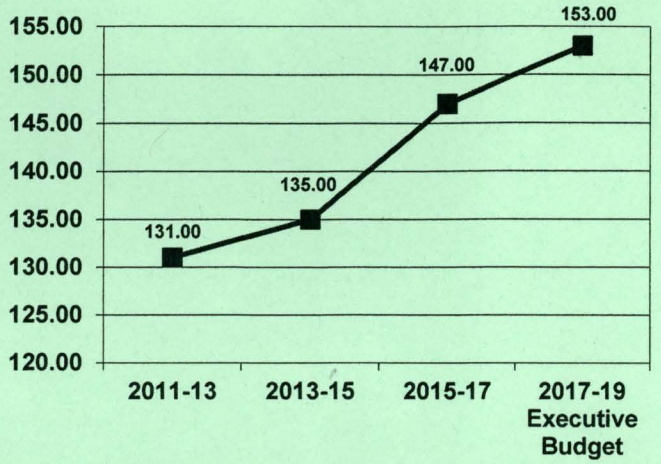
Dalrymple Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	153.00	$0	$68,930,168	$68,930,168
2015-17 Adjusted Legislative Appropriations	147.00	0	64,315,898	64,315,898
Increase (Decrease)	6.00	$0	$4,614,270	$4,614,270

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	$0	$68,930,168	$68,930,168
2017-19 Base Level	0	64,315,898	64,315,898
Increase (Decrease)	$0	$4,614,270	$4,614,270

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for base payroll changes, including salary increases	$0	$2,539,491	$2,539,491
2. Provides funding health insurance increases. (The Burgum budget provided for employees to pay for a portion of health insurance.) **The Senate provided funding for health insurance increases without requiring employees to pay a portion of health insurance.**	$0	$437,886	$437,886
3. Adds funding for 6 FTE positions, including 2 grain handling positions, 2 food safety positions, 1 flour packer position, and 1 utility worker position	$0	$768,893	$768,893
4. Adds funding for operating expenses related to utilities, supplies, and repairs	$0	$868,000	$868,000
5. The Burgum budget removed 1 FTE position. **The Senate removed the funding but did not remove the authorization for the FTE position.**	$0	($115,280)	($115,280)

Other Sections in Senate Bill No. 2014

There are no other sections in the bill for this agency.

Continuing Appropriations

There are no continuing appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

At this time, no major legislation has been introduced affecting this agency.

Mill and Elevator Association - Budget No. 475
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	147.00	$0	$64,315,898	$64,315,898	147.00	$0	$64,315,898	$64,315,898
2017-19 Ongoing Funding Changes								
Base payroll changes			$2,539,491	$2,539,491			$2,539,491	$2,539,491
Health insurance increase			437,886	437,886			437,886	437,886
Employee portion of health insurance			***(230,889)***	***(230,889)***				0
Adds funding for FTE positions	6.00		768,893	768,893	6.00		768,893	768,893
Removes funding for FTE position	***(1.00)***		***(115,280)***	***(115,280)***			(115,280)	(115,280)
Reduces salaries and wages - 1 percent			***(569,643)***	***(569,643)***			(569,643)	(569,643)
Increases in utilities, supplies, and repairs			868,000	868,000			868,000	868,000
Total ongoing funding changes	5.00	$0	$3,698,458	$3,698,458	6.00	$0	$3,929,347	$3,929,347
One-time funding items								
No one-time funding items				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	5.00	$0	$3,698,458	$3,698,458	6.00	$0	$3,929,347	$3,929,347
2017-19 Total Funding	152.00	$0	$68,014,356	$68,014,356	153.00	$0	$68,245,245	$68,245,245

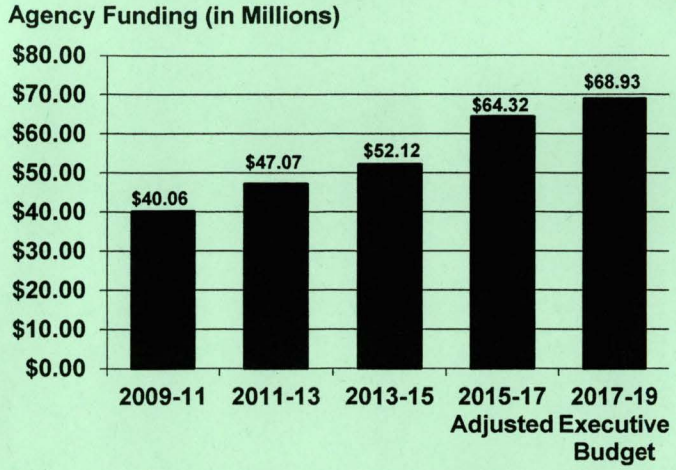
Other Sections in Mill and Elevator Association - Budget No. 475

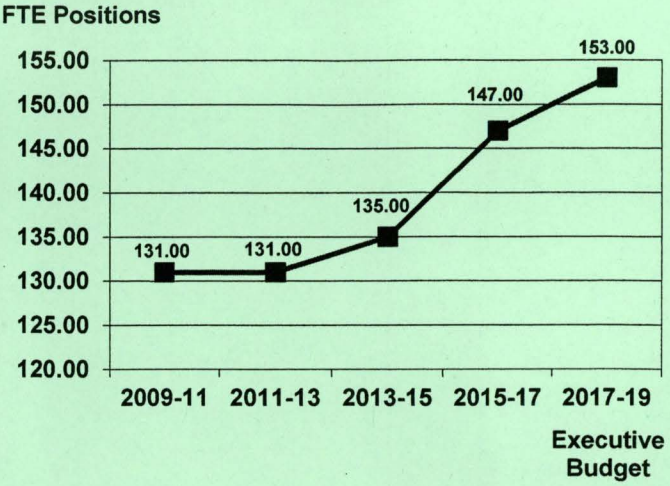
	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Transfer to general fund	Section 20 amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 90 percent.	No other sections included in the Senate version.

Department 475 - Mill and Elevator Association

Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2009-11





Ongoing Other Funds Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Dalrymple Executive Budget
Ongoing other funds appropriations	$40,057,242	$47,071,877	$52,123,557	$64,315,898	$68,930,168
Increase (decrease) from previous biennium	N/A	$7,014,635	$5,051,680	$12,192,341	$4,614,270
Percentage increase (decrease) from previous biennium	N/A	17.5%	10.7%	23.4%	7.2%
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	17.5%	30.1%	60.6%	72.1%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2011-13 Biennium

1. Added funding for temporary employees — $200,000
2. Added funding for operating expenses and contingencies — $3,535,951
3. Added funding for a rural leadership grant program — $60,000

2013-15 Biennium

1. Added funding for 4 FTE positions, including a supervisor position, an information system analyst position, a rail car checker position, and a sales representative position — $622,678
2. Added funding for operating expenses related to production increases — $1,352,131

2015-17 Biennium

1. Added funding for 12 FTE positions, including 3 mill operator positions, 3 rail car loader positions, 2 flour packer positions, 2 utility worker positions, 1 electrician position, and 1 maintenance worker position — $1,643,906
2. Added funding for operating expenses related to a new milling unit — $5,531,000
3. Increased funding for contingencies to provide total funding of $500,000 — $100,000

2017-19 Biennium (Dalrymple and Burgum Executive Budget Recommendations)

1. Provides funding for base payroll changes, including salary increases — $2,539,491
2. Provides funding for health insurance increases (The Burgum budget provided for employees to pay for a portion of health insurance) (The Senate provided funding for health insurance increases without requiring employees to pay a portion of health insurance) — $437,886
3. Adds funding for 6 FTE positions, including 2 grain handling positions, 2 food safety positions, 1 flour packer position, and 1 utility worker position — $768,893

4. Adds funding for operating expenses related to utilities, supplies, and repairs	$868,000
5. The Burgum budget removed 1 FTE position. (The Senate removed the funding but did not remove the authorization for the FTE position.)	($115,280)

March 1, 2017 SB2014 Attachment #

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Schedule
Engrossed Senate Bill No. 2014
House Appropriations Committee
Government Operations Division
Medora Room
Wednesday, March 1, 2017

8:30 a.m. Administration Office – **Karlene Fine**, Executive Director and Secretary
Engrossed SB 2014 - Section 1, Subdivision 1, Sections 3, 5, 7 and 27.

8:35 a.m. Bank of North Dakota – **Eric Hardmeyer**, President
Engrossed SB 2014 - Section 1, Subdivision 2, Sections 2, 8, 9, 10, 11, 12, 13, 16 and 17

9:15 a.m. North Dakota State Mill – **Vance Taylor**, President and General Manager
Engrossed SB 2014 - Section 1, Subdivision 3

9:35 a.m. Housing Finance Agency – **Jolene Kline**, Executive Director
Engrossed SB 2014 - Section 1, Subdivision 4, Sections 4, 18, 19, 20, 21, 22, 23, 24, 26, 30 and 32

(Break)

10:10 a.m. Public Finance Authority – **DeAnn Ament**, Executive Director
Engrossed SB 2014 - Section 1, Subdivision 1

10:20 a.m. Department of Mineral Resources – **Lynn Helms**, Director
Engrossed SB 2014 - Section 1, Subdivision 1, Sections 2, 6 and 15

11:30 p.m. Lignite Research, Development & Marketing Program – **Jason Bohrer**, Chairman, Lignite Research Council & **Mike Holmes**, Director of the Lignite Research, Development and Marketing Program
Engrossed SB 2014 - Sections 2, 14, 25, 28, 29 and 31

11:50 a.m. Administration/Continuing Appropriations Information regarding the Outdoor Heritage Fund, Renewable Energy Program, Oil and Gas Research Program, Pipeline Authority, Transmission Authority - **Karlene Fine**, Executive Director and Secretary

Karlene K. Fine, Executive Director and Secretary
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: kfine@nd.gov
Phone: (701) 328-3722 FAX: (701) 328-2820
www.nd.gov

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Administration – Karlene Fine
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3722 Fax: 701-328-2820 www.nd.gov/ndic

Bank of North Dakota – Eric Hardmeyer
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-5700 Fax: 701-328-5632 www.banknd.nd.gov/

Department of Mineral Resources – Lynn Helms
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue Dept, Bismarck, ND 58505
Physical Address: 1016 E Calgary, Bismarck, ND 58501
Geological Survey
Phone: 701-328-8000 Fax: 701-328-8010 www.dmr.nd.gov/ndgs/
Oil and Gas Division
Phone: 701-328-8020 Fax: 701-328-8022 www.dmr.nd.gov/oilgas/

Housing Finance Agency – Jolene Kline
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 2624 Vermont Ave, Bismarck, ND 58501
Phone: 701-328-8080 Fax: 701-328-8090 www.ndhfa.org

Lignite Research, Development & Marketing Program – Jason Bohrer/Mike Holmes
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Fax: 701-328-2820 www.nd.gov/ndic/lrc-infopage.htm

Mill & Elevator – Vance Taylor
PO Box 13078, Grand Forks ND 58208-3078
Phone: 701-795-7000 Fax: 701-795-7272 www.ndmill.com/

Oil and Gas Research Program – Brent Brannan
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-425-1237 Fax: 701-328-2820 www.dmr.nd.gov/ogr/

Outdoor Heritage Fund – Karlene Fine and Jim Melchior
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3722 Fax: 701-328-2820 www.nd.gov/ndic/outdoor-infopage.htm

Pipeline Authority – Justin Kringstad
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-220-6227 Fax: 701-328-2820 www.dmr.nd.gov/pipeline/

Public Finance Authority – DeAnn Ament
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-7100 Fax: 701-328-7130 www.nd.gov/pfa/

Renewable Energy Program – Andrea Holl Pfennig
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-2687 Fax: 701-328-2820 www.nd.gov/ndic/renew-infopage.htm

Transmission Authority – Tyler Hamman
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Fax: 701-328-2820

17.0522.02000

Sixty-fifth
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT

ENGROSSED SENATE BILL NO. 2014

Introduced by

Appropriations Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to provide for transfers; to create and enact a new subsection to section 54-17-07.3, a new section to chapter 54-17, a new section to chapter 57-38, and two new subdivisions to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to the essential service worker home ownership program, housing incentive fund tax credits, and essential service worker home ownership fund tax credits; to amend and reenact sections 15-62.1-07, 28-25-11, 54-17-40, and 57-62-02 of the North Dakota Century Code, relating to loan guarantee fees, suspension of occupational or professional licenses, the housing incentive fund, and coal development trust fund allocations; to repeal section 54-17-41 of the North Dakota Century Code, relating to housing incentive fund reports; to provide statements of legislative intent; to provide exemptions; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the industrial commission and agencies under its control for the purpose of defraying the expenses of the industrial commission and agencies under its control, for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	Base Level	Adjustments or Enhancements	Appropriation

Salaries and wages	$22,132,229	($93,883)	$22,038,346
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	1,254,462	1,254,462
Total all funds	$41,952,193	$856,987	$42,809,180
Less estimated income	16,994,447	(649,789)	16,344,658
Total general fund	$24,957,746	$1,506,776	$26,464,522
Full-time equivalent positions	116.75	(2.50)	114.25

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	Base Level	Adjustments or Enhancements	Appropriation
Bank of North Dakota operations	$58,542,301	($15,357)	$58,526,944
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$49,643	$59,336,944
Full-time equivalent positions	181.50	0.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$36,278,898	$3,061,347	$39,340,245
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,929,347	$68,245,245
Full-time equivalent positions	147.00	6.00	153.00

Subdivision 4.

HOUSING FINANCE AGENCY

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$7,745,034	$156,353	$7,901,387

Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,019,481	$44,539,570
Full-time equivalent positions	46.00	0.00	46.00

Subdivision 5.

	BILL TOTAL		
		Adjustments or	
	Base Level	Enhancements	Appropriation
Grand total general fund	$24,957,746	$1,506,776	$26,464,522
Grand total special funds	178,117,735	10,348,682	188,466,417
Grand total all funds	$203,075,481	$11,855,458	$214,930,939

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly as adjusted for the 2015-17 biennium and the 2017-19 biennium one-time funding items included in the appropriation in section 1 of this Act:

One-Time Funding Description	2015-17	2017-19
Litigation	$2,500,000	$1,000,000
Lignite research council grant	4,672,500	0
Aerial photography	104,143	0
Contract analysis	125,000	0
Digital conversion	25,000	0
Migration to RBDMS.net	250,000	0
All-terrain vehicles	41,500	0
Core library expansion	13,625,322	0
Financial center project	17,000,000	0
Total all funds	$38,343,465	$1,000,000
Total special funds	30,625,322	1,000,000
Total general fund	$7,718,143	$0

The 2017-19 biennium one-time funding amounts are not a part of the entity's base budget for the 2019-21 biennium. The industrial commission shall report to the appropriations committees of the sixty-sixth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of $13,210,484 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2017, and ending June 30, 2019:

North Dakota university system	$6,605,326
North Dakota university system - energy conservation projects	491,500
Department of corrections and rehabilitation	1,158,679
Department of corrections and rehabilitation - energy conservation projects	16,285
State department of health	636,877
Job service North Dakota	428,100
Office of management and budget	665,411
Attorney general's office	766,012
State historical society	1,392,629
Parks and recreation department	73,642
Research and extension service	571,520
Veterans' home	404,503
Total	$13,210,484

SECTION 4. APPROPRIATION - HOUSING FINANCE AGENCY - ADDITIONAL INCOME. In addition to the amount appropriated to the housing finance agency in subdivision 4 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2017, and ending June 30, 2019. The housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency.

SECTION 5. APPROPRIATION - ADDITIONAL FUNDS FROM BONDS - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the

emergency commission, funds that may become available to the commission from bonds authorized by law to be issued by the industrial commission for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 6. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING. The amount of $1,254,462 from the general fund and six full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds the thresholds identified in this section. Of the $1,254,462 and the six full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. Subject to budget section approval, $418,154 from the contingencies line item and two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.
2. In addition to the funding and full-time equivalent positions authorized in subsection 1 and subject to budget section approval, $836,308 from the contingencies line item and four full-time equivalent positions if the total number of wells capable of production and injection exceeds nineteen thousand four hundred wells.

SECTION 7. TRANSFER - ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND. The sum of $1,103,986, or so much of the sum as may be necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers must be made during the biennium beginning July 1, 2017, and ending June 30, 2019, upon order of the commission. Transfers from the student loan trust fund must be made to the extent permitted by sections 54-17-24 and 54-17-25.

SECTION 8. TRANSFER - BANK OF NORTH DAKOTA PROFITS TO GENERAL FUND. The industrial commission shall transfer to the general fund $140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota during the biennium beginning July 1, 2017, and ending June 30, 2019. The moneys must be transferred

in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $16,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $1,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - SCHOOL CONSTRUCTION LOAN INTEREST RATE BUYDOWNS. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits for interest rate buydowns on outstanding school construction loans under section 15.1-36-06 during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 14. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO LIGNITE RESEARCH FUND. The department of trust lands shall transfer the sum of $3,000,000 from the strategic investment and improvements fund to the lignite research fund during the biennium beginning July 1, 2017, and ending June 30, 2019. The funding must be

used to provide grants for advanced energy technology research and development. Grant recipients must provide matching funds.

SECTION 15. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUNDS. The estimated income line item in section 1 of this Act includes $1,000,000 from the strategic investment and improvements fund for litigation expenses.

SECTION 16. AMENDMENT. Section 15-62.1-07 of the North Dakota Century Code is amended and reenacted as follows:

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter~~, and such fees.~~ The agency may charge up to thirteen percent of accumulated principal and interest if the loans are in default under section 15-62.1-06. The fees collected under this section must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the reserve fund. The authority of the agency to charge reasonable fees under this section applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

SECTION 17. AMENDMENT. Section 28-25-11 of the North Dakota Century Code is amended and reenacted as follows:

28-25-11. Property applied - Wages exempt ~~- Suspension of occupational or professional license for nonpayment of defaulted state guaranteed student loans.~~

~~1.~~ The judge may order any property of the judgment debtor not exempt from execution in the hands either of the judgment debtor or of any other person or due the judgment debtor to be applied toward the satisfaction of the judgment, except that the earnings of the debtor for the debtor's personal services at any time within sixty days next preceding the order cannot be so applied when it is made to appear, by the debtor's affidavit or otherwise, that the earnings are necessary for the use of a family supported wholly or partly by the debtor's labor.

~~2. If the debt for which a judgment is entered is for a guaranteed student loan, the court, after considering the factors in subsection 1, shall address and make specific findings on the issue of whether the judgment debtor has an occupational or a professional~~

~~certificate license or permit issued by or on behalf of the state or any occupational or professional boards, which the judgment debtor is required to obtain before engaging in the judgment debtor's occupation or profession. The court, based on principles of fairness, including consideration of whether the judgment debtor has been unjustly enriched, may suspend a judgment debtor's certificate, license, or permit. Following a decision to suspend a judgment debtor's certificate, license, or permit, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the proper licensing authority of the court's decision to suspend a judgment debtor's certificate, license, or permit. A certificate, license, or permit suspended by an order issued under this section may be reissued only by order of the court. An appeal by a judgment debtor who has had a certificate, license, or permit suspended under this section is an appeal from the court's order and may not be appealed to the licensing authority.~~

SECTION 18. A new subsection to section 54-17-07.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive program. A program to provide assistance for the purchase of a primary residence by an essential service worker as provided in section 20 of this Act. The program may provide a secondary mortgage lien to assist in the acquisition of a single-family residential dwelling unit.

SECTION 19. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. ~~(Effective through June 30, 2017)~~ Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.
2. a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet

housing need or alleviate a housing shortage~~. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award~~.

b. The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

c. The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

~~The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.~~

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:
   a. New construction, rehabilitation, or acquisition of a multifamily housing project;
   b. Gap assistance, matching funds, and accessibility improvements;

c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and

d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.

5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

6. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.

7. The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers.

8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.

9. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. The report must include the following:

a. The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and

b. A listing of projects approved and the number of units within those projects that provide housing for essential service workers.

SECTION 20. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund - Continuing appropriation.

1. The essential service worker home ownership incentive fund is created as a special revolving fund at the Bank of North Dakota. The moneys in the fund are appropriated on a continuing basis to the housing finance agency to provide purchasing assistance on single-family residential mortgage loans under the essential worker home ownership incentive program. The agency may deduct a reasonable administrative fee from the fund.
2. For purposes of this section, "essential service worker" means an individual employed by the state or a city, county, school district, medical or long-term care facility, or any other individual employed in providing an essential public service as determined by the housing finance agency.
3. Pursuant to housing finance agency underwriting and credit standards and guidelines adopted under subsection 4, the agency may provide a secondary loan to a qualified essential service worker in conjunction with a single-family residential mortgage loan originated by a lender under a housing finance agency home ownership program. If, at any time during the term of the loan, the borrower ceases to be employed as an essential service worker or if the borrower sells the home or refinances the mortgage loan, the borrower must repay the secondary loan in full or begin making amortized monthly payments on the secondary loan.
4. The agency shall adopt guidelines for the implementation and administration of the essential service worker home ownership incentive program. The guidelines must provide the moneys in the essential service worker home ownership incentive fund may be used only to assist in the acquisition of owner-occupied single-family residential housing that will serve as the primary residence of the essential service worker. The guidelines must establish income limits for eligibility to participate in the program and purchase price limitations as determined by the agency.
5. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing bases for the purposes of this section.

SECTION 21. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five million dollars.
6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
   b. The dollar amount paid for the contribution by the taxpayer.
   c. The date the payment was received by the fund.
7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 22. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Essential service worker home ownership incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the essential service worker home ownership incentive fund under section 19 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five hundred thousand dollars.
6. Within thirty days after the date on which a taxpayer makes a contribution to the essential service worker home ownership incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

b. The dollar amount paid for the contribution by the taxpayer.

c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the essential service worker home ownership incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 23. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit under section 21 of this Act.

SECTION 24. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Essential service worker home ownership incentive fund tax credit under section 22 of this Act.

SECTION 25. AMENDMENT. Section 57-62-02 of the North Dakota Century Code is amended and reenacted as follows:

57-62-02. Allocation of moneys in coal development fund

Moneys deposited in the coal development fund shall be apportioned monthly by the state treasurer as follows:

1. ~~Thirty~~Fifteen percent must be deposited in a permanent trust fund in the state treasury, to be known as the coal development trust fund, pursuant to section 21 of article X of the Constitution of North Dakota. Those funds held in trust and administered by the board of university and school lands on March 5, 1981, pursuant to section 12, chapter

563, 1975 Session Laws; section 12, chapter 560, 1977 Session Laws; or section 13, chapter 626, 1979 Session Laws must also be deposited in the trust fund created pursuant to this subsection. The fund must be held in trust and administered by the board of university and school lands for loans to coal-impacted counties, cities, and school districts as provided in section 57-62-03 and for loans to school districts pursuant to chapter 15.1-36. The board of university and school lands may invest such funds as are not loaned out as provided in this chapter and may consult with the state investment board as provided by law. The income, including interest payments on loans, from the trust must be used first to replace uncollectible loans made from the fund and the balance must be deposited in the school construction assistance loan fund. Loan principal payments must be redeposited in the trust fund. The trust fund must be perpetual and held in trust as a replacement for depleted natural resources subject to the provisions of this chapter and chapter 15.1-36.

2. Fifteen percent must be deposited in the lignite research fund for the purpose of developing advanced energy technology.

3. Seventy percent must be allocated to the coal-producing counties and must be distributed among such counties in such proportion as the number of tons [metric tons] of coal severed at each mining operation bears to the total number of tons [metric tons] of coal severed in the state during such monthly period. Allocations under subdivisions a and b must be apportioned by the state treasurer as follows:

   a. If the tipple of the currently active coal mining operation in a county is not within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue apportioned according to this subdivision must be allocated as follows:

      (1) Thirty percent must be paid by the state treasurer to the incorporated cities of the county based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

      (2) Forty percent must be paid to the county treasurer who shall deposit it in the county general fund to be used for general governmental purposes.

(3) Thirty percent must be apportioned by the state treasurer to school districts within the county on the average daily membership basis, as certified to the state treasurer by the county superintendent of schools.

b. If the tipple of a currently active coal mining operation in a county is within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue from the production not exceeding the production limitation in a calendar year which is apportioned from that coal mining operation according to this subsection must be allocated, subject to the definitions of terms and the requirements in paragraph 4, as provided in this subdivision. For purposes of this subdivision, the production limitation is three million eight hundred thousand tons [3447302.02 metric tons] through calendar year 1995, three million six hundred thousand tons [3265865.07 metric tons] in calendar years 1996 and 1997, and three million four hundred thousand tons [3084428.12 metric tons] in calendar years after 1997. Revenue from production exceeding the production limitation in a calendar year from that coal mining operation must be allocated only within the coal-producing county under subdivision a. Allocations under this subdivision must be made as follows:

(1) Thirty percent must be paid by the state treasurer to the incorporated cities of the coal-producing county and to any city of a non-coal-producing county when any portion of the city lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county, based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

(2) Forty percent must be divided by the state treasurer between the general fund of the coal-producing county and the general fund of any non-coal-producing county when any portion of the latter county lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county. The non-coal-producing county portion must be based upon the ratio which the assessed valuation

of all quarter sections of land in that county, any portion of which lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation, bears to the combined assessed valuations of all land in the coal-producing county and the quarter sections of land in the non-coal-producing county within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation. The county director of tax equalization of the coal-producing county shall certify to the state treasurer the number of quarter sections of land in the non-coal-producing counties which lie at least in part within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation and their assessed valuations.

(3) Thirty percent must be apportioned by the state treasurer to school districts within the coal-producing county and to school districts in adjoining non-coal-producing counties when a portion of those school districts' land includes any of the quarter sections of land certified by the director of tax equalization to the state treasurer to be eligible to share county funds as provided for in paragraph 2. The county superintendent of the non-coal-producing counties shall certify to the state treasurer the number of students actually residing on these quarter sections lying outside the coal-producing county and each school district in non-coal-producing counties shall receive a portion of the money under this paragraph based upon the ratio of the number of children residing on quarter sections of that school district within the fifteen-mile [24.14-kilometer] radius of the tipple of a currently active coal mining operation to the total number of schoolchildren from the coal-producing county combined with all the schoolchildren certified to be living on quarter sections within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county.

(4) For the purposes of this subdivision:

(a) The terms "currently active coal mining operation in a county", "currently active coal mining operation in the coal-producing county",

and "currently active coal mining operation" mean a coal mining operation that produced more than one hundred fifty thousand tons [136077.71 metric tons] of coal in a coal-producing county during the prior quarterly period.

(b) The term "coal-producing county" means a county in which more than one hundred fifty thousand tons [136077.71 metric tons] of coal were mined in the prior quarterly period.

(c) The term "another county in which no coal is mined" means a county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(d) The terms "non-coal-producing county" and "non-coal-producing counties" mean any county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(e) In computing each amount to be paid as provided in paragraph 1, 2, or 3 for coal severance tax revenue from coal mined during a monthly period, the state treasurer shall deduct from the allocation the amount of coal severance tax revenue, if any, that the governmental body in the non-coal-producing county received from the coal mined in the non-coal-producing county during the same monthly period.

(5) The state treasurer shall allocate funds provided by legislative appropriation to cities, the county general fund, and school districts within a coal-producing county according to the allocation method provided in subdivision a in an amount to offset fifty percent of the loss of that county's share of coal severance tax revenue allocated to a non-coal-producing county under this subdivision in the previous calendar year. The state treasurer shall make the allocation and distribute the funds, within the limits of legislative appropriations, under this paragraph during the first month of each calendar year. The state treasurer shall include in each biennial budget request the amounts estimated to be necessary for the biennium for

purposes of this paragraph, based on the allocations under this subdivision in the most recent calendar years.

SECTION 26. REPEAL. Section 54-17-41 of the North Dakota Century Code is repealed.

SECTION 27. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 14 of the 2015 Session Laws and transferred pursuant to section 6 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 28. EXEMPTION - LIGNITE RESEARCH GRANTS. The amount appropriated to the industrial commission from the general fund for lignite research grants in the grants line item in section 1 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for lignite research grants during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 29. LEGISLATIVE INTENT - RENEWABLE ENERGY DEVELOPMENT FUND. It is the intent of the sixty-fifth legislative assembly that the industrial commission consider applications for funding from the renewable energy development fund for advanced energy technology development projects.

SECTION 30. LEGISLATIVE INTENT - ESSENTIAL SERVICE WORKER HOME OWNERSHIP INCENTIVE FUND. Of the contributions deposited in the essential service worker home ownership incentive fund during the biennium beginning July 1, 2017, and ending June 30, 2019, it is the intent of the sixty-fifth legislative assembly that the housing finance agency disburse fifty percent within planning regions one and eight and shall disburse the remaining fifty percent within the other planning regions.

SECTION 31. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM - LIGNITE MARKETING FEASIBILITY STUDY. The amount of $4,500,000 from the lignite research fund, or so much of the amount as may be necessary, may be used for the purpose of contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or

processes will generate matching private industry investment and have the most potential of preserving existing lignite production and industry jobs or that will lead to increased development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. Moneys appropriated pursuant to this section also may be used for the purpose of contracting for nonmatching studies and activities in support of the lignite vision 21 program; for litigation that may be necessary to protect and promote the continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for the purposes stated in this section are available to the industrial commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

SECTION 32. EFFECTIVE DATE - EXPIRATION DATE. Sections 23 and 24 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Testimony for Engrossed Senate Bill 2014
House Appropriations Committee
Government Operations Division
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
March 1, 2017

Mr. Chairman and members of the House Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Engrossed Senate Bill No. 2014 includes the appropriations for the Industrial Commission Administrative Office and those agencies and programs that report to the Industrial Commission (Commission).

The Commission is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the State's industries—the Bank of North Dakota and State Mill. In the area of finance the Commission also oversees the Public Finance Authority, the Student Loan Trust, the North Dakota Building Authority and the Housing Finance Agency. In the area of natural resources and regulation the Commission oversees the Department of Mineral Resources which includes the oil and gas, geophysical exploration, subsurface mineral regulation and CO_2 Geological Storage in addition to other programs through its Oil and Gas Division and the Geological Survey. The Commission also oversees three research programs -- the Lignite Research, Development and Marketing Program (Lignite Research Program), the Oil and Gas Research Program and the Renewable Energy Program. In addition the Commission is the North Dakota Transmission Authority and the North Dakota Pipeline Authority. The Commission also has oversight of the Outdoor Heritage Fund and Western Area Water Supply Authority industrial sales.

Subdivision 1 of **Section 1**, includes the appropriation for the Administrative Office of the Industrial Commission as well as the Department of Mineral Resources (Oil and Gas Division and Geological Survey), Public Finance Authority, and the lease (bond) payments for projects financed by the Building Authority. The Administrative Office budget is also referenced in Sections 3, 5, 7 and 27 of Senate Bill 2014 or Budget No. 405.

The proposed funding for the Administrative Office provides for 4 full-time employees. Two of the four positions are currently filled with full-time staff. One of the vacant positions is for a deputy position and I am currently in the recruitment process. The other position is vacant although those dollars are being used for a temporary employee who is working on a records management project that will last until the end of the current biennium. The Administrative Office budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission (IOGCC). The IOGCC is a multi-state organization which speaks on behalf of the oil and gas producing states before Congress

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and other national groups regarding legislation and regulation of the oil and gas industry. The dues for this organization are based on the level of oil production in each member's state and because we are No. 2 in oil and gas production the dues increased in recent years.

The Administrative Office had two audit findings -- one related to the completion of minutes on a timely basis and the second finding related to the need for documentation of matching funds for the Outdoor Heritage Program grants. It is hoped that with additional staffing the Commission will be able to provide minutes on a timely basis. Steps have been implemented to obtain the documentation required by the State Auditor's Office for the Outdoor Heritage Fund grants.

The Administrative Office budget does not include any General Fund dollars. The Administrative Office budget request is $1,103,986 when you exclude the lease (bond) payments. This amount includes the adjustments made by the Senate. The increase from the base budget is because one of the currently unfilled positions was changed to an executive position (deputy) and funding has been included to contract for upgrading the Commission's website. The Administrative Office budget is funded by the agencies that report to the Industrial Commission and the funding directed by the Legislature to be paid by the Western Area Water Supply Authority (WASWS) industrial sales. You will see this funding source noted in **Section 7** where authority is granted for these agencies and WAWS to transfer funds to the Industrial Commission. The Administrative Office did not make any reductions to the base budg or propose a 90% budget. All the reductions came from the reduced lease (bond) payments.

Section 5 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 of Section 1 includes the lease (bond) payments for the outstanding North Dakota Building Authority bonds in the amount of $13,210,484. This is a decrease from the prior biennium of $1,830,345. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located across the state.

Attached for your information is the Debt Service Schedule for all the outstanding Building Authority bond issues. The proposed Executive Budget does not include any new bonding by the North Dakota Building Authority. If there was bonding proposed this attachment shows that there is available debt service under the 10% of 1¢ statutory limitation in the amount of $37.2 million. That would translate into bonding for approximately $240+ million of projects.

Section 3 provides the breakdown on the source of funding for the $13+ million of lease (bond) payments for the upcoming biennium. The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of these payments:

*University System – UND (05A)	$ 491,500
*Missouri River Correctional Center (03B)	$ 16,285

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Job Service North Dakota (02A/10B)	$ 428,100
Historical Society (05A)	$ 33,333
Veterans Home (10A/B)	$ 404,503
Dept. of Health (02A) (federal funds)	$ 180,946
	$1,554,667

Section 27 includes language that was informally suggested by the State Auditor's Office regarding the carryover of agency dollars from one biennium to another biennium for the Administrative Office. This language was included to reduce the paperwork for returning unused dollars to the agencies only to ask for payments in the subsequent biennium. The funding level for the Administrative Office is limited to the level stated in Subdivision 1.

Included in the binder is information on the following programs overseen by the Industrial Commission that have continuing appropriations. They are:

Lignite Research Program. The majority of the funding for the Lignite Research Fund comes from non-General Fund dollars. Last session the Legislature appropriated $5,000,000 from the General Fund (which was reduced to $4,672,500 as a result of the allotments) for the Lignite Research Fund. Jason Bohrer and Mike Holmes will be providing testimony on how those dollars are being used and will be discussing some additional funding sources for this Fund. Section 31 allows for funding to be provided on a non-matching basis. The majority of the funds under the Lignite Research Program must have match funding. This non-match funding is needed for litigation, studies and activities in support of the Lignite Vision 21 program, externality studies and other marketing, environmental, or transmission activities that assist with the preserving and enhancing of the lignite industry in North Dakota.

Oil and Gas Research Program. Within this bill there is no appropriation for the Oil and Gas Research Program. This Program is funded from oil and gas gross production and oil extraction tax revenues up to $10 million a biennium. Additional information about the Oil and Gas Research Fund/Program is behind the tab titled OGRP. If you would like more information about this program Mr. Brent Brannan, part-time Director of the Program, would be happy to come and give an overview of some of the projects that have been funded under this program. There is one bill that has passed the House (HB 1347) that directs that $500,000 of this Fund be used to contract with the Energy and Environmental Research Center to continue a study regarding pipeline leak detection technology.

Pipeline Authority. A portion of the Oil and Gas Research Fund is utilized to fund the North Dakota Pipeline Authority. Justin Kringstad, a consultant, is the Director of the Pipeline Authority. The Commission transferred $200,400 from the Oil and Gas Research Fund for the Pipeline Authority during the 2015-2017 biennium. These funds are utilized to compensate the Director of the Pipeline Authority and for studies conducted by the Pipeline Authority. More information about the Pipeline Authority is available under the tab titled Pipeline Authority. A copy of the Pipeline Authority's most recent annual report is available in the back pocket of your binder.

Renewable Energy Program. Funding for the Renewable Energy Program comes from the Resources Trust Fund at the level of $3 million per biennium. Additional information about the Renewable Energy Program is behind the tab titled Renewable Energy Program.

Outdoor Heritage Fund. In 2013 the Outdoor Heritage Fund was established as a continuing appropriation at the level of $30 million per biennium. In 2015 the level of funding was increased to $40 million but because the source of funding is from a percentage of oil revenues it is forecasted that the amount the Fund will actually receive during the current biennium is $19.8 million. Governor Dalrymple's Executive Budget proposed that the funding level be limited to $10 million per biennium. That change was in the Office of Management and Budget's Executive Budget appropriation bill and that bill has been defeated.

Transmission Authority. In 2005 the Legislature established the North Dakota Transmission Authority. Tyler Hamman currently serves as the part-time Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund (non-matching dollars). More information about the Transmission Authority is available under the tab titled Transmission Authority. A copy of the most recent annual report of the Authority is available in the back pocket of your binder.

Thank you for the opportunity to present testimony on the Industrial Commission budget.

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

Biennium	2006B 2001A	2010B 2002A	2005A	2006A 1998A 2000A	2010A/B	2012A	Totals	Other Source	Energy Conser.	Total Gen. Fund	10% of $.01 Sales Tax*	Available Debt Ser
2015-17	2,110,340	917,956	6,570,669	2,004,003	460,544	3,084,650	15,148,162	1,102,614	507,367	13,538,181	69,735,440	56,197,259
2017-19	2,126,367	917,144	6,575,206	1,377,801	504,531	1,809,463	13,310,512	1,146,911	507,785	11,655,816	47,250,320	35,594,504
2019-21	1,865,172	928,088	6,574,469	0	490,888	1,797,750	11,656,367	1,140,293	507,625	10,008,449	47,250,320	37,241,871
2021-23	812,924	492,700	6,573,256	0	481,056	909,000	9,268,936	840,392	499,535	7,929,009	47,250,320	39,321,311
2023-25	0	0	3,285,650	0	465,981	0	3,751,631	499,317	245,604	3,006,710	47,250,320	44,243,610
2025-27	0	0	0	0	448,181	0	448,181	448,182	0	0	47,250,320	47,250,320
2027-29	0	0	0	0	425,469	0	425,469	425,468	0	0	47,250,320	47,250,320
2029-31	0	0	0	0	174,031	0	174,031	174,031	0	0	47,250,320	47,250,320
Totals	6,914,803	3,255,888	29,579,250	3,381,804	3,450,681	7,600,863	54,183,289	5,777,208	2,267,916	46,138,165		
	4.24%	3.24%	4.23%	4.13%	3.33%	1.41%						

Revised 1/18/17

*For the 2015-2017 biennium the statutory limitation is based on the March 2015 forecast. The statutory limitation for the remaining biennia is based on the December 2016 forecast with a 0% increase each subsequent biennium.

BND

TESTIMONY
HOUSE GOVERNMENT OPERATIONS DIVISION
March 1, 2017
ENGROSSED SENATE BILL 2014

ERIC HARDMEYER – PRESIDENT & CEO
BANK OF NORTH DAKOTA

Chairman Brandenburg and members of the Government Operations Division of the House Appropriations Committee. My name is Eric Hardmeyer, President and CEO of the Bank of North Dakota (BND). As you know, BND is the only state-owned bank in the nation. Our mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota.

While our mission statement is short, the responsibilities of BND are large and extraordinary. BND is a unique hybrid between a state agency and a bank and we find ourselves as stewards of history, and visionaries and planners for the future. As such, we believe it is our responsibility to properly position BND in this time of rapid economic change. While remaining true to our values, we must be agile in our response to changes in the marketplace. I am somewhat sure the 1919 legislature did not envision Bit Coin, EBay, Microsoft, Amazon, or Facebook.

The Bank serves many roles in North Dakota. BND is the "Bankers" Bank. We provide a variety of services and products to assist the local banking and financial services industry. We serve as a state repository for revenues and administer legislative loan programs to local subdivisions. And, as you know, BND is called upon to support state initiatives and provide earnings to the General Fund. We deliver unique economic development and agriculture lending programs. We purchase home loans on the secondary market from local financial institutions, provide programming to spur college saving, and provide loans to advance individual education.

Today, in addition to the normal financial discussion, I want to outline how BND is positioning itself to play a vital role in advancing the priorities of North Dakota including economic diversification, talent attraction and retention and supporting a positive business climate. As I noted earlier, the 1919 Legislature could not envision the business and technology of today. And, we cannot envision the market place in 2050 but we can properly structure and position the Bank to succeed and serve the state.

In 2016 we spent much of the year traveling the state with the Department of Commerce; the Housing Finance Agency, Public Finance Authority, the League of Cities, and the Association of Counties. Our task was to talk with key stakeholders about their economic development and infrastructure needs.

At a meeting in Fargo, Greg Tehven, Director of Emerging Prairie, said something that resonated with us. As he talked about entrepreneurs, he said that each state is looking for a competitive advantage. His challenge to us was envisioning how BND can be North Dakota's UNFAIR competitive advantage. That statement is somewhat of a culmination of the last three years of internal work at BND.

We began the process of evaluating the needs of the Bank in 2014. The research included input from managers, the BND Advisory Board and key stakeholders such as banks, legislators and economic developers. Three service area segments were clearly identified including Financial Institutions, Economic Development, and Education. When combined with the growth of BND to a $7.3 billion institution, it was apparent the structure of the bank needed change.

We used this information as we began to craft our 2015-17 strategic plan. One of the strategies of the plan included staff reorganization and the creation of three new service areas: Business Development; Credit Administration and Risk Management. The reorganization reflects the switch from a reactionary organization to one that is forward-looking and customer centric. I also want to note BND did not increase the number of FTE's and no existing employees were terminated, but many transitioned into new roles that reflected the new direction and structure (see BND Organizational Structure).

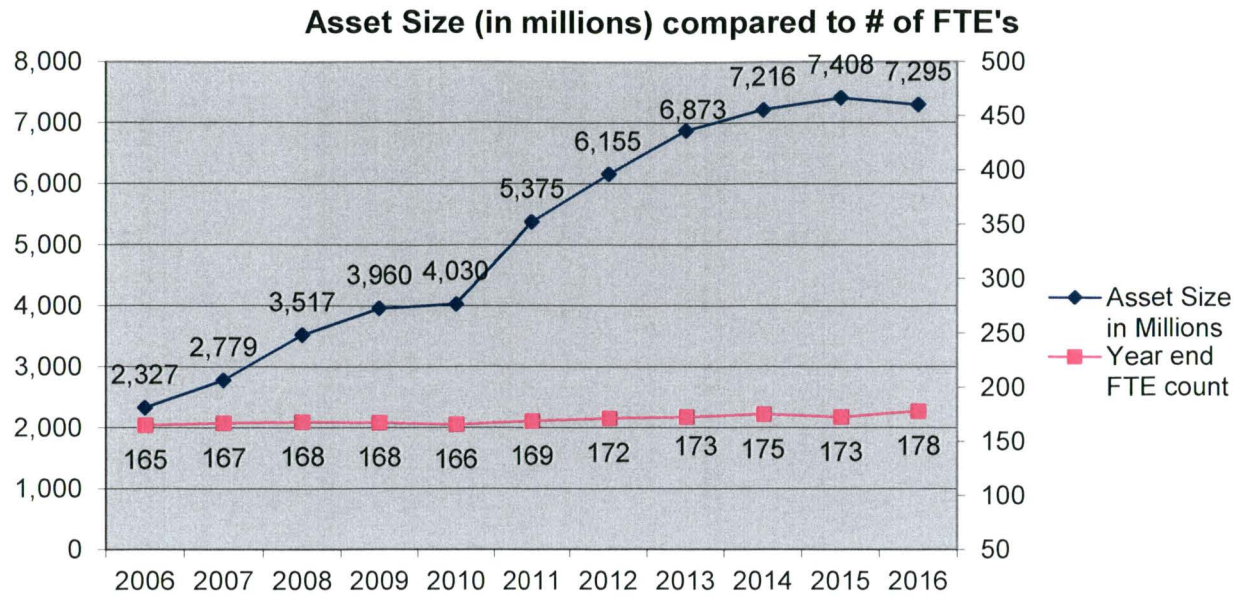
More specifically, during the restructure, employees were realigned to divide the lending function into two separate service areas: Business Development and Credit Administration. This allows us to serve our customers in a proactive manner. The business bankers can focus on their relationships, operations and lending needs with financial institutions across the state. The credit analyst provide the back office operations with a focus on protecting the bank's assets through critical analysis of loan applications.

Risk Management is a new service area. This service area now oversees Internal Audit, Compliance and Enterprise Risk Management. Since 2008, the regulation and compliance mandates for a financial institution have increased dramatically. This service area transitioned from primarily an audit function to one that now consults with service areas on how to create efficiencies while meeting appropriate compliance requirements and understanding all aspects of risk. The result is a partnership approach to risk management.

You will note the other three market segments of the business development service area including the education market; economic development and government programs and residential real estate. The economic development and government program is a new service area segment to BND. This segment responds to economic development needs, assists with large projects and administers loan programs delegated to BND by the legislature such as the School Construction and Infrastructure Loan Program.

The efficient use of staff resources has enabled us to grow the bank substantially while maintaining the number of employees. Our business practice includes a diligent requisition process to evaluate every vacancy. We gained efficiencies in the Bank by utilizing technology or streamlining efforts. This practice allows us to operate in an efficient and forward-looking manner. BND currently holds 3 vacant FTE's with plans to fill them in Business Development, Credit Administration, and Technology and Operations.

The graph below represents the change in assets and employees between 2006 and 2016. Over this 10 year period, assets per employee has nearly tripled from $14 million to $41 million.



A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as percentage of income. Anything below 50% is considered to be excellent. BND is operating with a 16.9% efficiency ratio, which is over three times better than the industry average of 60.6%.

Before I move onto the financial highlights of the Bank, I want to discuss the 2014 strategic planning process. The 2014 strategic planning process led to the reorganization of BND to create efficiency and provide better service to our customers. However, it did not stop there.

We continue to actively engage in a strategic planning process that includes a full SWOT analysis resulting in a forward-looking strategic plan every 3 years. Our executive team and key senior managers annually review the environment affecting BND. These strategies result in executable goals that are actively pursued and reported on a quarterly basis.

In addition to planning for the tasks of the Bank, we also actively engage in succession planning. Our HR department consistently evaluates and surveys internal staff to determine their interest and ability to advance at the Bank. While talent is at a premium in every business or agency, it is essential to the current and future operations of BND. Our ability to produce consistent profits, address state needs, and serve the private sector is directly tied to the talent level at the Bank.

In the end, our goal is to accomplish three things:

- Provide products and services that make North Dakota better.
- Serve as a steward of the revenues that pass through BND.
- Maximize the return on investment.

12-31 BND YEAR END FINANCIAL HIGHLIGHTS

Over the last 15-years, BND experienced dynamic growth resulting in a $7 billion bank today. The overall strength of North Dakota's economy during that time was key to BND's expansion. As state tax revenues and fees increased, these were deposited and then deployed into various assets such as loans, investments, and short term securities.

As state revenues declined in 2016, BND assets also were reduced. We expect that trend to continue in 2017.

	2013	2014	2015	Unaudited 2016	Projected 2017
Assets	$6,873	$7,216	$7,408	$7,295	$7,043
Loans	$3,477	$3,852	$4,340	$4,788	$4,943
Deposits	$5,601	$5,731	$5,802	$4,887	$4,406
Capital	$ 552	$ 652	$ 749	$ 876	$ 753
C/A Ratio	8.42%	8.76%	10.02%	12.00%	10.69%
Income	$94.2	$111.0	$130.6	$136.2	$137.4
Transfer	$19.4	$ 17.3	$ 28.6	$ 20.0	$260.0
% transfer	20.6%	15.6%	21.9%	18.3%	189.8%
ROE	18.4%	18.3%	18.1%	16.6%	16.0%

BND Capital Benchmark

The Bank of North Dakota is adequately capitalized with Tier 1 Capital (equity) of $863 million or 12.00% of average assets. While this is a bit technical, the important thing is to understand how it compares to other banks.

- A nation-wide average for similar size banks is a ratio of 10.19%.
- The North Dakota average for all banks is 10.12%.

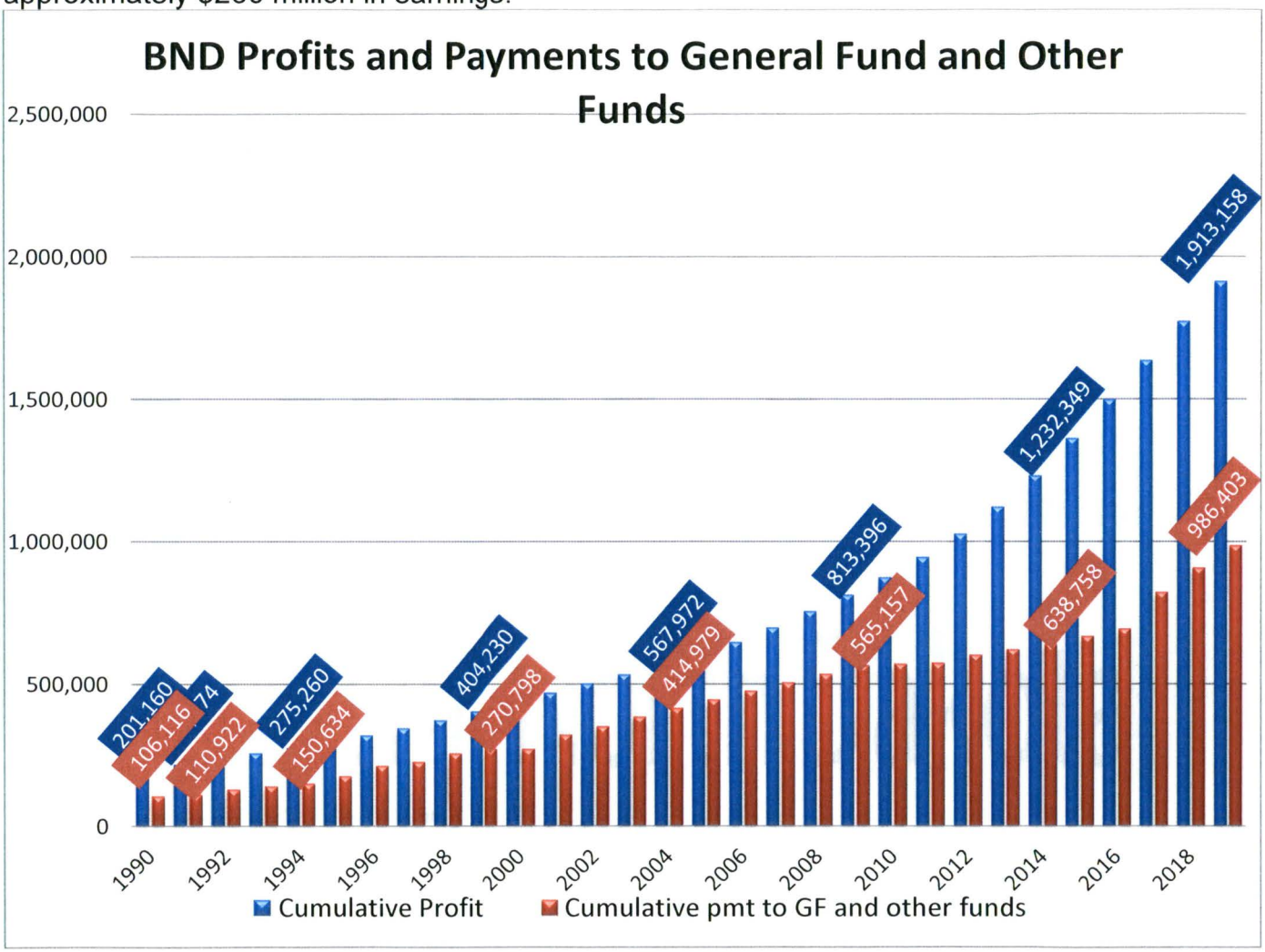
At the Bank of North Dakota, the internal benchmark is to maintain equity of 10.0%. This benchmark is set by considering peer institution benchmarks, the substantial regulatory environment, the economic concerns in energy and agriculture, and the importance equity plays in BND providing mission-driven programs.

Banks continue to be under pressure to increase regulatory required capital levels. BND is not federally regulated, however we are examined by state regulators and hold an independent rating from Standards & Poor's of A+. Each of these entities assesses the strength of BND's capital ratios as a significant part of their exam.

BND Earnings

Earnings have been strong with BND achieving record profits each of the last 13 years. The 2016 budget anticipated earnings of $135 million but actual earnings came in above projections at $136.2 million.

In the next biennium, earnings may drop off slightly if the current trend for state revenues continues. The projection for the 2017-19 biennium is for BND to have approximately $260 million in earnings.



When the legislature requests a dividend or transfer from the Bank of North Dakota to enhance general fund revenues, it comes from capital. In August 2016 the Special Legislative Session passed SB 2379 requiring up to a $100 million transfer from BND's capital by June 2017.

It is important to note that despite not providing a dividend for a number of sessions, BND's earnings and capital were utilized to assist the state in various programming needs. In the 2015 Legislative Session, BND committed $100 million of its capital to fund the Infrastructure Loan Fund; $10 million was contributed to the Housing Incentive Fund; and another $48 million of capital was committed to fund the various buy-down loan programs. As of December 31, 2016, $121 million was still available for contribution to these loan programs.

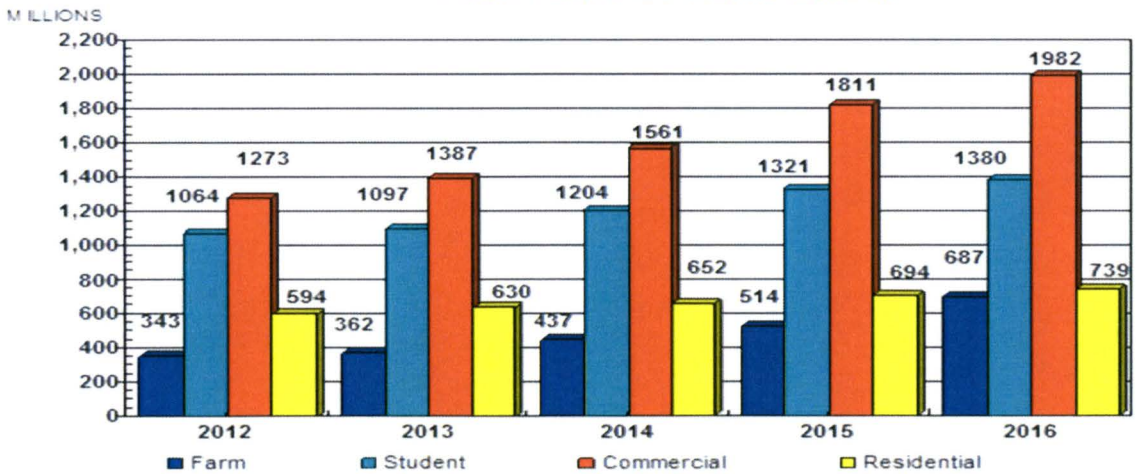
BND also assisted with the downturn in commodity prices by offering the Farm Financial Stability Loan Program. This unique public-private program allowed farmers and ranchers to consolidate and refinance debt with the private bank providing working capital to the producer. In all, BND is carrying $155 million in Farm Financial Stability loans on its balance sheet. The legislature allowing BND to retain its earnings enables these unique programs.

Already, in the 2017 Session, there is discussion regarding BND providing another dividend or transfer to the General Fund. Engrossed Senate Bill 2014 includes a dividend or transfer up to $140 million. We are asked if BND can support these types of transfers and still conduct business and produce earnings, and we have determined the answer is yes, BND is well positioned. Assuming there is close coordination between the legislative branch and BND, future draws on capital will decrease BND's leverage ratio to be in line with the internal benchmark of 10%.

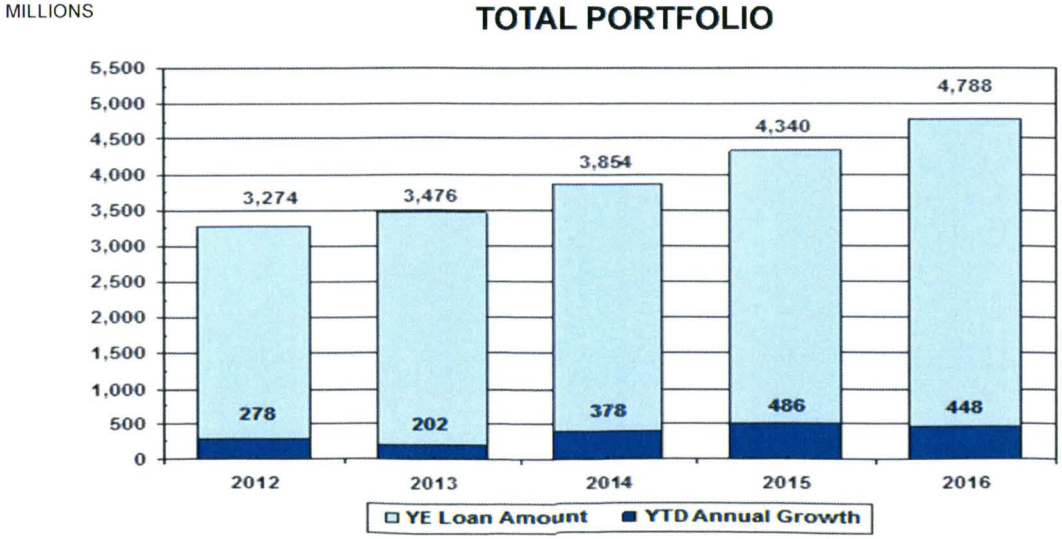
BND LOAN PORTFOLIO

The Bank of North Dakota's $4.7 billion loan portfolio consists of four types of loans: agriculture; student loans; commercial and residential. This diversification provides some protection to BND during times of rapid economic change. The graph below shows the growth in each portfolio since 2012. Total loan volume increased each year and total growth in net loans exceeded 35% in 2013, 2014 and 2015. (*Includes projected portion of buy-down transferred to programs.)

PORTFOLIO BY LOAN GROUP



TOTAL PORTFOLIO



BANK OF NORTH DAKOTA
ENGROSSED SENATE BILL 2014
SECTION 1: APPROPRIATIONS

BND is a special fund agency so operating expenses and employee salaries are funded by revenues generated by the Bank. In essence, the legislature appropriates revenues of BND to these expenses. The Bank of North Dakota's 2017-19 proposed operations budget is comprised of two major line items: operations and capital assets. Included in the operations line item are salaries & benefits, operating expense, and contingency.

MAJOR LINE ITEM EXPENSE CATEGORIES:

REVISED BUDGET:

OPERATIONS

Budget 2017-2019	$58,526,944	Appropriation
Budget 2015-2017	$58,542,301	Base level
	$ (15,357)	Enhancement

CAPITAL ASSETS

Budget 2017-2019	$ 810,000	Appropriation
Budget 2015-2017	$ 745,000	Base level
	$ 65,000	Enhancement

TOTAL BUDGET

Budget 2017-2019	$59,336,944	Appropriation
Budget 2015-2017	$59,287,301	Base level
	$ 49,643	Enhancement

OPERATIONS

This budget reflects no increases to salary and the increase to the current payment of employee health coverage as passed by the Senate. Our analysis is we will be under our biennial budget for 2015-17.

BND is making several adjustments to hold-even or reduce its operating expenses in areas like postage and IT communications where more efficient means of electronic communication replaced mail and phone services.

Of the funds requested for contingency, $1,000,000 is earmarked for compliance testing, hedge consulting and marketing costs. The financial industry is going through dramatic changes with information security requirements, compliance and regulatory needs, etc. Since we are dealing with a two year budgetary window it is important that BND has a significant amount in contingency to deal with unforeseen events.

CAPITAL ASSETS

Monies appropriated for capital assets consist of funds for replacement of information technology, software upgrades, and hardware replacement. In the 2015-2017 biennium, the Legislature added $17 million to BND's Capital Asset appropriation to build the ND Financial Center. Since this is considered one-time funding, it is not included in the base level budget. One-time funding items are included in Section 2 of Engrossed Senate Bill 2014.

Biennium-to-Date Actual Spending versus Budget

Bank of North Dakota
Biennium Appropriation Report
Eighteen Months Ended December 31, 2016

Line Item	Total Approp.	Biennium-to-Date Expenditures	To-Date Budget	To-Date Variance	To-Date Unexpended
Operating	$58,542,304	$39,291,910	$41,028,856	$ (1,736,946)	$19,250,394
Cap. Assets	$17,745,000	$ 1,071,114	$11,887,544	$(10,816,430)	$16,673,886
Total	$76,287,304	$40,363,024	$52,916,400	$(12,553,376)	$35,924,280

BANK OF NORTH DAKOTA
ENGROSSED SENATE BILL 2014
SECTION 8: TRANSFER BND PROFITS

This section outlines the proposed transfer from BND to the General Fund of $140,000,000.

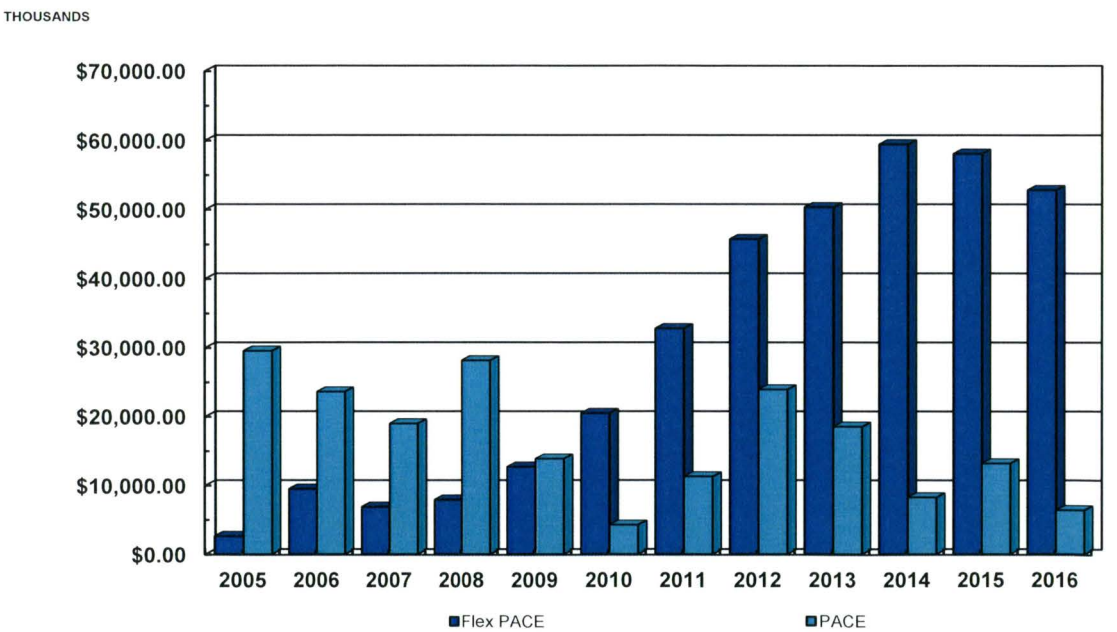
BANK OF NORTH DAKOTA
ENGROSSED SENATE BILL 2014
SECTIONS 9-13 TRANSFERS TO ECONOMIC DEVELOPMENT BUY-DOWN PROGRAMS

BND administers a number of economic development loan programs. A centerpiece of economic development programming is the PACE Program. PACE includes a number of sub-sector programs targeted to stimulating economic diversification. Starting with the 2013 Legislative Session, the appropriation to fund the interest rate buy-down programs was removed from the General Fund and inserted in the budget as a draw to BND's Capital. Listed below are the detailed numbers for the pertinent buy-down programs.

Economic Development Buydown Programs

	BND Capital Allocation: 2015-2017 Bien.	Estimated Use: 2015-2017 Bien.	Estimated Remaining: 2015-2017 Bien.	BND Capital Allocation: 2017-2019 Bien.	Program Allocation: Life-to-Date
PACE / Flex PACE	$ 28,000,000	$ 24,847,059	$ 3,152,941	$ 16,000,000	138,900,000
Ag PACE	3,000,000	1,552,942	1,447,058	2,000,000	15,398,100
Bio-Fuels Pace	2,000,000	1,270,589	729,411	1,000,000	9,900,000
Medical Pace	10,249,000	10,249,000	-	-	10,249,000
Beginning Farmer	7,000,000	7,000,000	-	6,000,000	26,221,500
School Construction	7,875,000	2,407,120	5,467,880	6,000,000	13,875,000
	$ 58,124,000	$ 47,326,710	$ 10,797,290	$ 31,000,000	$ 214,543,600

The PACE Fund was established by the legislature to assist North Dakota communities in expanding their economic base by providing support for local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries. In 2005, the PACE program was expanded to include a special limited provision called Flex PACE. This special program allows local communities to set their own standards for use of the program including business retention or essential services



A total of $6.4 million in PACE loans and $52.8 million in Flex PACE loans were funded in 2016 in comparison to $13.2 million and $58.0 million respectively for 2015. As you will note in the graph, community utilization of Flex PACE surpassed PACE in 2010. This transition is reflected in the proposed allocations for the PACE Program.

BND contracted with Praxis Strategies Group during 2016 to complete an analysis of the PACE and Flex PACE programs for the time period of 2005 to 2016. The intent of this study was to determine the effectiveness and return on investment of the programs and recommend changes that could improve the program. In addition to analysis of the

financial data, the study also interviewed and surveyed bankers, economic developers, and loan recipients to determine ways to improve the program.

According to the analysis:

- The PACE and Flex PACE program generated projects with a total value in excess of $1 billion dollars during the ten year period.
- On average, 775 jobs were created each year by companies receiving PACE funding.
- Each dollar of BND financing leveraged $2.03 from other sources.
- Median Wages among PACE borrowers peaked in 2015 at $21.65. The median wage of PACE borrowers was $3.30 higher than the median wage of $18.35 in North Dakota.

FLEX PACE AFFORDABLE HOUSING BUYDOWN

Flex PACE for Affordable Housing provides financing with an interest buy-down for new affordable multi-family housing units and non-residential, licensed, child care projects that are new or expanding in North Dakota

- There were 14 new Affordable Housing PACE loans funded in 2016 accounting for 186 affordable rental units and 3 daycare facilities.
- There are a total of 15 loans pending with a total loan amount of $30,266M which account for 303 affordable rental units and three daycare facilities.

BEGINNING FARMER REVOLVING LOAN FUND

The beginning Farmer Revolving Loan Fund was established to assist those North Dakota residents entering agriculture with purchasing land and equipment. The interest rate on these loans is fixed a 1% below BND's base rate with a maximum interest rate of 6% for the first five years of the loan.

- There were 77 Beginning Farmer Real Estate Loans in 2016 and 70 in 2015.
- There were 73 Beginning Farmer Chattel Loans in 2016 and 57 in 2015.

AG PACE FUND

The AG PACE Fund was established to buy-down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income. This is a key tool in supporting agriculture diversification.

- A total of 39 Ag PACE loans were funded in 2016 compared to 70 in 2015.
- The majority of the loans funded during the previous three years were for field tiling projects.

BIO-FUELS PACE FUND

The Bio-Fuels PACE fund was established to buy-down the interest rates on loans to biodiesel and ethanol production facilities and livestock operations. These loans can be utilized for real property, equipment and facility expansion.

- There were 4 Bio-Fuels PACE loans funded in 2016 and 9 in 2015.

The SCHOOL CONSTRUCTION LOAN FUND

The School Construction Loan Fund was established by the 2015 legislature to buy-down the interest rate on loans for approved school construction projects. The program is available to schools that qualify for a loan through the Department of Public Instruction. This program sunsets in June of 2017 and was estimated to fund up to $250 million in school construction projects for the 2015-17 biennium. It is likely that BND will fund only $123 million of projects during the biennium.

BANK OF NORTH DAKOTA
ENGROSSED SENATE BILL 2014
SECTIONS 16-17 COLLECTION FEES AND LICENSE SUSPENSION

The "Guarantee Loan Program" establishing BND as a guaranty agency is located in NDCC chapter 15-62.1. This agency is known as Student Loans of North Dakota. (SLND). In the past, the agency guaranteed federal and state student loans. However, the passage of Federal legislation in 2010 eliminated SLND's role in guaranteeing any new federal student loans and BND from making any federally insured student loans. As of April 1, 2016, a decision was made by the Industrial Commission to transfer BNDs role as the State Guaranty Agency for Federal loans back to the US Department of Education.

As you know, BND continues to make student loans under the Dakota Education Alternative Loan (DEAL) program and SLND continues to guaranty those loans.

Section 16 allows BND to charge up to 13% of the accumulated outstanding principal and interest as collection costs associated with the collection of a defaulted student loan. While a guarantor for federal student loans, BND's collection practices followed the federal rules and guidelines, which allowed a charge up to 40% of the principal and interest. BND's practice was to charge up to 20%, or half of what the federal government allowed.

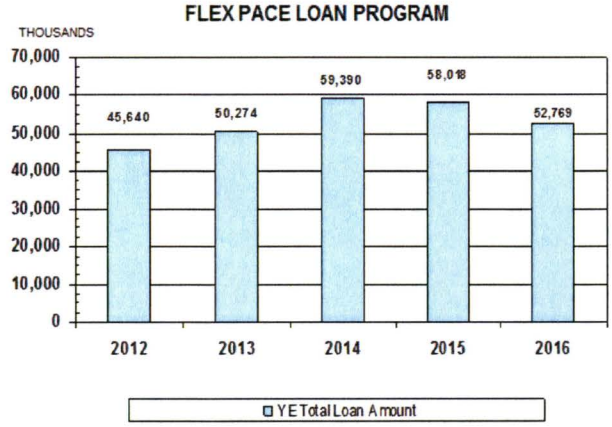
With the loss of the federal shelter for recouping collection costs on defaulted student loans, we felt it was necessary to clarify practices in code. The 13% was the result of discussions held with members of the Senate Appropriations Committee.

As part of the discussion, BND agreed to forego the suspension of licenses provision currently included in law, which is covered in Section 17 of Engrossed Senate Bill 2014.

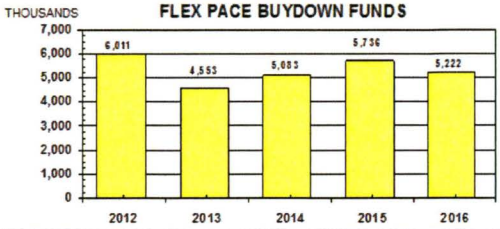
Appendix

PACE PROGRAM HIGHLIGHTS
2012 – 2016

FLEX PACE LOAN PROGRAM



FLEX PACE BUYDOWN FUNDS

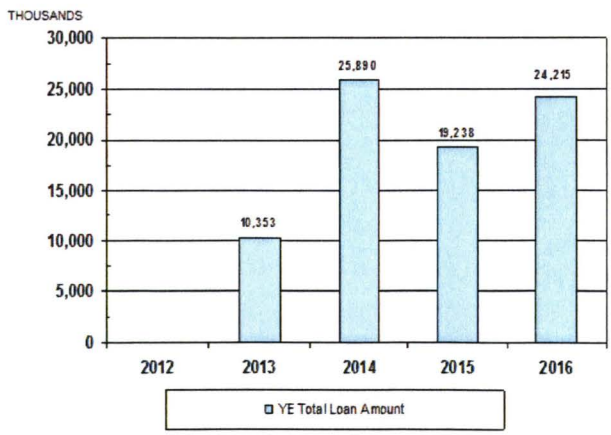


2015-2017 Biennium Flex PACE Buydown Fund	
Total Available FLEX (includes carryover from prior biennium)	$10,002,405*
Flex Buydown Funds – Funded/Committed Loans	$ 8,459,464
Remaining Buydown Funds	$ 1,542,941

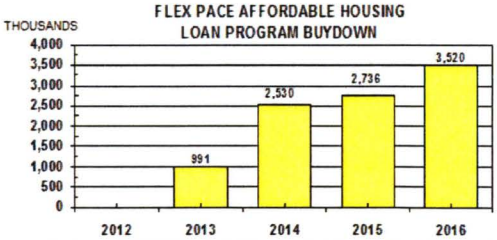
*Includes carryover and adjustments of $2,405.

A total of 87 Flex PACE Loans were funded in 2016 compared to 99 in 2015. Flex PACE buydown demand continues due to the financing of essential community approved businesses throughout North Dakota.

FLEX PACE AFFORDABLE HOUSING LOAN PROGRAM



FLEX PACE AFFORDABLE HOUSING LOAN PROGRAM BUYDOWN

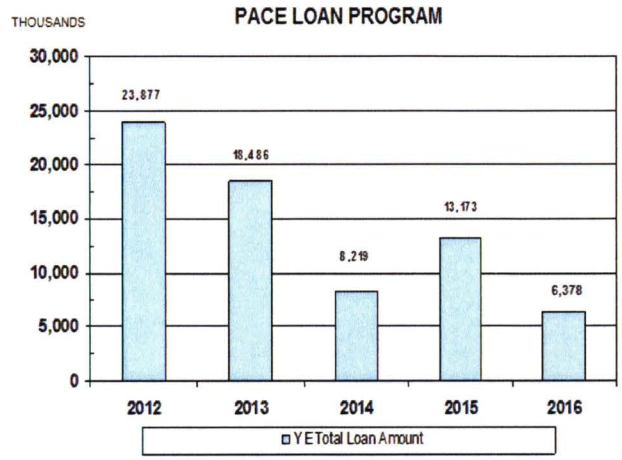


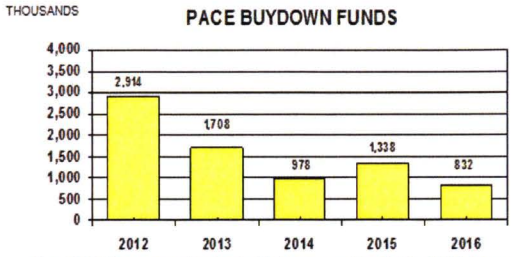
2015-2017 Biennium Flex PACE Affordable Housing Buydown Fund	
Total Available Funds	$13,238,260
Funded/Committed Loans	$ 7,598,236
Remaining Buydown Funds	$ 5,640,024

*Includes carryover and adjustments of $1,238,260

There were 14 new Affordable Housing PACE loans funded in 2016 accounting for 186 affordable rental units and 3 daycare facilities. There are a total of 15 loans pending with a total loan amount of $30,266M which account for 303 affordable rental units and three daycare facilities.

PACE PROGRAM HIGHLIGHTS
2012 – 2016

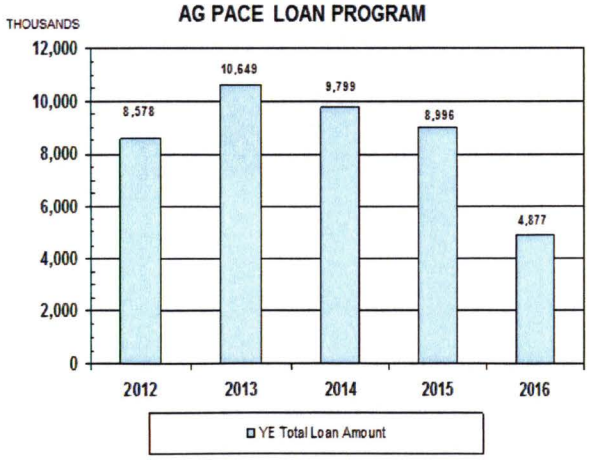


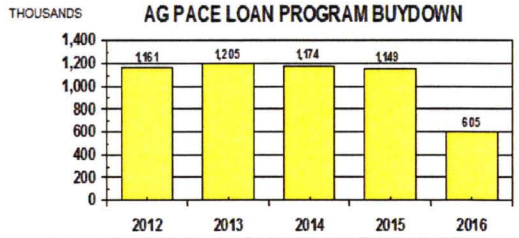


Four PACE loans were funded in 2016 compared to eight in 2015. Three of the loans funded in 2016 were committed to in 2015.

2015-2017 Biennium PACE Buydown Fund	
Total Available Funds	$ 6,229,663*
PACE Buydown Funds - Funded/Committed Loans	$ 1,282,476
Remaining Buydown Funds	$ 4,947,187

*Includes carryover and adjustments of $229,663.





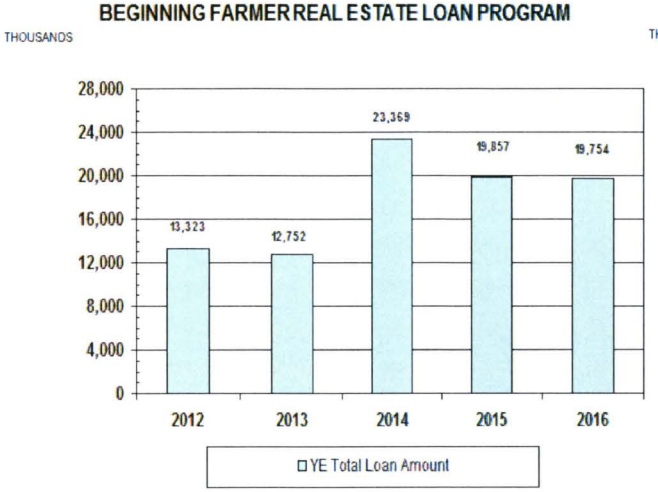
2015-2017 Biennium Ag PACE Buydown Fund	
Total Available Funds	$3,061,388*
Buydown Funds - Funded/Committed Loans	$ 1,208,454
Remaining Buydown Funds	$1,852,934

*Includes carryover and adjustments of $61,388.

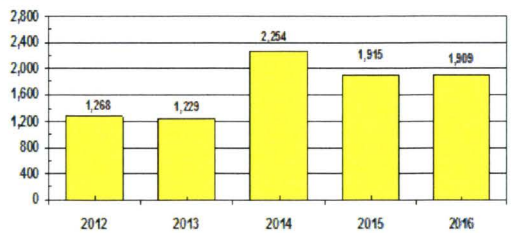
Thirty-nine Ag PACE loans were funded in 2016 compared to 70 in 2015. The majority of the loans funded in the last three years were for field tiling projects.

FARM PROGRAM HIGHLIGHTS
2012 – 2016

BEGINNING FARMER REAL ESTATE LOAN PROGRAM



BEGINNING FARMER RE BUYDOWN

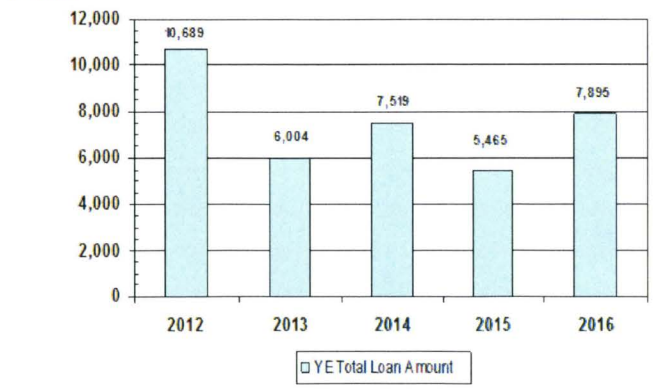


A total of 77 Beginning Farmer RE Loans were funded in 2016 compared to 70 in 2015. The large increase in loan amounts is a result of land transitioning from one generation to another.

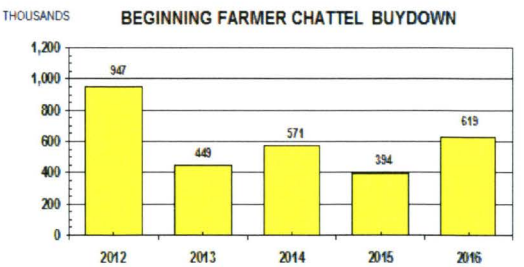
2015 – 2017 Biennium Beginning Farmer Buydown Fund	
Total Funds Available	$ 7,000,000
RE Buydown – Funded/Pending	-3,527,228
Chattel Buydown – Funded/Pending	- 758,608
Remaining Funds	$ 2,768,620*

*In addition, there is $3,554,300 remaining in the cash balance in the Beginning Farmer Revolving Loan Fund. The cash balance could be further reduced by possible draws of $1 million for Envest and $900,000 for potential PSC litigation costs.

BEGINNING FARMER CHATTEL LOAN PROGRAM



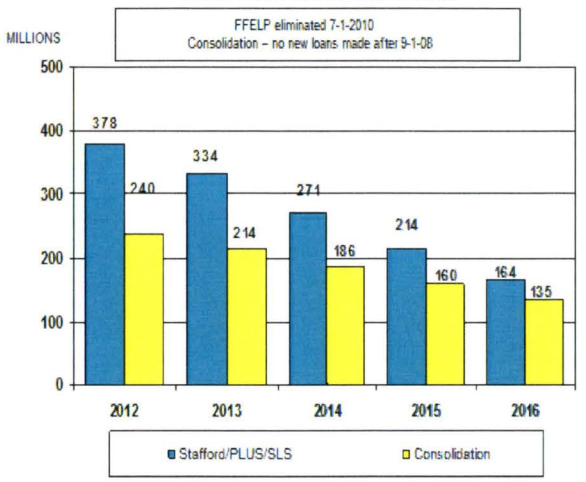
BEGINNING FARMER CHATTEL BUYDOWN



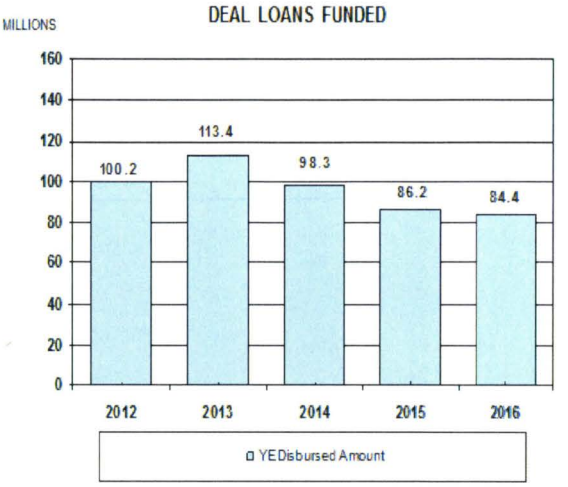
A total of 73 Beginning Farmer Chattel Loans were funded in 2016 compared to 57 in 2015.

STUDENT LOAN PROGRAM HIGHLIGHTS
2012 – 2016

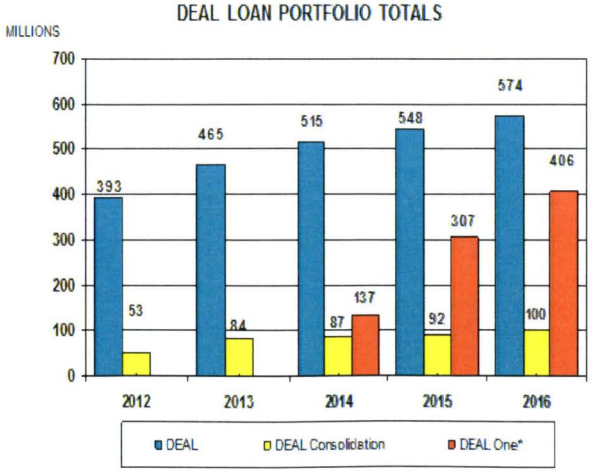
FFELP LOAN PORTFOLIO TOTALS



DEAL LOANS FUNDED

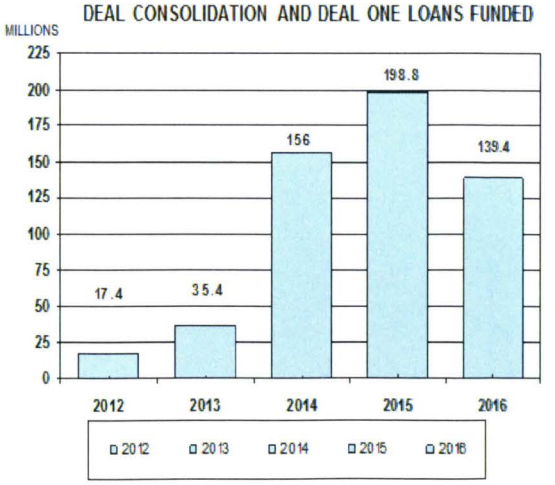


DEAL LOAN PORTFOLIO TOTALS



*Deal One Consolidation loan program began in 2014

DEAL CONSOLIDATION AND DEAL ONE LOANS FUNDED



House Appropriations Committee
Government Operations Division
Senate Bill No. 2014 Budget No. 475
North Dakota Mill & Elevator Association
March 1, 2017

Mr. Chairman and Representatives:

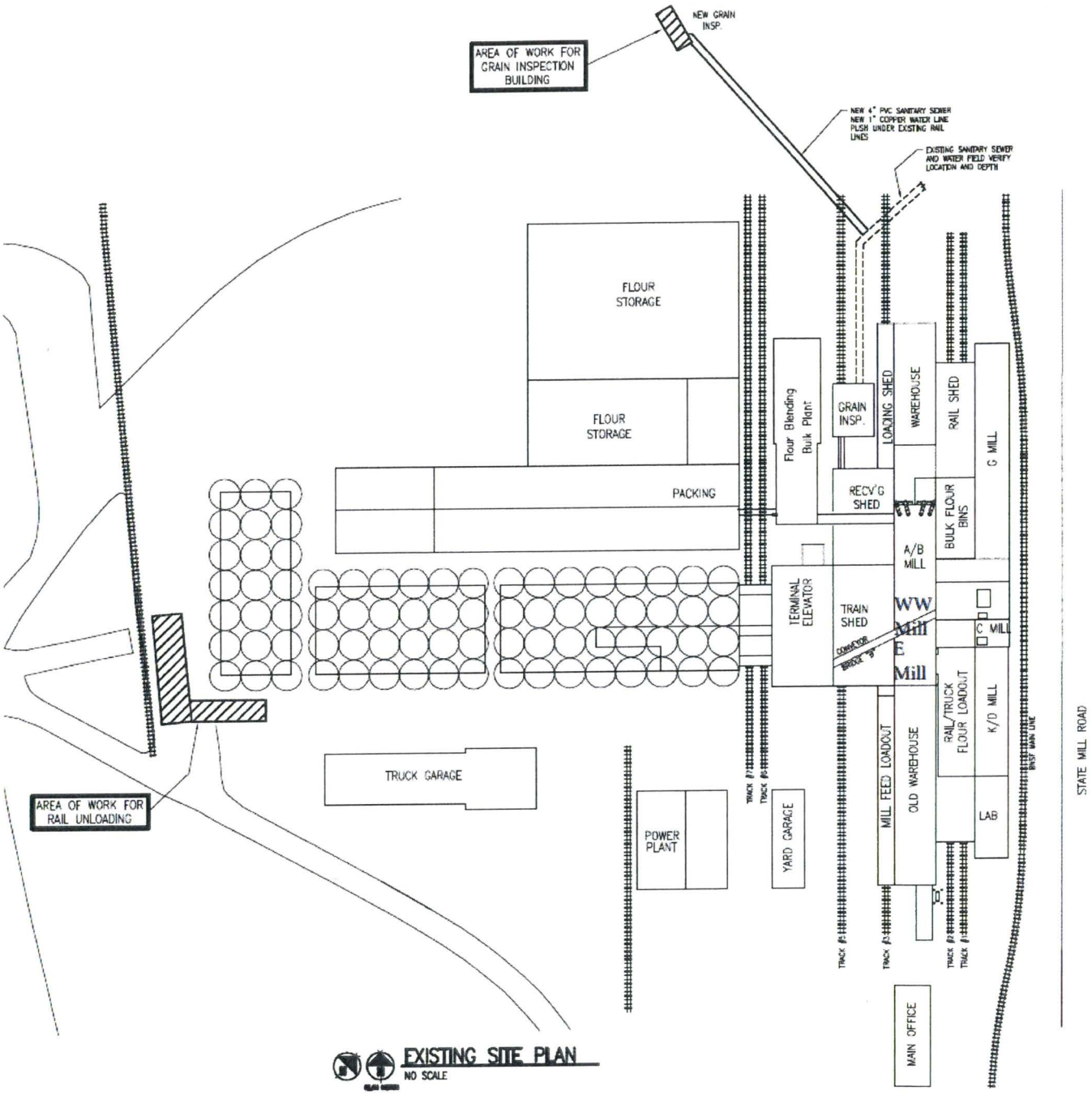
I am Vance Taylor, President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour mill and the 7th largest wheat milling company in the United States with sales approaching $300 million per year.

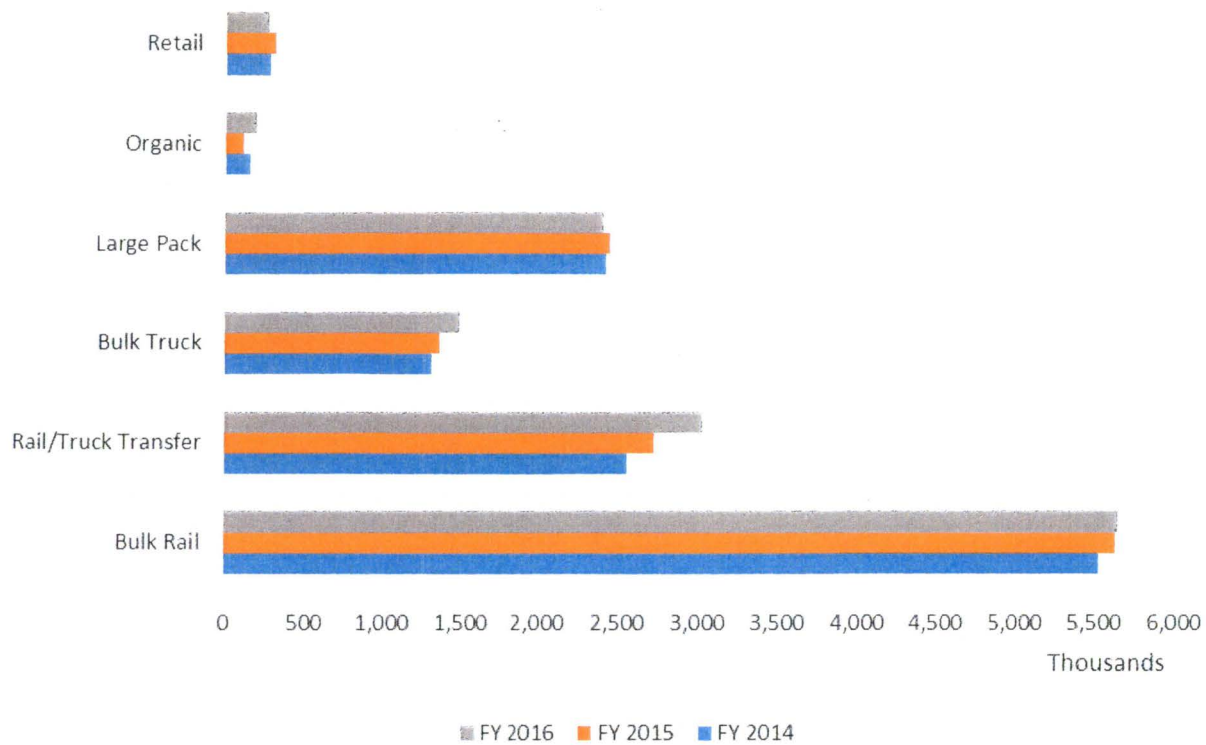
Our milling complex includes 8 milling units with the capacity to produce 4,950,000 lbs. of finished product per day, a terminal elevator with total available storage of over 4,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing and shipping large quantities of various sized bags of milled products. We process over 100,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 30,000,000 bu. per year. All facilities are located in Grand Forks.

The Mill normally operates 24 hours per day, 5 to 7 days per week. Our total current staffing is 147 full time employees.

Our milling units process about 90% spring wheat and 10% durum. Approximately 75% of our products are shipped in bulk trucks or railcars and 25% is shipped in bags or totes. The Mill produces conventional and organic products. At present organic products make up about 1% of our total shipments.



EXISTING SITE PLAN
NO SCALE



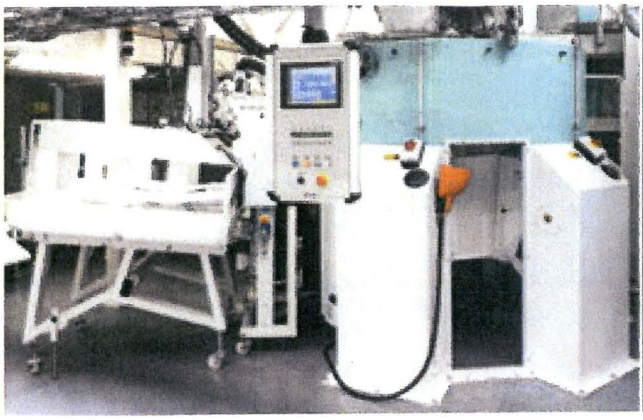
Projects and Business Growth

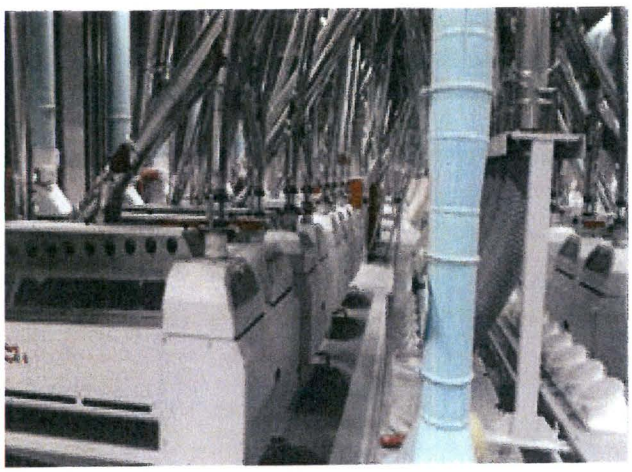
In 2001 we had a milling capacity of 27,000 cwts of flour per day. Since that time we have completed multiple expansion projects listed below, including the recent start-up of our new G Mill. These projects have grown our milling complex to a total of 49,500 cwts. of flour per day. Increasing our capacity has allowed us to service additional demand from current and new customers as well as improve profitability and increase the number of bushels purchased from North Dakota farmers.

- 2001 Renovation and Expansion Project $19.5 million
- 2005 Whole Wheat Mill Expansion Project $1.7 million
- 2007 C Mill Addition $6.3 million
- 2009 E Mill Addition $2.4 million
- 2010 D Mill Expansion $2.4 million
- 2013 K Mill Renovation and Expansion $8.4 million.
- G Mill Addition and Flour Storage $38.7 million
- High Speed Truck and Rail Wheat Unloading System $9.3 million

Again our need to expand has been driven by increasing demand from our current customers and the addition of new customers. The completion of these major projects has been vitally important for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State. Below are five additional projects that when completed will increase State Mill profitability and increase transfers to the General Fund.

- Increase Packaging Capacity $1.5 million
- Increase Whole Wheat Milling Capacity $2.5 million
- Increase Durum Milling Capacity $3.5 million
- Phase 2 Shuttle Unloading Project $9.5 Million
- Increase Wheat Storage Capacity $9.5 million





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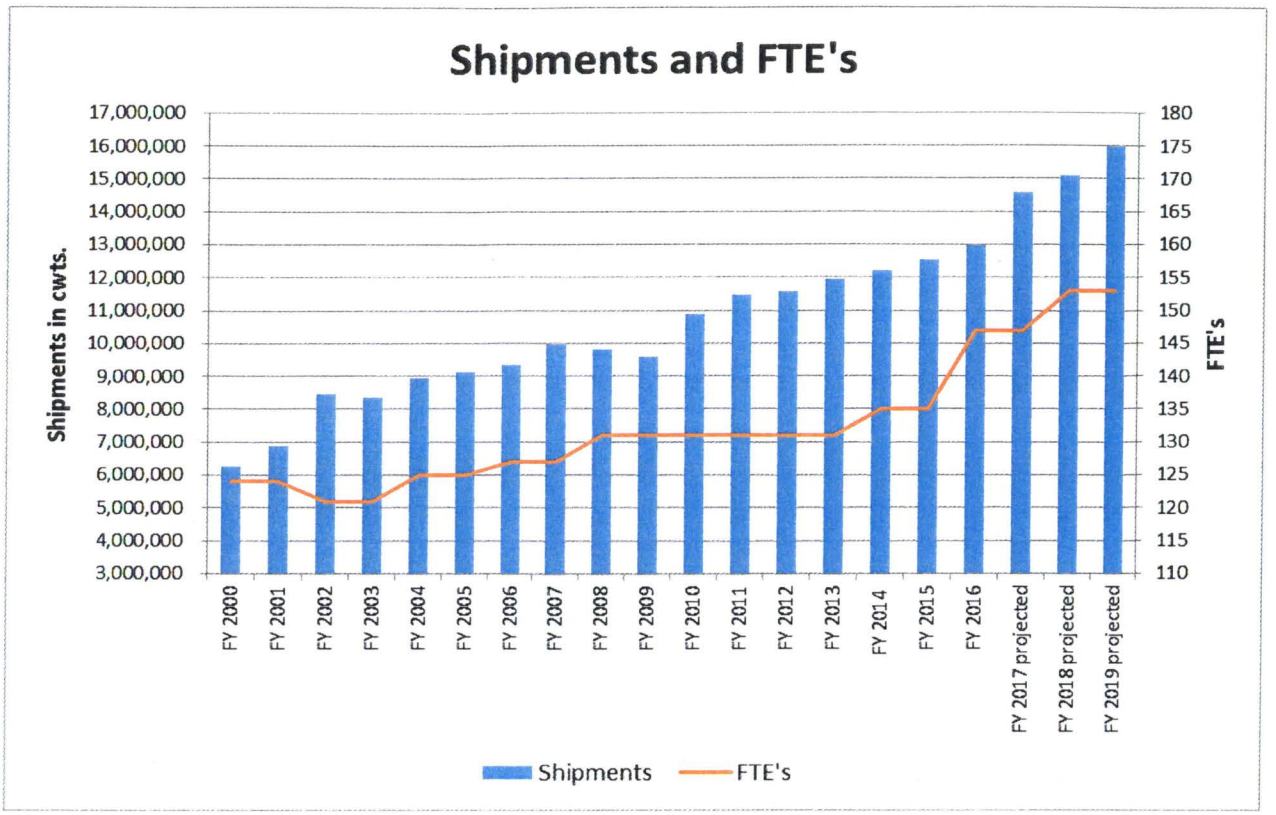
Shipments and FTE's
Shipments in cwts.
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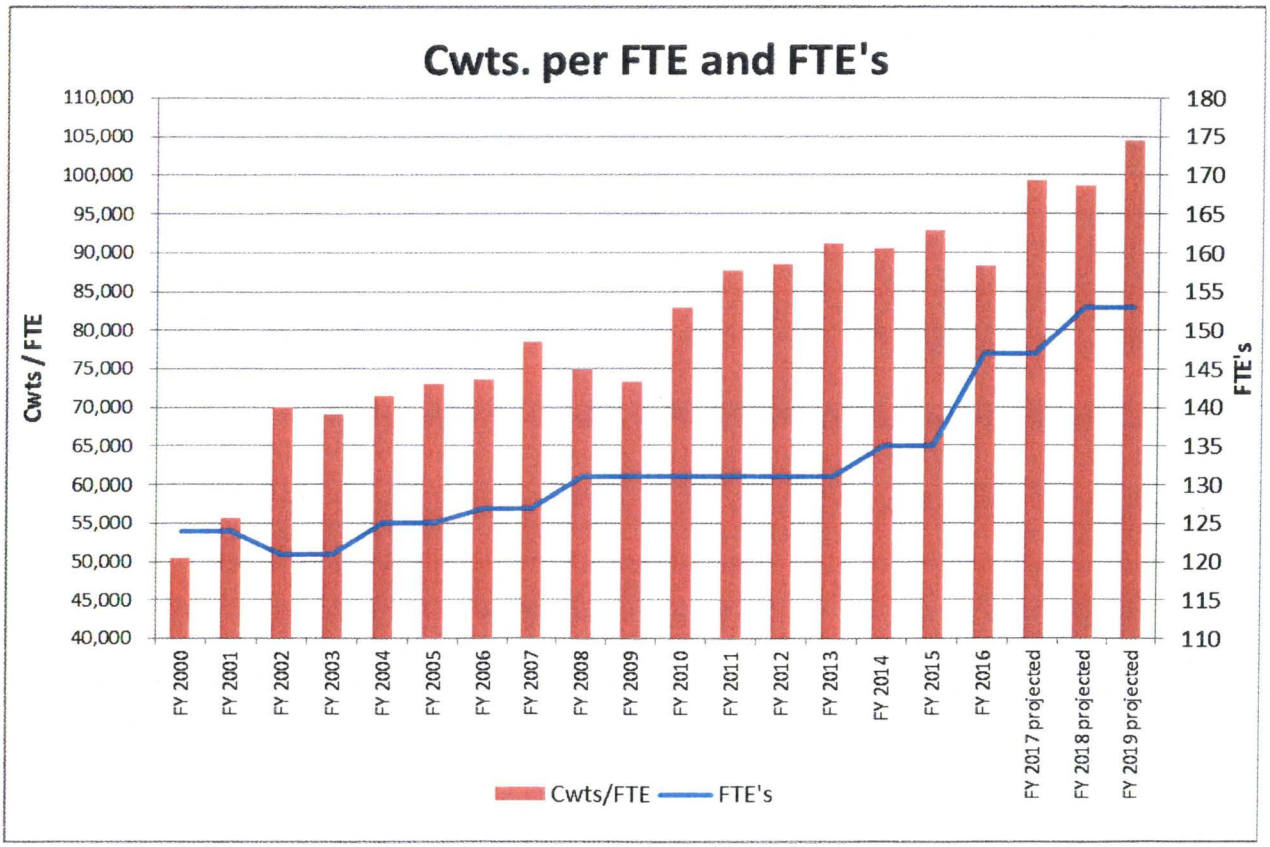
Shipments
FTE's


Cwts. per FTE and FTE's
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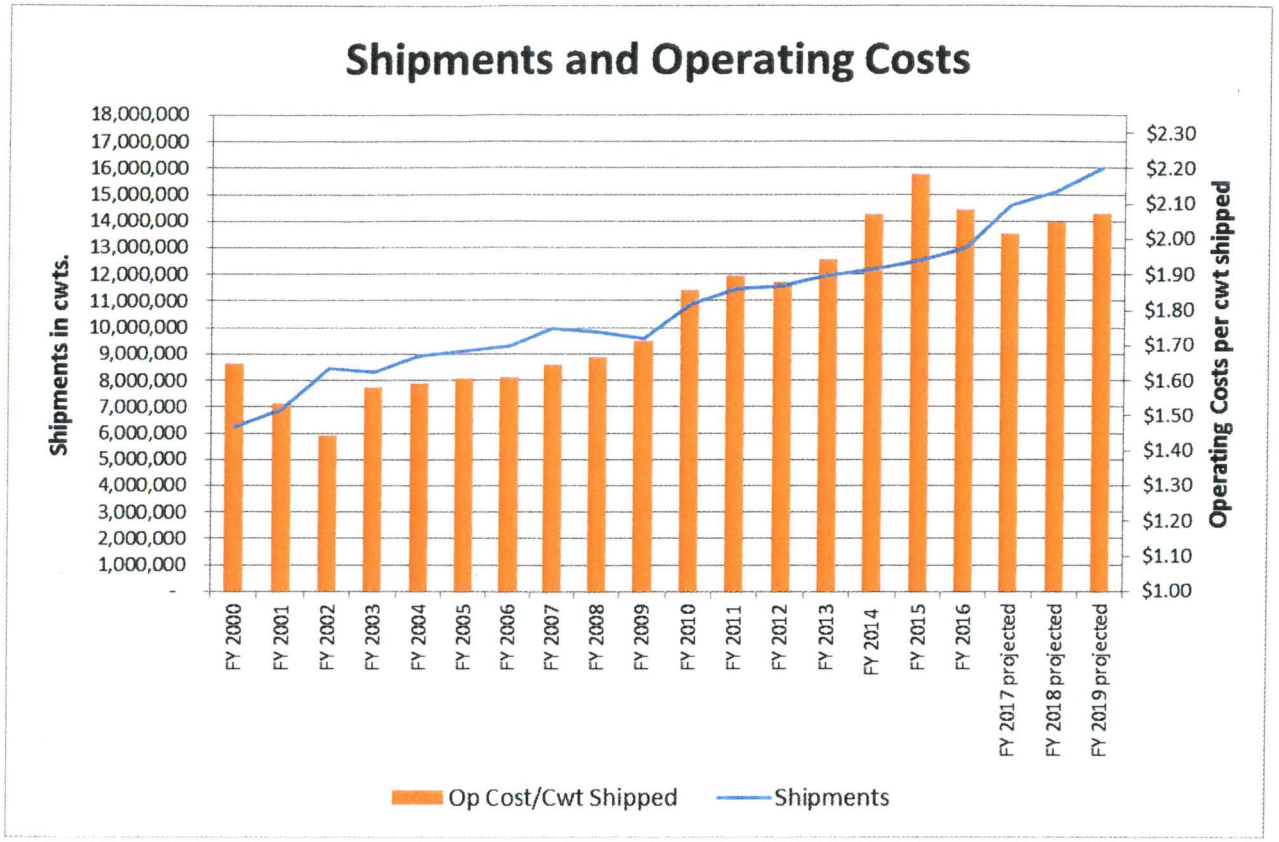
Cwts/FTE
FTE's


Shipments and Operating Costs
Shipments in cwts.
Operating Costs per cwt shipped
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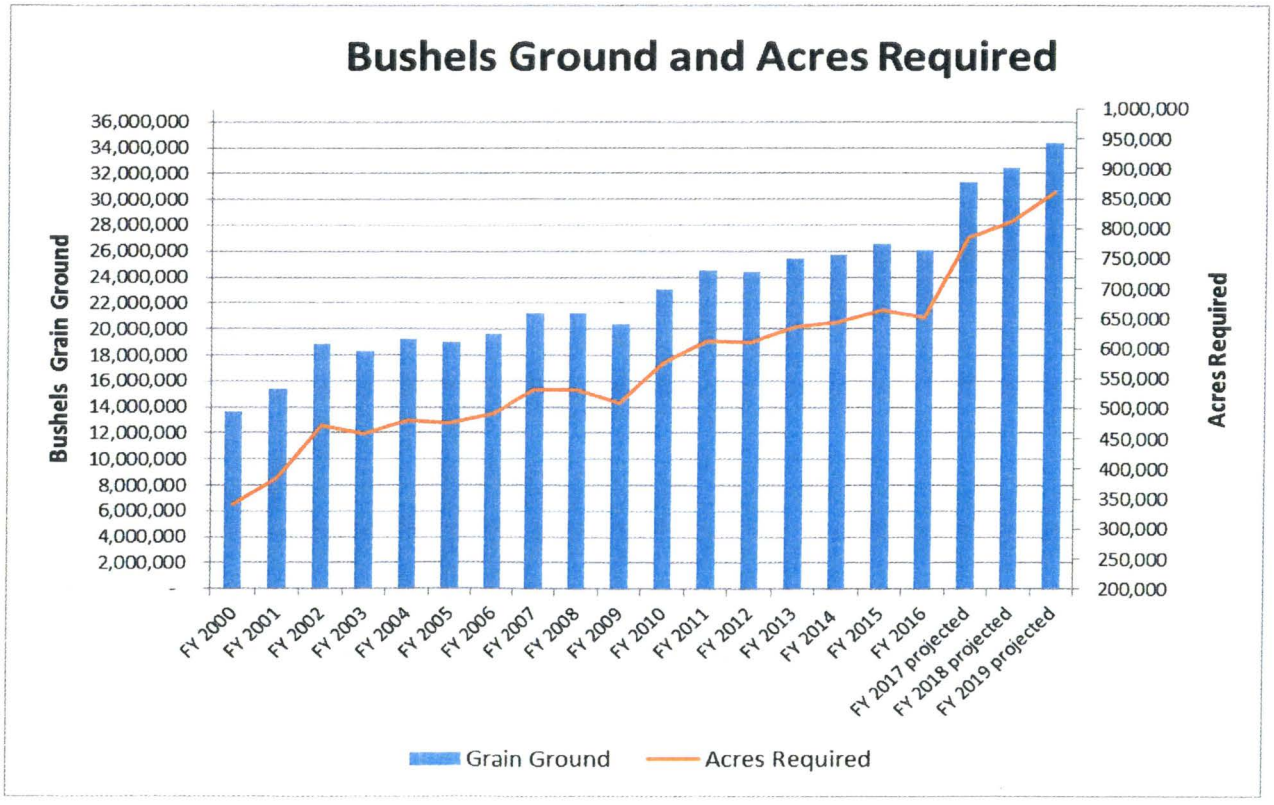
FY 2017 projected
FY 2018 projected
FY 2019 projected
Op Cost/Cwt Shipped
Shipments


Bushels Ground and Acres Required
Bushels Grain Ground
Acres Required
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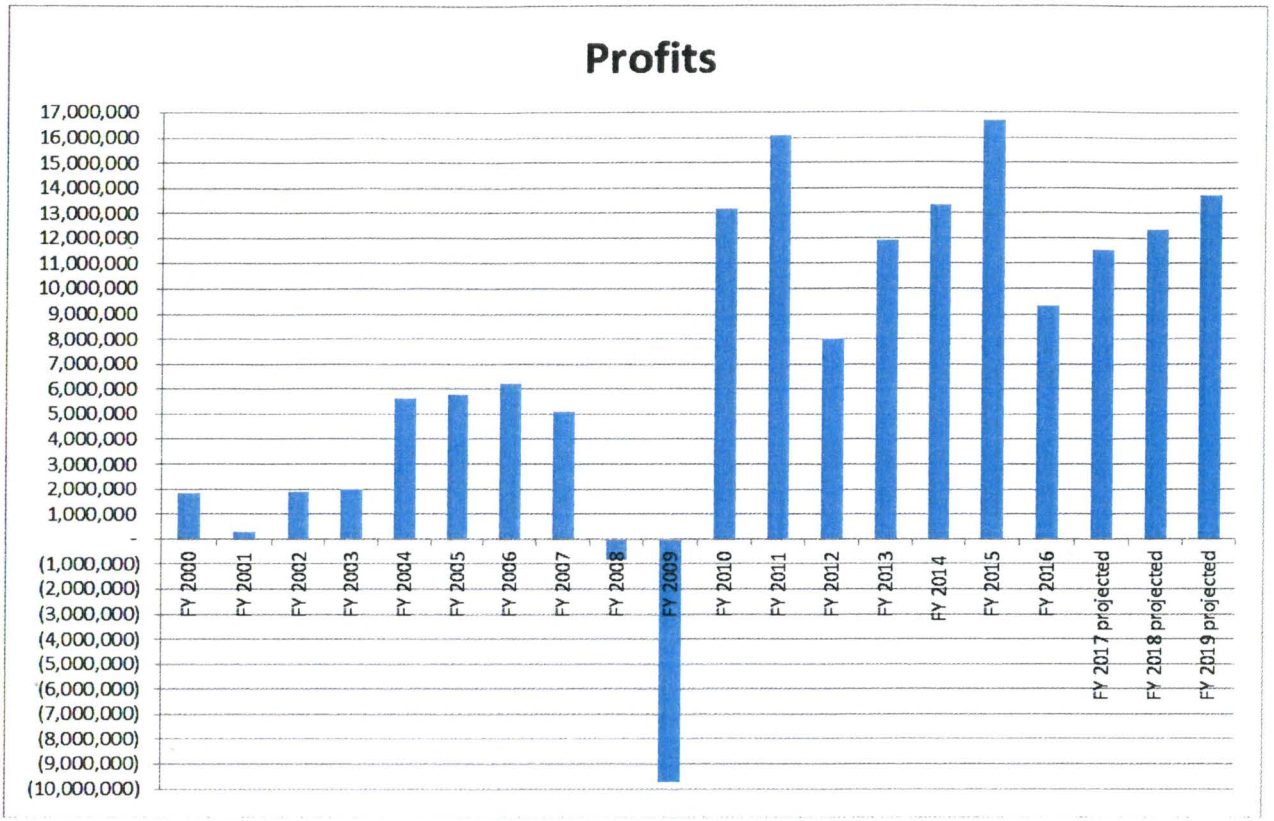
Grain Ground
Acres Required



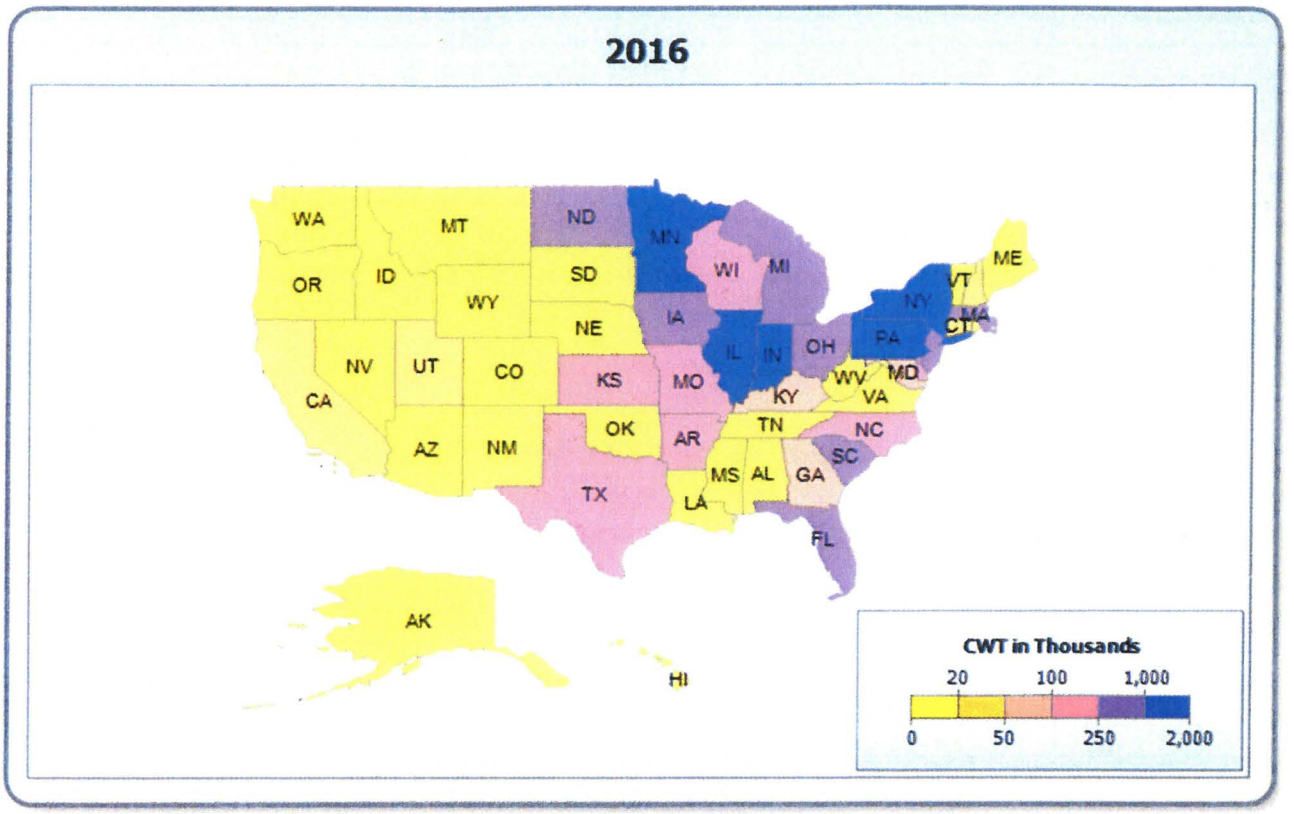
Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean Islands, and the Pacific Rim. Our customers include bakery flour distributors, retail distributors, large bakeries and pasta companies. Sales are made by our in-house sales staff and food brokers.

We compete with large milling companies such as Ardent Mills, ADM, Grain Craft, General Mills and others. The outstanding quality of our products is verified by our FSSC 22000, ISO 22000:2005, ISO/TS 22002-1 & ISO 9000 certifications.

Going forward, we intend to continue to increase production volume using the additional production capacity of our new milling unit; increase the percentage of bagged products sold; continue to aggressively market family flour and retail mixes; grow our organic flour business and investigate new markets, new products and extensions of current product lines.

We will continue to leverage our greatest strength – our employees, whose efforts have given us an excellent reputation for product quality and customer service in the market place.



Economic Impact

A North Dakota State University study stated that for every dollar in direct economic activity from wheat processing, another $2.32 was generated in secondary economic activity. During Fiscal Year 2016, the Mill generated $195,584,000 in direct economic activity resulting in an additional $453,755,000 in secondary economic activity. This results in a total economic impact to the region of more than $649,339,000 during the last fiscal year.

Strategic Plan 2017

Working with the UND Office of Work Force Development, the State Mill management team has developed the following strategic objectives for Fiscal Year 2017:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Increase Profitability
- Grow our Customer Base
- Invest in our Employees

Budget Request

All operating funds are generated internally at the Mill. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The budget request is for $68,245,245. This is a $3,929,347 increase over the last biennium budget. This increase represents increases in both wages and benefits and other operating expenses.

We need six (6) new FTE's for the new biennium. The six FTE's will cost the mill $768,893 over the biennium.

Two (2) of these new FTE's are for the packing department as bag flour customers have been requesting more product and we have not been able to meet their needs. Bag product sales were constrained in FY 2016 due to the inability to produce enough flour for both the bulk sales and bag sales. Now with the G Mill operational, we have the flour available to grow this business.

Two (2) of the positions are for the terminal department to assist in receiving the additional grain needed to feed the G Mill and maintain the new grain unloading pit.

We are adding one (1) lab tech and one (1) utility worker to assist in Food Safety and Security. There has been an increase in awareness of Food Safety and Security. Along with this awareness has come more rigorous inspections (by customers and certifying boards) which has required more man-hours to meet the requirements for the FSSC 22000 certification and other inspections.

In the first year of the current biennium, the Mill spent $14,264,026 on wages and benefits. This leaves a balance of $22,014,872 for the current fiscal year. The mill delayed hiring the additional FTEs authorized until necessary resulting in a savings. In addition, while the mill had overtime, it was significantly less than budgeted and subsequently the gainsharing expense was also less than budgeted. Benefits are also running less than anticipated. For the 2017-2019 Biennium we are requesting $39,340,145 in salary and benefits.

In the first year of the current biennium, the Mill spent $3,399,814 on utilities leaving $8,825,186 for the current fiscal year. The largest portion of our utility bill is the electrical expense. The Western Area Power Administration (WAPA) supplies a significant portion of our electrical power. We budgeted part of the electrical expense increase based on the historical increases received from WAPA; however, WAPA did not increase the rates as they had in the

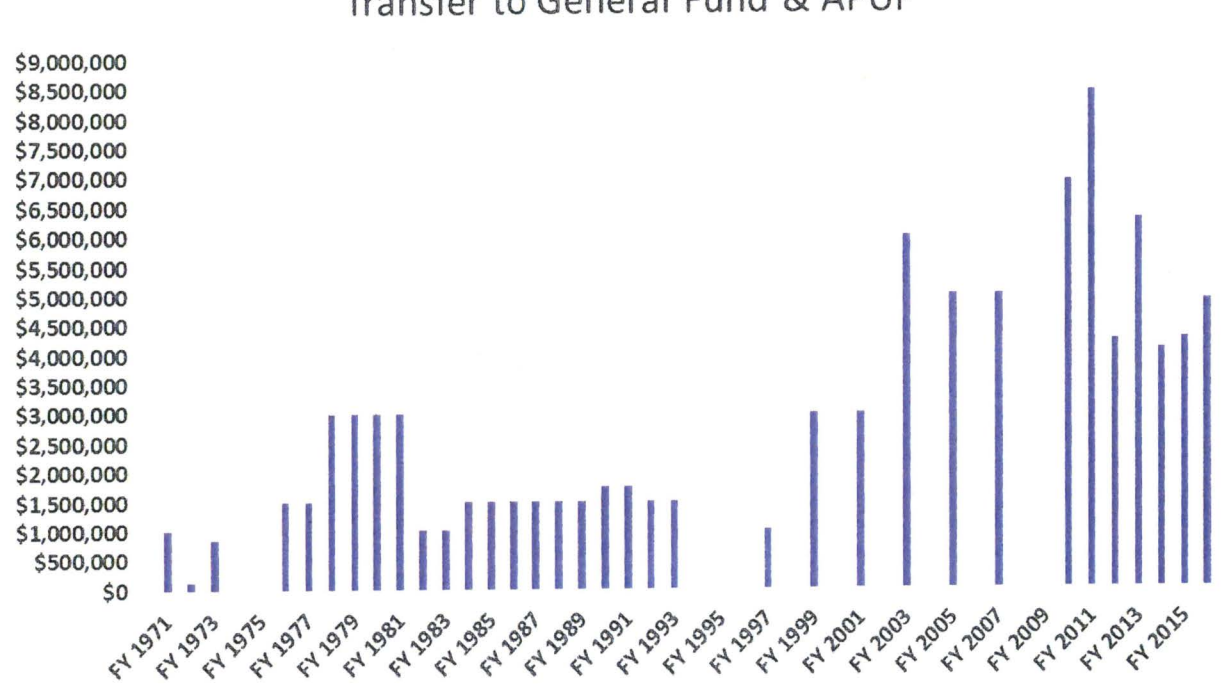
past. The remaining portion of our electrical power comes from Nodak Electric. In the 2015-2017 biennium, the mill built a new milling unit which added over 30% capacity with all the power coming from Nodak Electric. The startup of this mill was delayed by several months and the corresponding utility use was also delayed. Thus, our utility usage in the first year of this biennium was much less than expected. With the new G mill and Grain Unloading pit, we anticipate needing $12,600,000 to cover our utility expense in the 2017-2019 Biennium.

In the first year of the current biennium, the mill spent $2,069,150 on repairs leaving $4,095,850 for the current fiscal year. As the milling equipment purchased in fiscal year 2001 begins to get older higher maintenance costs will drive this expense higher as well as rail car repairs. With our growth and expansion over the past several years, we have increased the amount of equipment at the mill which requires maintenance and repairs. This is projected to cost $6,350,000 in the 2017-2019 Biennium.

In the first year of the current biennium, the mill spent $883,589 on insurance which leaves $1,641,411 for the current fiscal year. The insurance market has been soft and we have been able to obtain better than expected rates. This may not continue into the future and insurance rates are expected to climb. As we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values. We will also have additional rail cars and the new mill building and a new high speed grain unloading area to insure for the biennium. We anticipate our insurance costs to be $2,600,000 in the next biennium.

Four items, wages and benefits, utility expense, repair and demurrage expense, and insurance expense reflect the increase of $4,381,270 in our requested appropriations or 95% of the request. A large share of these expenses is driven by the volume of production and sales at the Mill. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2016 reaching 12,992,668 cwts., a 3.5% increase over the previous fiscal year. This represents grinding more than 26,100,000 bushels of spring wheat and durum. In the first six months of Fiscal Year 2017 we have achieved sales of 7,170,205 cwts, an increase of 9.6% over Fiscal Year 2016.

The Mill currently transfers 5% of profits to the Agricultural Products Utilization Fund and a portion of the remaining profits to the General Fund. In fiscal year 2016, the Mill transferred $466,831 to the Agricultural Products Utilization Fund and $4,434,894 to the General Fund. In the past seven (7) years, the mill has transferred as much money to the general fund as it had transferred in the previous twenty-seven (27) years ($39,100,000 compared to $39,500,000).



For the 2017-2019 Biennium, transfers to the General Fund are maintained at 50% of undivided profits after any transfers to other state agricultural-related programs. The budget request presented reflects a $684,923 reduction in salaries and wages from Governor Dalrymple's budget recommendation to match Governor Burgum's budget recommendation.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

NORTH DAKOTA housing FINANCE AGENCY

Jolene Kline Executive Director

INDUSTRIAL COMMISSION
Doug Burgum Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

March 1, 2017

SB 2014
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0
Testimony of Jolene Kline, Executive Director
House Appropriations Committee

Chairman Brandenburg and members of the Government Operations Division:

There are several sections of Senate Bill 2014 that affect the business of North Dakota Housing Finance Agency including Sections 4, 18, 19, 20, 21, 22, 23, 24, 26, 30 and 32.

The Agency's budget is in subdivision 4 of Section 1. This budget is funded exclusively with federal and Agency-generated special funds including bond trust indentures, federal grant programs, and Agency reserves. There are no state general funds and no one-time spending items in this budget. There are no changes to FTE authority which stands at 46.

There were no findings in the audit of the financial statements of the Agency for the years ended June 30, 2016, and 2015.

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$7,745,034	$156,353	$7,901,387
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,019,481	$44,539,570

The major components of the base level funding are service release premiums in the operating expenses line and federal pass through grants in the grants line item. I will discuss each of these components in more detail later because they make up the bulk of the enhancements in this budget. This budget has remained relatively stable over the past several biennia and there have been no major ongoing funding increases or decreases made by the Legislative Assembly in 2013 or 2015.

Because the Agency is a special fund agency that does not rely on general fund appropriations, we were not subject to the allotment and budget adjustments made during the special Legislative

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Session in August 2016. We were directed by Governor Dalrymple in preparing our budget for the 65th Legislative Assembly to find cost savings which we did with operating expenses that are under our control. Those expenses were reduced by 19.3 percent and the grant programs funded with Agency funds were reduced by 6.1 percent.

An additional 1 percent reduction of $448,594, as recommended by Governor Burgum, was made to the Agency budget in the Senate. This reduction was based on the 2017-19 base budget request for $44,859,374 of which 70 percent or $31,244,828 are federal grant funds.

The bulk of the enhancements included in the Senate version are due to a new federal grant and increased service release premium resulting from greater home loan purchase activity.

Service release premiums are paid by the Agency to our lender partners who originate mortgages for first-time and other low- and moderate-income borrowers under our programs. We purchase the actual mortgage from the originating lender, but they have the right, as such, to service the loans if they choose. Service release premiums purchase from the lenders those servicing rights. Because growth in our mortgage portfolio exceeded projections for the current biennium, the Agency sent an appropriation adjustment for the 2015-17 biennium to OMB in June 2016 in the amount of $970,000 for service release premium. That amount was not included in the base level, but instead is reflected in the enhancement amount of the operating expenses line. We expect continued strong mortgage loan purchases in the 2017-19 biennium so service release premiums will increase further and we are budgeting an additional increase to service release premiums. That one item of $3,167,480 makes up two-thirds of the operating expenses and if it was removed, the Agency would show a 15.3 percent decrease in operating expenses amounting to $283,810. It is also important to note that the revenue generated from our portfolio of mortgages is expected to exceed the costs of the service release premiums.

On the grants line item, the proposed adjustment of $5,864,048 includes the addition of $5,400,000 from the National Housing Trust Fund; a net increase in HUD funding for Section 8 Project Based Contract Administration (PBCA) and Moderate Rehabilitation programs of $1,285,048; a decrease of $660,000 from HUD for housing counseling and down payment and closing assistance; and a cut of $153,000 in agency funded grants necessary primarily to meet the proposed 1 percent budget cut. Of the total $31,794,828 grants, 98 percent or $31,244,828 are from federal sources, with the majority being HUD Section 8 rental assistance programs.

The Agency's Property Management Division administers the HUD Section 8 PBCA and Moderate Rehabilitation programs in North Dakota. Total biennium grant disbursements under PBCA for rental

assistance are budgeted at $24,488,798 which is $1,537,978 more than the 2015-17 level. This assists 2,948 units in 97 projects. Mod Rehab grant disbursements are $1,186,030, assisting 157 units in 10 projects. This amount is a decrease of $252,930 from 2015-17 levels (a net of $1,285,048 referenced above). These are all federal funds that are passed through to the owners of the projects to benefit very low-income tenants and are determined by HUD. These federal funds do not require any state match.

The Agency's Planning and Housing Development division administers our multifamily development programs and Agency-funded initiatives targeted to housing rehab and technical assistance for rural communities, as well as compliance monitoring for federal Low Income Housing Tax Credit (LIHTC) and Housing Incentive Fund (HIF) projects as they are placed into service.

The National Housing Trust Fund is a new pass-through grant fund from HUD which can only be used for extremely low-income households (30 percent of Area Median Income). It was authorized by Congress in the Housing and Economic Recovery Act of 2008, but funding, which comes from the government sponsored enterprises, was delayed until 2015. North Dakota receives the small state minimum amount of $3 million per year. The first allocation of funds was sent to the states in 2016 and the Agency awarded those funds in October. Three projects, all of which will serve homeless persons, were conditionally committed funds. The Agency collects a 10 percent administrative fee so the budgeted amount for the biennium is $5,400,000. When the projects are placed into service, they will undergo compliance monitoring similar to LIHTC and HIF projects. Likewise, it is a one-time upfront development subsidy and there is no ongoing assistance for the projects, which must maintain affordability for at least 30 years.

The Planning and Housing Development Division also administers several grants funded through Agency reserves. Revenue generated by our homeownership programs is used to fund the Housing Market Survey, Helping Housing Across North Dakota (Helping HAND) and Rehab Accessibility grant programs. Altogether there is $550,000 budgeted for these programs in the coming biennium which is a $153,000 decrease from the base level. The Helping HAND grant was reduced by $100,000 in this budget and the Technical Assistance grant of $10,000 was eliminated as part of the 1 percent reduction. Helping HAND funds are distributed to community action agencies, tribal governments, Habitat for Humanity, Rebuilding Together and Dream Catchers to assist low-income homeowners and renters with new construction or rehabilitation of existing housing. Grantees must provide at least a 25 percent match of non-Agency funds. History to date, 443 projects with 7,046 units have leveraged $5.7 million in Helping HAND funds for more than $42.7 million in total development costs.

The increase in the salaries and wages line includes $128,790 from increased health insurance premiums and the remainder constitutes the amount necessary to continue salaries at current levels.

The requested enhancements to the budget will not have a cost to the state general fund as proposed here. All of the enhancements are paid for with federal funds or Agency revenues.

Section 4 appropriates any additional or unanticipated funds that may become available to the Agency during the biennium. This provision has been included in past budgets, but the Senate added the requirement to report to OMB and Legislative Council any additional or unanticipated income. It is our understanding from Legislative Council that this requirement applies to situations when spending would exceed the appropriations amount resulting from additional revenue received. We already notify OMB of any adjustments, but this would help Legislative Council in reconciling the base budgeting.

Essential Service Worker Homeownership Incentive Program

Sections 18 and 20 create the Essential Service Worker (ESW) Homeownership Incentive Program and Section 22 provides $500,000 in income tax credits for contributions into the fund. Section 24 adds the ESW homeownership incentive fund tax credit to the list of credits available to taxpayers and Section 32 would remove it from the listing after Dec. 31, 2018, when the tax credit authority expires. Section 30 provides legislative intent that half of the funding for this program goes to Regions 1 and 8 and the other half go to the rest of the state.

The ESW homeownership incentive fund would be a new revolving loan fund to provide a secondary mortgage to essential service workers who purchase a single-family home using one of the Agency's home loan programs. Currently, the Agency is able to offer down payment and closing cost assistance of 3 percent of the first loan amount. The secondary loan would be used to bridge the affordability gap between the fully amortizing first mortgage and the cost of the home. For example, a policeman may qualify for a $160,000 mortgage but the cost of the home is $200,000. This program would provide a secondary mortgage for the $40,000 affordability gap. No payments would be required and it would be non-interest bearing as long as the borrower remains in the home and maintains ESW employment. These loans would be repayable by the borrower either when they leave ESW employment or when the home is sold. The repaid funds would then be available to be lent again to another borrower. The agency would be responsible for developing criteria for eligibility including maximum loan amounts and, potentially, a more restrictive definition of ESW that focuses the limited resources on occupations that require extensive training and are hard-to-fill or retain, such

as public safety employees. The fund would be capitalized by contributions from taxpayers in exchange for a dollar-for-dollar income tax credit.

Housing Incentive Fund

Section 19 reauthorizes the Housing Incentive Fund and reorganizes some of the provisions of the program. Section 21 authorizes $5 million in income tax credits for contributions into the fund. Section 23 adds the HIF tax credit to the list of credits available to taxpayers and Section 32 removes it from the listing after Dec. 31, 2018, when the tax credit authority expires. Section 26 repeals the separate section of Century Code requiring a report to the Industrial Commission on HIF because that report is now included in subsection 8 of Section 19.

Two changes that Section 19 makes are a removal of the expiration date and a reduction in the frequency of reports to the Budget Section on the publicly-owned housing register to once per biennium. The remaining changes move language to separate subsections in Section 19, but make no substantive changes.

The removal of the expiration date of the program is crucial because of existing projects with conditional commitments of funds that likely will not be able to completely draw down their award by June 30, 2017.

There are a number of projects which received a commitment from HIF in this biennium and are under development now. While HIF funds are often some of the first dollars into a project, HIF funds flow to those projects on a reimbursement basis for costs incurred and construction may not be far enough along to have fully drawn their award. The Agency has 30 days after the sunset date of June 30 to completely disburse the funds before they are turned over to the general fund. HIF commitments are used to leverage other public and private financing and if the Agency is not able to fulfill those commitments, we could be liable to the projects and their lenders. Simply cancelling the obligations on July 31 is not an option without exposing the Agency to significant legal and financial ramifications. Currently, there is about $15.4 million the HIF account and it is expected that while some of these funds will be disbursed by the sunset date, not all of them will be. Removing the expiration date will allow projects under development to spend down their commitments.

The Housing Incentive Fund program works. It is positively impacting people across the state. As I travel around the state I have the opportunity to meet the people who are living in our HIF assisted units and are better able to balance their budgets because shelter costs are now more affordable. I

have seen first-hand that what we do is not only about dollars, it is about real people whose lives we are impacting in a positive way.

I've met Jeri in Fargo who was afraid she was going to become homeless because her market rate rent was taking up more and more of her Social Security disability check; and Miriam, a nurse who moved to Williston from Georgia and is comforted knowing that her rent will remain affordable in her HIF assisted apartment due to a long term deed restriction; and George, now in his 70s, who had lived his entire life in institutional or group homes and moved into a HIF assisted apartment in Bowman with appropriate supportive services through ABLE Inc. These are real people. The state dollars invested in HIF are not only a long term investment in the community but they are an investment in the lives of the people who call these apartments "home."

Affordable housing built with HIF plays an important role in the system of care supporting the most vulnerable in the community. As our senior population continues to grow, if just one low-income person is able to age in place in a HIF assisted unit and avoid a more costly nursing home placement; if one person with behavioral health issues is able to transition out of a half-way house into a HIF assisted rental unit making room for others to exit institutionalization into a safe and suitable situation; if just one homeless person is taken off the street or a HIF assisted unit keeps one person from becoming homeless...than we have realized a positive return on the long-term investment in the future of our state through HIF.

In hearing Governor Burgum talk about his Main Street Initiative, I believe the Housing Incentive Fund can play a vital part in revitalizing neighborhoods, maximizing the impact of housing development on the economy and assisting communities in achieving their strategic goals because it has already been doing that. In-fill, rehab and adaptive reuse of non-housing structures are common among HIF projects. They have helped turn blighted buildings and empty lots into drivers of vibrancy in their neighborhoods and communities. Some prominent examples include Legacy at Central Place and Renaissance on Main in Williston, Meadowlark Homes in New Rockford, Cooks Court and Artspace in Minot, Sierra Court in Bismarck, Collins Place in Mandan, Jamestown Court Rowhomes, Pioneer Homes in Hazen and the list goes on and on. While oftentimes building new is cheaper than rehab, there are opportunities to do both in our communities that will add value and support the local economy, but programs like HIF are needed to be sure that affordability is part of the mix.

The HIF program has been an effective and efficient use of state resources. Every dollar of HIF funding has spurred $4.50 in construction activity and created long-term assets in the local community. The $88.4 million state investment in HIF since 2011 has resulted in $397.9 million of construction and will create a pipeline of long-term affordable rental units.

HIF Background

The Housing Incentive Fund was first authorized by the 62nd Legislative Assembly in 2011 which also approved $4 million in state income tax credits to capitalize it. During the special session in November 2011, the tax credit authority was increased to $15 million. HIF was reauthorized in 2013 with $20 million in tax credit authority and a $15.4 million general fund transfer. It was reauthorized during the 64th Legislative Assembly in 2015 with $30 million in tax credit authority and a transfer of $5 million from profits of the Bank of North Dakota. An additional $5 million transfer was contingent on Bank profits reaching a certain threshold for calendar year 2015, which was achieved.

In the history of the program, 74 projects with 2,324 housing units have been funded. Of those 2,324 units, 409 are targeted to ESWs, 214 are income restricted to extremely low-income households, 825 are restricted to low-income households and 729 are restricted to moderate-income households. Attached please find a complete listing of HIF projects and a sheet that shows some of the people who call HIF projects home. More of their stories can be found at www.ndhfa.org/publications/facesofhome.

HIF has been an important tool for our communities to respond to the pressing and changing needs they have faced. It has helped create long-term affordable rental options. HIF projects serve people with some of the greatest housing challenges including low-income workers, the elderly, people who are homeless or at risk of homeless, and people with a disability. These populations are the ones that are projected to see the greatest growth in North Dakota in the next 15 years, according the 2016 Statewide Housing Needs Assessment.

Affordable Housing Need

Lower-income households (those below 80 percent of Area Median Income) are projected to increase by more than 39,000 by 2029, with the fastest growth coming among extremely low- (30 percent of AMI or less than $20,000 per year) and very low-income households (50 percent of AMI or between $20,000 and $35,000 per year).

The number of seniors is projected to increase significantly as the Baby Boom generation ages – growing by 52.4 percent by 2029. That is nearly 55,000 more people over the age of 65 who will need appropriate and affordable housing options. Without those options, seniors can be cost burdened (putting more than 30 percent of their income toward their housing costs). Today, nearly half of senior renters are cost burdened.

People with a disability, both physical and intellectual, also are expected to increase by 23,200 people. Housing with supportive services and accessibility features, which often times is key to allowing people with a disability to live independently, will be more and more in demand in the state. Affordability is also key as the median earnings of people with a disability in North Dakota are $781 less per month than for people without a disability.

Additional information from the Statewide Housing Needs Assessment is available at www.ndhfa.org/publications/housingneeds.

Without the appropriate housing for all of these populations, our smaller communities will lose them to larger communities in North Dakota as well as outside of the state where their needs can be better served. That has an immense impact on the economic and social fabric of our state. It means the loss of workers, tax revenue, bank deposits, medical services, volunteers, retail sales and a whole host of other things that contribute to a good quality of life. The effects ripple across our communities and to remain vibrant and stable, we need people of all ages, incomes and experiences. To attract and retain these residents, we need affordable housing options.

Through our collaborative efforts with the Department of Human Services and the Department of Corrections and Rehabilitation, we have learned that affordable housing with appropriate supportive services is critical to the successful discharge of people with behavioral health issues and ex-offenders from institutionalization. There is a backlog at half-way houses and other transitional housing programs due to a lack of permanent supportive housing.

Federal housing resources are not enough to deal with the housing needs of the state today or into the future. Today with the federal resources available for the development of affordable housing, we can produce or rehabilitate about 150-200 units per year. However, according to the projections in the Statewide Housing Needs Assessment, we need 882 per year that are affordable for extremely low-income households with rents under $500 per month. The private market cannot and will not produce units at this rent level considering the cost of land, labor and materials.

Rehabilitation of our existing affordable housing stock will also be a key issue for our communities going forward. Much of the affordable housing in the state was developed in the 1960s, 1970s and 1980s and is nearing the end of its useful life. There are 13,430 rental housing units in service under state and federal programs across the state and 3,004 are scheduled to leave affordable programs by 2029. Another 4,138 units could be lost at any time due to program opt outs or just plain loss of habitability. If we very conservatively estimated that each of these units needed $10,000 in rehab, we have a more than $71.4 million price tag. These affordable housing units are resources that have

served North Dakota, especially our rural communities, well and with some assistance could continue to be valuable assets in serving people in the greatest need.

With the slow-down in oil development in the west, there has been much talk of overbuilt housing. While market rents have come down, they have not dropped enough to affordably serve a senior who relies on an average $1,200 per month Social Security check and can only afford rent of $360 or less or an extremely low-income household that can only afford housing costs of less than $425 per month. In working to address the pressing needs of the day, a portion of the units under HIF were developed for moderate-income households that made too much to be eligible for traditional subsidized housing, but could not reasonably afford the dramatically inflated market rents. As market rents improved, the challenges for these households lessened and today we recognize that deeper income targeting would be the most efficient use of funds. This could be accomplished through buying down the debt of existing apartment projects, which in turn ensures that units will remain affordable in the community long term.

Affordable housing challenges are present in every community big and small. While western communities experienced building booms in the past decade, many central and eastern towns did not. There are unmet needs that exist and our rural communities provide the best example of that. In communities like Jamestown, Valley City and Devils Lake, there are a number of open jobs, but employers have been constrained in recruiting workers because of the availability of decent and affordable housing options. Things like affordable senior projects, for example, can help with that by giving options to those homeowners who want to downsize and get away from maintaining a single-family home. That opens up options for young families to come to a community. But those projects aren't feasible without assistance like HIF can bring.

HIF is a solid investment in the future of our state and the lives of our residents. It is allowing main street businesses to attract and retain employees. It is helping to appropriately house our seniors. It can be a vital financial resource to ensure the long-term viability of our existing and aging affordable housing stock. It can provide a stable housing platform for the successful delivery of supportive services for people with a disability or behavioral health issues.

The Housing Incentive Fund has been a model of public-private partnership in developing affordable housing options in North Dakota. It has had a significant impact in developing new housing and we are very proud of what we have accomplished, but we realize that the needs will continue this biennium and into the future.

NORTH DAKOTA housing FINANCE AGENCY

North Dakota Housing Incentive Fund
Assisted Projects
2011 - 2017

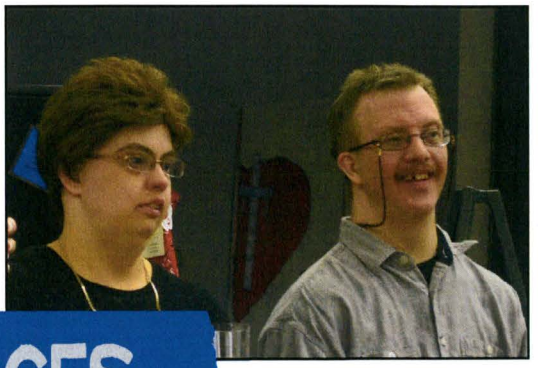
Project Name	Location	Applicant / Developer	Project Type	Use of HIF Funding	Total Units	Total Development Cost	HIF Funds Committed	HIF Program
Arrowhead Estates	Amegard	Big Mountain Development	Workforce/ Family	New Construction	16	$3,673,093	$1,021,000	HIF 2
Belfield Law Enforcement Housing	Belfield	HA for City of Belfield	Workforce/ Family	New Construction	4	$744,484	$96,000	HIF 1
Greenfield Heights	Belfield	LSS Housing Belfield LLC	Family	New Construction	12	$1,551,650	$225,000	HIF 1
New Energy Apartments	Beulah	LSS Housing, Inc.	Workforce/ Family	New Construction	24	$3,830,475	$1,149,143	HIF 3
100 West Main	Bismarck	100 W Main LP (Metro Plains)	Senior	New Construction	30	$6,546,962	$600,000	HIF 3
Boulevard Ave Community Center	Bismarck	Ruth Meiers Hospitality House	Homeless	Adaptive Reuse	85	$10,752,617	$2,855,500	HIF 2
FiveSouth 1	Bismarck	CDG Bismarck Housing, I, LLC	Workforce/ Family	New Construction	96	$17,117,226	$3,000,000	HIF 3
Independence Living	Bismarck	Independence Living LLC	Disabled	New Construction	14	$1,697,003	$483,045	HIF 2
Independence Pointe	Bismarck	Independence Pointe, LP	Disabled	New Construction	24	$3,800,563	$425,000	HIF 2
North 19th Street 5-Plex	Bismarck	Community Homes of Bismarck, Inc	Disabled	New Construction	5	$1,205,610	$361,683	HIF 2
Sierra Court	Bismarck	Sierra Court, LLP (MPEG)	Senior	New Construction	40	$7,126,854	$600,000	HIF 3
The Landing	Bowman	LSS Housing Bowman, LLC	Disabled / Family	New Construction / Debt Retirement	26	$3,672,251	$1,130,264	HIF 1 & HIF 3
The Willows	Burlington	Beyond Shelter, Inc.	Workforce/ Family	New Construction	40	$8,206,120	$3,000,000	HIF 2
Divide Vista Apartments	Crosby	DCEDC	Family	New Construction	12	$1,200,000	$240,000	HIF 1
Northern Lights Apartments	Crosby	Loretto Bay Six, LLC	Family	New Construction	18	$3,979,127	$1,000,000	HIF 1
Agassiz Circle Phase 2 Part 1	Devils Lake	Agassiz Properties LLLP	Family	New Construction	10	$1,434,283	$333,333	HIF 1
Agassiz Circle Phase II	Devils Lake	Agassiz Properties LLLP	Family	New Construction	8	$1,287,599	$385,269	HIF 2
Lakeland Court	Devils Lake	SW Design Build, Inc.	Family	New Construction	24	$3,750,000	$1,125,000	HIF 3
Heritage Hills	Dickinson	Heritage Hills I LLLP	Senior	New Construction	42	$8,194,643	$200,000	HIF 2
Heritage Hills II	Dickinson	Beyond Shelter, Inc.	Senior	New Construction	39	$7,138,819	$600,000	HIF 2
Lincoln Park Townhomes II	Dickinson	G.A. Haan Development, L.L.C.	Workforce/ Family/ Homeless	Debt Retirement	32	$5,780,832	$2,890,000	HIF 3
Northern Place	Dickinson	Northern Place LLLP (Housing Solutions)	Family/ Homeless	New Construction	36	$7,761,566	$600,000	HIF 3
Patterson Heights	Dickinson	Beyond Shelter, Inc.	Family	New Construction	24	$3,440,008	$1,376,003	HIF 1
Prairie Winds (Phase 1)	Dickinson	Roers, Inc.	Workforce/ Family	New Construction / Debt Retirement	36	$6,105,803	$1,512,000	HIF 3
Prairie Winds (Phase 2)	Dickinson	Prairie Winds Apartments 2 LLC	Family	Debt Retirement	36	$6,240,834	$1,512,000	HIF 3
South Main Apartments	Dickinson	AK Investments LLP	Family	Adaptive Reuse	10	$1,526,502	$410,852	HIF 1
Sullivan Apartments	Dickinson	Sullivan Properties	Family/ Disabled	New Construction	30	$4,794,132	$1,416,837	HIF 2
Jeremiah Program Apartments	Fargo	Jeremiah Program of Fargo-Moorhead	Homeless/ Family	New Construction	20	$4,400,000	$2,200,000	HIF 3
North Sky I	Fargo	Beyond Shelter, Inc.	Senior	New Construction	24	$2,855,460	$1,142,184	HIF 2
North Sky II	Fargo	Beyond Shelter, Inc.	Senior	New Construction	30	$4,251,383	$600,000	HIF 2
North Sky III	Fargo	Beyond Shelter, Inc.	Senior	New Construction	30	$4,475,000	$600,000	HIF 3
Cherrywood Village	Grand Forks	Valley Homes and Services	Senior	New Construction	30	$5,235,244	$454,545	HIF 1
University Flats	Grand Forks	Dakota Commercial	Family	New Construction	70	$11,244,299	$2,800,000	HIF 3
Prairie Pointe	Gwinner	Region V Community Development Corp	Family	New Construction	17	$2,929,353	$976,109	HIF 3
Pioneer Homes Apartments	Hazen	Hazen Community Development Group	Senior	Adaptive Reuse	18	$4,181,237	$2,102,000	HIF 3
Courtside Village	Hettinger	LSS Housing, Inc.	Workforce/ Family	New Construction	24	$3,862,681	$1,493,663	HIF 2
Garden Hills II	Jamestown	Hometown Living LLC	Senior	New Construction	40	$4,995,084	$1,497,625	HIF 2
Jamestown Court Rowhomes	Jamestown	Jamestown Rowhomes LP	Family/ Senior	New Construction	24	$4,716,588	$400,000	HIF 2
Kenmare CDC Housing 12-Plex	Kenmare	Kenmare Development Corp	Family	New Construction	12	$1,350,000	$240,000	HIF 1
Kenmare Gooseneck 12-Plex	Kenmare	Moure Equipment LLP	Family	New Construction	12	$1,350,000	$240,000	HIF 1
Killdeer Essential Worker Housing	Killdeer	City of Killdeer	Workforce/ Family	New Construction	4	$1,090,904	$326,072	HIF 3
Prairie Gold Apartments	Killdeer	Prairie Gold Real Estate, LLC	Family	New Construction	24	$3,300,000	$1,000,000	HIF 1
Bel Tower Apartments	Kulm	BEL Tower LLC	Family	Adaptive Reuse	6	$527,473	$120,198	HIF 1
Lignite Housing Project	Lignite	Lignite Investments, LLC	Workforce/ Family	New Construction	28	$4,564,060	$1,265,000	HIF 2
Collins Place	Mandan	Dakota Commercial & Development	Family/ Senior	New Construction	29	$3,885,000	$1,100,000	HIF 2
Shoal Creek Apartments	Mandan	Dakota Commercial	Family	New Construction	48	$6,990,462	$2,085,000	HIF 3
Trails West Townhomes	Mandan	AHDI	Family	New Construction	12	$2,542,000	$762,000	HIF 3
Cook's Court	Minot	Beyond Shelter, Inc.	Senior	New Construction	40	$6,830,000	$600,000	HIF 2
Fieldcrest	Minot	Beyond Shelter, Inc.	Workforce/ Family	New Construction	42	$8,110,069	$2,310,000	HIF 2
Mainstreet Artspace Lofts	Minot	Minot Artspace Lofts LP	Family and Disabled	New Construction	34	$7,480,422	$200,000	HIF 1
Minot Place Rowhomes	Minot	MetroPlains LLC	Family	New Construction	30	$6,525,150	$200,000	HIF 1
Oakwood Court	Minot	Minot Housing Authority	Disabled	Rehabilitation	7	$389,000	$155,600	HIF 1

Project Name	Location	Applicant / Developer	Project Type	Use of HIF Funding	Total Units	Total Development Cost	HIF Funds Committed	HIF Program
Park South (Phase 2)	Minot	Park South Holding, LLC	Workforce/ Family	Rehabilitation of Habitable	35	$7,329,729	$2,015,974	HIF 3
Rolling Ridge Estates (aka Kenwood on 5th)	Minot	SW Design Build	Workforce/ Family	New Construction	50	$7,613,000	$2,250,000	HIF 2
Sunset Ridge (Phase I)	Minot	Beyond Shelter, Inc.	Family	New Construction	35	$8,012,724	$600,000	HIF 3
Meadowlark Homes	New Rockford	EPIC Management, LLC	Workforce/ Family	New Construction	10	$1,497,379	$430,000	HIF 3
Second Avenue Apartments	New Rockford	Lesmeister Enterprises, LLC	Workforce/ Family	New Construction	8	$800,000	$240,000	HIF 2
Meridian Apartments	Valley City	George Gaukler	Family	New Construction	36	$4,772,000	$1,431,600	HIF 3
Valley Bluffs	Valley City	SW Design Build, Inc.	Family	New Construction	40	$6,200,000	$1,860,000	HIF 3
McKenzie Healthcare 6-Plex	Watford City	McKenzie County Healthcare Systems	Workforce/ Family	Retirement of Debt	6	$550,000	$136,950	HIF 2
McKenzie Healthcare Systems Employee Housing	Watford City	McKenzie County Healthcare Systems	Workforce/ Family	New Construction	24	$6,311,017	$1,830,000	HIF 2
McKenzie Park Apartments	Watford City	G.A. Haan Development	Workforce/ Family	New Construction / Debt Retirement	60	$11,650,173	$3,490,000	HIF 2 & HIF 3
Watford City Apartments	Watford City	LSS Housing, Inc.	Workforce/ Family	New Construction	77	$13,775,000	$3,000,000	HIF 3
Wolf Run Village	Watford City	Wolf Run Village, Inc	Workforce/ Family	New Construction	42	$6,721,699	$1,483,231	HIF 2
Wolf Run Village II	Watford City	Wolf Run Village, Inc.	Workforce/ Family	New Construction	20	$3,721,544	$909,374	HIF 3
Prairie Heights Phase I	Watford City	LSS Housing Watford City LLC	Workforce/ Family	New Construction	58	$8,277,730	$1,000,000	HIF 1
Prairie Heights Phase II	Watford City	LSS Housing Watford City LLC	Workforce/ Family	New Construction	66	$8,878,413	$1,000,000	HIF 1
714 Place	Williston	Envision Land & Development	Workforce/ Family	Retirement of Debt	5	$1,125,000	$315,000	HIF 2
Mercy Heights	Williston	CHI Housing Initiatives	Family	New Construction	66	$10,959,000	$1,000,000	HIF 1
ParkRidge Townhomes	Williston	ParkRidge Townhomes LLC	Workforce/ Family	New Construction	36	$6,827,414	$2,048,224	HIF 2
Renaissance on Main	Williston	Renaissance Station LLC	Workforce/ Family	New Construction	30	$10,014,069	$3,000,000	HIF 2
WSC Foundation Housing Phase 1	Williston	Williston State Foundation Housing, LLC	Family	New Construction / Debt Retirement	74	$10,086,286	$3,000,000	HIF 1 & HIF 3
WSC Foundation Housing Phase II	Williston	Dakota Commercial & Development	Workforce/ Family	New Construction	74	$10,000,000	$3,000,000	HIF 2
Legacy at Central Place	Williston	LSS Housing Williston LLC	Senior	Adaptive Reuse	44	$12,482,215	$949,898	HIF 1
74					**2324**	**$398,244,317**	**$88,408,176**	

As of: 01/16/2016

"I've ***dreamed*** *of living in a place like this."*

Katrina Henry, Renaissance on Main, Williston

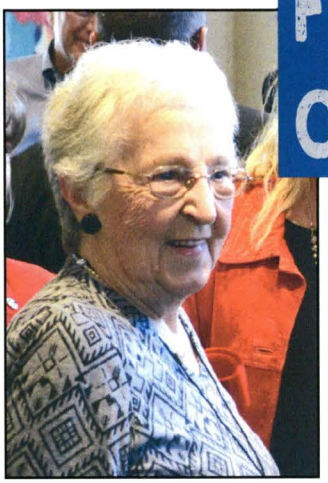


FACES OF HOME

The Housing Incentive Fund is about making homes for people of all types. HIF affordable housing projects touch the lives of thousands of people across North Dakota.

"The place is ***outstanding****. It was such a relief to find a place to live, truly a weight off my shoulders."*

Hunter Easterling, Patterson Heights, Dickinson



"This is my ***home*** *now. I've made the decision I will be happy here. You have blessed us with good housing."*

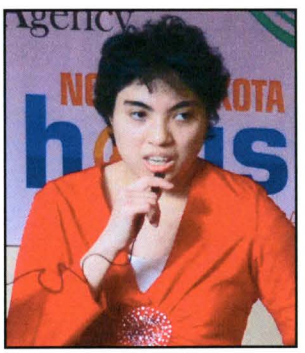
Betty Voth, Cook's Court, Minot

"I thank God and all of you for the ***opportunity*** *to live in this beautiful building."*

Sandra Benedict, Sierra Court, Bismarck

"I love my home so much I can't explain it sometimes... IT'S MINE! I'm so ***proud*** *to show it off and I take great pride in it."*

Jeri Fick, North Sky Apartments, Fargo



"The promise that the price would remain ***affordable*** *for 15 years is very nice."*

Miriam Shaw, ParkRidge Townhomes,

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PFA

Industrial Commission
of North Dakota

Doug Burgum
GOVERNOR

Wayne Stenehjem
ATTORNEY GENERAL

Doug Goehring
AGRICULTURE COMMISSIONER

North Dakota Public Finance Authority

Senate Bill 2014
House Appropriations Committee
Testimony of DeAnn Ament
North Dakota Public Finance Authority
March 1, 2017

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority (PFA). I am providing this testimony in support of the Industrial Commission's requested appropriation for the Public Finance Authority for the 2017-2019 biennium in the amount of $792,184. The requested biennial appropriation is $12,475 or 2% less than the current biennial appropriation of $804,659. The 2017-2019 budget includes the recommended salary and benefit adjustments outlined in the Engrossed SB2014. Salaries and benefits are approximately 74% of the budget. The overall budget decrease is due to operating expense adjustments of $22,000 to meet the 90% budget request which included reductions to travel, supplies, professional development and professional fees. These are the same changes recommended in both former Governor Dalrymple's and Governor Burgum's budget.

Expenditures for the first 18 months of the biennium total approximately $407,624 or 51% of the 2015-2017 appropriation. It is anticipated that total 2015-2017 biennium expenditures will be approximately $558,000 or 69% of the appropriation.

The PFA is a state agency that operates under the supervision and authority of the Industrial Commission. **It is a self-supporting state agency and receives no money from the General Fund.** The staff of the Public Finance Authority currently consists of 2 FTE's -- an Executive Director and a Business Manager.

The Public Finance Authority continues to develop programs as needs arise for financing municipal, economic development, agriculture, disaster and energy projects in North Dakota. At this point, we are uncertain how the development of any other programs will affect the Public Finance Authority's staffing needs. The budget for the 2015-2017 biennium includes salaries for 2.75 FTE's. The vacant .75 FTE within the current budget is for a loan officer position that would help analyze the loan applications and financial statements of potential borrowers under all of the Public Finance Authority's programs. Therefore, I ask that you appropriate funding for this vacant position for the 2017-2019 biennium while we assess the demand for our services under existing programs as well as any potential new programs.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

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ndpfa@nd.gov – www.nd.gov/pfa

The Public Finance Authority administers the Capital Financing Program, the financial portion of the State Revolving Fund and the Industrial Development Bond Program. Detailed activity of all programs is contained in our annual report which is attached.

This past calendar year has been one of the busiest and largest on record for the State Revolving Fund programs. There were loan approvals of $3,492,373 and funded draws of $50,753,142 for the Clean Water State Revolving Loan Fund; the third largest amount in the history of the program. Clean Water projects financed recently include $1,425,000 for sanitary sewer improvements in LaMoure, $1,340,000 for sewer system improvements in Horace and $2,778,000 to connect Ward Water Resource District to a Minot sewer trunk. The Drinking Water State Revolving Loan Fund had approvals of $15,585,000 and funded loan draws of $30,252,681; the second largest year in the history of the Drinking Water program. Projects financed under the Drinking Water program include $66,000,000 for Grand Forks to construct a new hybrid membrane water treatment plant, $750,000 to replace 5 miles of water transmission lines in Cooperstown, and $1,126,000 for a water tower, storage and water main for North Prairie Rural Water District.

These State Revolving Fund programs continue to require many changes for documenting, funding and reporting purposes. In June of 2014, Congress passed substantial amendments to the Clean Water State Revolving Loan Fund which has resulted in an increased workload as we work to implement fiscal sustainability plans, new fee guidance, affordability criteria and 30 year loan terms. These new requirements in addition to administering the many other recent changes such as American Iron and Steel, Davis-Bacon wages, additional subsidization (loan forgiveness) and green project reserve have increased the workload and will continue to do so into the foreseeable future.

Under the Capital Financing Program, the City of Watford City issued $23,655,000 of special assessment debt to finance infrastructure improvements for the new high school and events center in 2015. The City of Watford City also issued $35,550,000 of sales tax revenue debt to finance the Events Center in 2015. On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events. In short order, the PFA was able to establish loan parameters, construct a loan application and offer disaster assistance to political subdivisions until federal and state money was available and/or to assist in cash flowing local match requirements. The PFA has assisted 40 political subdivisions with loan approvals totaling $71,531,546. Approximately 30 of the loan applications were processed in a six month time period.

The written testimony below describes the Public Finance Authority and its financing programs. Also, a copy of the 2016 Annual Report for the Public Finance Authority has been included in the binder for your review. This Report describes in more detail the Public Finance Authority's programs and provides a complete history of all the Public Finance Authority's loans and bond issues.

The Public Finance Authority was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Public Finance Authority through the purchase of municipal securities issued by the political subdivisions in accordance with state and federal law. Loans are primarily made with the proceeds of bonds issued by the Public Finance Authority under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Public Finance Authority's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Public Finance Authority may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Public Finance Authority may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Public Finance Authority Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the N.D.C.C. requires the Public Finance Authority to establish a debt service reserve in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding calendar year for the payment of the principal of and interest on its outstanding bonds.

Subsection 4 of §6-09.4-10 of the N.D.C.C. of the N.D.C.C. provides as follows:

> "In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the Legislative Assembly and paid to the Public Finance Authority for deposit in the reserve fund, such sum, if any, as shall be certified by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve."

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Public Finance Authority's bond counsel, there is no applicable provision of state law that would prohibit a future Legislative Assembly from appropriating any sum that is certified by the Industrial Commission as necessary to restore the reserve fund in an amount sufficient to meet the required debt service reserve amount. The legislative obligation imposed by the Legislative Assembly in subsection 4 of §6-09.4-10 is referred to as a moral obligation because the obligation to provide an appropriation for the Public Finance Authority's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Public Finance Authority under any of its programs prior to 2011 are moral obligation bonds unless the Industrial Commission approves a resolution to allow the Public Finance Authority to issue bonds under section 40-57 as a conduit issuer. The State Revolving Fund Program bonds issued in 2011, 2012, 2015 and 2016 do not contain the moral obligation provision. Under any of the Public Finance Authority programs, there has never been the need to request an appropriation to cover a shortfall in a reserve fund.

Advisory Committee

The Industrial Commission, by policy, has established a Public Finance Authority Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews each loan application for the purpose of making a recommendation concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for $500,000 or less for the Capital Financing Program and $1,000,000 or less for the State Revolving Fund Program, the Committee may authorize the approval of the loan, and then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Public Finance Authority has four loan programs: the Capital Financing Program, the State Revolving Fund Program, the School Construction Financing Loan Program, and the Industrial Development Bond Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements.

Through December 31, 2016, the Public Finance Authority has made $259,088,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is $162,370,000. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "A+" to the Capital Financing Program Bonds.

The Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events. These loans assisted political subdivisions until federal and state money was available or aided in cash flowing local match requirements.

During times of crisis, the PFA was able to assist 40 political subdivisions. Loans approved under this program total $71,531,546 and $1,697,116 were outstanding as of December 31, 2016.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), and are deposited and held under the Program's Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Public Finance Authority

provides the 20% state match. The federal capitalization grants must be held by the state in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, $205,914,688 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2016. Through December 31, 2016, 271 loans totaling $629,918,241 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2017 includes over $425,473,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, $188,182,767 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2016. Through December 31, 2016, 199 loans totaling $456,893,980 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2017 includes approximately $733,393,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate for most loans under the SRF Program is 1.5% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Public Finance Authority under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating. In 2015, the PFA obtained an additional rating for the North Dakota SRF Program bonds from Standard & Poor's Ratings Services which assigned their highest rating, "AAA," on June 29, 2015.

State School Construction Financing Program

The Public Finance Authority's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "AA" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999. The state aid intercept provision is found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Public Finance Authority to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Industrial Development Bond Program

The Public Finance Authority's Industrial Development Bond Program provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates. Bonds issued under this Program will be moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2005 Legislature passed the legislation allowing the Public Finance Authority to issue industrial revenue bonds. Current Program limits are $2,000,000 per borrower. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits. The Public Finance Authority has made three loans under this program in the amount of $4,860,000.

Annual Report

The Public Finance Authority submits its Annual Report to the Legislative Council each year. The Annual Report provides a complete list of all loans made and bonds issued by the Public Finance Authority since its inception in 1975.

If you have any questions, feel free to contact me at 701.426.5723 or dament@nd.gov.

North Dakota Public Finance Authority

2016 Annual Report

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Doug Burgum
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Robert Frantsvog
Minot

Keith Lund
Grand Forks

Linda Svihovec
Watford City

Staff

DeAnn Ament
Executive Director

Kylee Merkel
Business Manager

NORTH DAKOTA
PUBLIC FINANCE AUTHORITY

2016 Annual Report

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY

The North Dakota Public Finance Authority (PFA) was established for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities which, in the opinion of the Attorney General of North Dakota, are properly eligible for purchase by the PFA. Subject to credit and program requirements, a loan can be made by the PFA to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money through the issuance of municipal securities. Certain types of municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may also be purchased by the PFA.

The PFA, which is under the operation, control and management of the Industrial Commission of North Dakota, is a self-supporting state agency. The costs and expenses of operation of the PFA are financed with earnings on program assets and fees paid by participating political subdivisions.

Obligations of the PFA which are issued to provide funds to purchase municipal securities do not constitute a debt or liability of the State or a pledge of the faith or credit of the State. All obligations of the PFA are payable solely from revenues or program assets pledged or available for their payment as authorized by law. The PFA has no authority to incur any indebtedness or liability on behalf of or payable by the State.

The PFA is authorized by statute (N.D.C.C. § 6-09.4-10(1)) to establish and maintain a reserve fund for its bonds. The Legislative Assembly has made a non-binding pledge to the PFA to replenish the reserve fund if it is depleted by the default of a political subdivision. Section 6-09.4-10(4) provides that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." There has never been the need to request an appropriation for the reserve fund.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

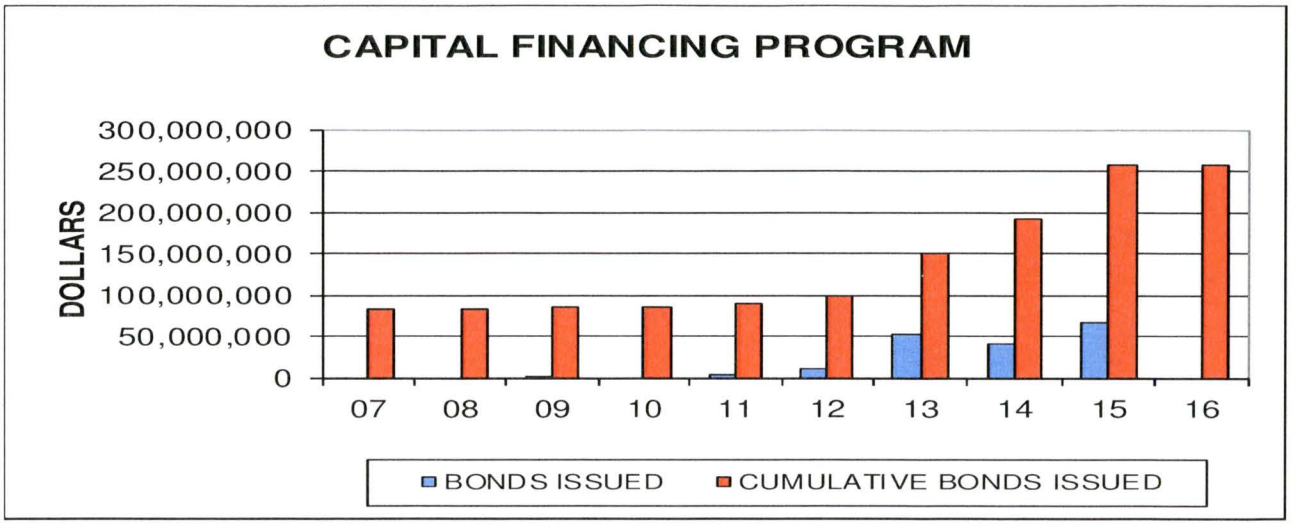
Vision Statement

A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority's (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as accessing account information or applying for additional financing. A PFA that leads a cooperative effort with other state agencies to combine available resources into programs that finance infrastructure and improvements for political subdivisions and other qualifying organizations. A State that recognizes the PFA as the leader in providing municipal financing for local projects.

CAPITAL FINANCING PROGRAM

Under its Capital Financing Program (CFP), the PFA makes loans for the purpose of financing projects or improvements for which political subdivisions are legally authorized to borrow money through the issuance of municipal securities. Subject to credit requirements and certain program requirements, financing is available in any dollar amount.

The interest rates payable by a political subdivision are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a political subdivision will pay on its municipal securities sold to the PFA.



On February 18, 2016 the Capital Financing Program was downgraded to a rating of "A+" by Standard & Poor's Ratings Group.

The PFA did not issue CFP Bonds in 2016.

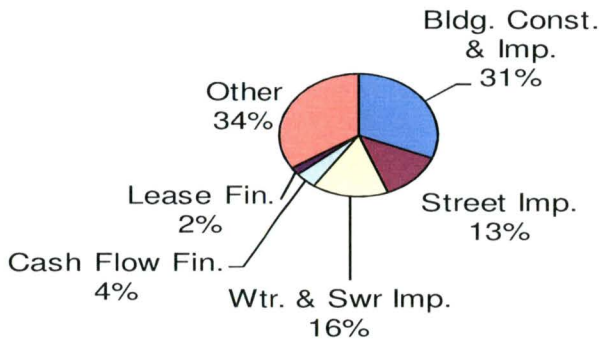
The total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2016, was $26,761,298. The CFP Reserve Fund Letters of Credit are issued to meet the requirement of the CFP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month period. The CFP Reserve Fund Letters of Credit are issued by Bank of North Dakota (BND).

As of December 31, 2016, the total cumulative amount of bonds issued under the CFP General Bond Resolution was $258,120,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was $162,370,000.

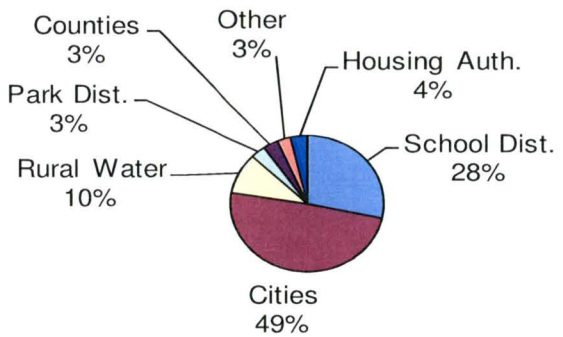
Part F of Attachment 1 beginning on page 1-6 of this Report contains a complete list, as of December 31, 2016, of all loans made by the PFA with proceeds of CFP Bonds issued under the CFP General Bond Resolution, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2016, of all series of Capital Financing Bonds issued under the CFP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of CFP Bonds.

Capital Financing Program Loans



Capital Financing Program Borrowers



CAPITAL FINANCING DISASTER LOAN PROGRAM

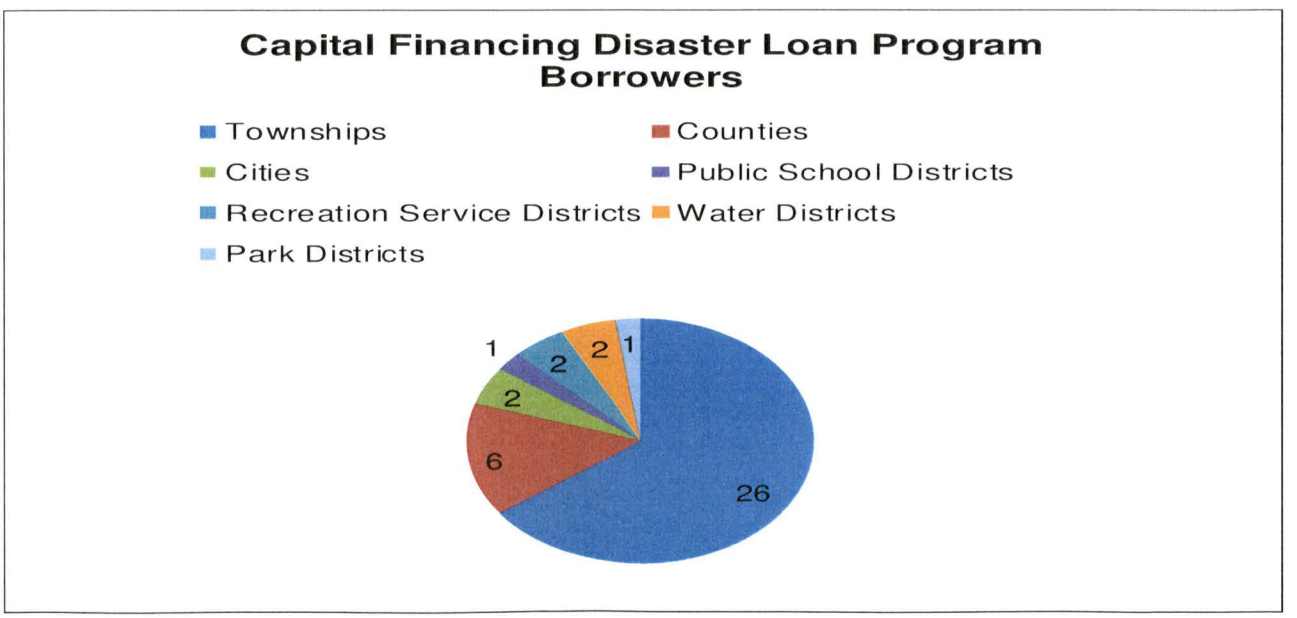
On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events. Under its Capital Financing Disaster Loan Program, the PFA makes loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money is available and/or to assist in cash flowing local match requirements.

Any North Dakota political subdivision that is within a county that has received a Presidential Public Disaster Declaration or a gubernatorial executive order or proclamation of a state disaster or emergency was eligible to apply. The political subdivision must show ability to repay the financing either from Federal or State government disaster payments or from tax receipts. The interest rate payable by a political subdivision is the 3 month LIBOR plus 1.25% adjusted monthly with a floor of 2.25%.

There were no Disaster Financing loans approved in 2016. Loans approved under this program total $71,531,546 and $1,697,116 were outstanding as of December 31, 2016. Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2016, of all loans made by the PFA under the Disaster Loan Program, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

The proceeds of the CFP Disaster Bonds have historically been used to make loans to political subdivisions approved for financing under the Disaster Loan Program. The PFA did not sell any CFP Disaster Bonds to Bank of North Dakota in 2016. As of December 31, 2016, the total cumulative amount of bonds issued under the Disaster Loan Program was $14,405,612 and there are no bonds outstanding under the Disaster Loan Program.

Part G of Attachment 2 on page 2-2 of this Report contains a complete list, as of December 31, 2016, of all series of Capital Financing Disaster Loan Bonds issued, including the original dollar amount and the outstanding principal amount of each series of Disaster Loan Bonds.



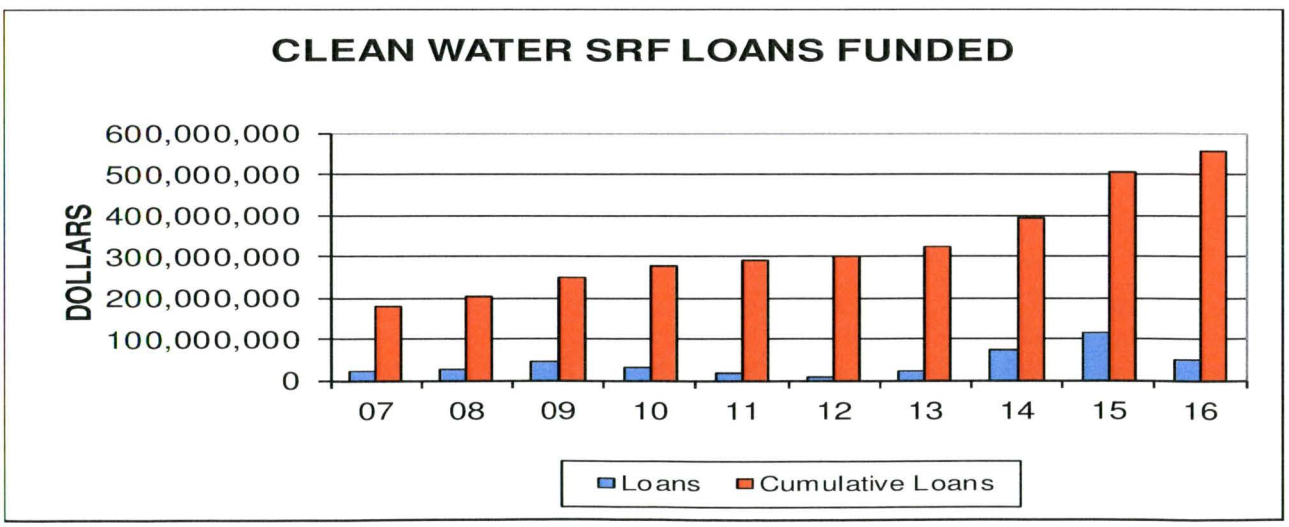
STATE REVOLVING FUND PROGRAM

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems. The SRF Program is administered jointly by the North Dakota Department of Health and the PFA.

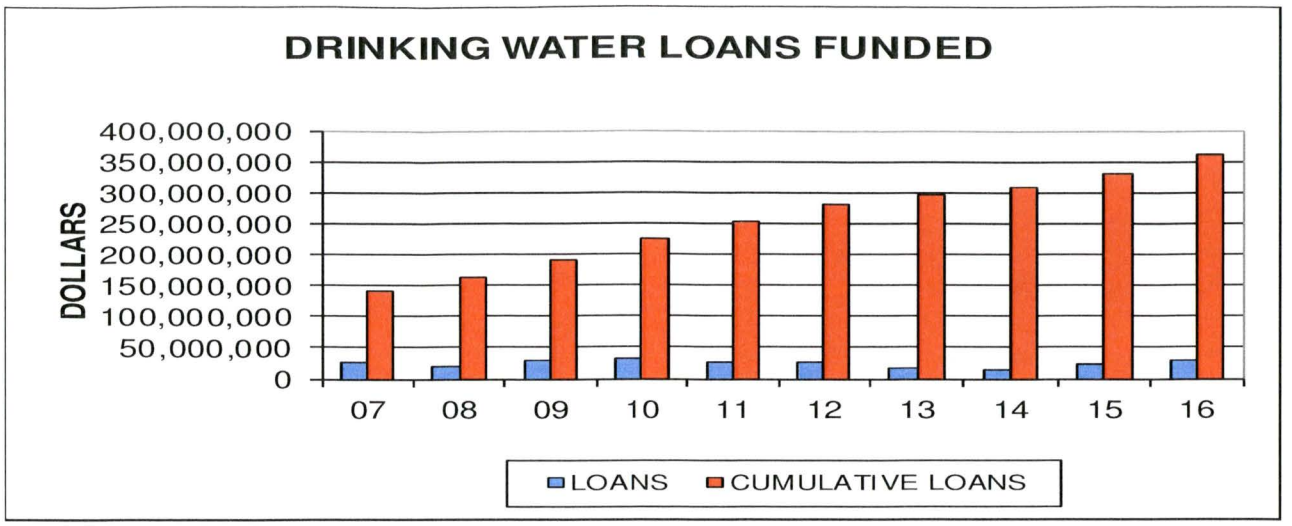
In 2001, Moody's Investors Service, Inc. upgraded the North Dakota SRF Program from "Aa2" to "Aaa", Moody's highest rating. In 2015, the PFA obtained an additional rating for the North Dakota SRF Program bonds from Standard & Poor's Ratings Services which assigned their highest rating, "AAA," on June 29, 2015.

The interest rates on SRF Program loans are set by the Health Department in consultation with the PFA. The interest rates are fixed for the term of a loan. The interest rate for tax-exempt SRF Program loans is 2.0%. The interest rate for taxable SRF loans is 3.0%. Loans made with American Recovery and Reinvestment Act (ARRA) funds are at .5% and/or have a loan forgiveness component.

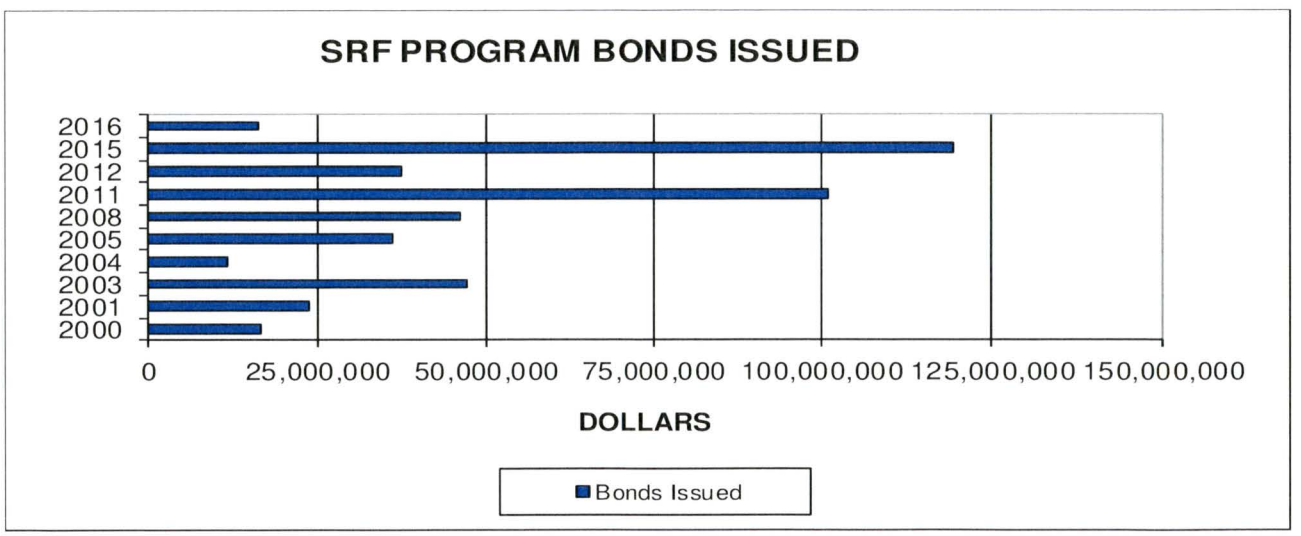
The PFA approved $3,492,373 of Clean Water SRF Program loans to 7 political subdivisions in 2016. Subpart 25 of Part G of Attachment 1 on page 1-18 of this Report contains a list of all approved Clean Water SRF Program loans for 2016, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2016.



The PFA approved $15,585,000 of Drinking Water SRF Program loans to 11 political subdivisions in 2016. Subpart 18 of Part H of Attachment 1 on page 1-24 of this Report contains a list of loans made under the Drinking Water SRF Program during 2016, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2016.



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is $554,740,000. This total includes $151,085,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003A, 2003B, 2004, 2005 and 2008 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.



As of December 31, 2016, the total amount of SRF Program Bonds outstanding was $249,575,000, and the total outstanding amount of SRF Program loans was $542,783,818. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2016, was $5,359,684, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part H of attachment 2 on page 2-3 of this Report contains a complete list of the SRF Program Bonds issued by the PFA under the Master Trust Indenture, including the original dollar amount and the outstanding principal amount of each series of SRF Program Bond.

INDUSTRIAL DEVELOPMENT BOND PROGRAM

The Public Finance Authority's Industrial Development Bond Program (IDBP) provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. Bonds issued under this Program are moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. Public Finance Authority limits the program to $2,000,000 per borrower and $20,000,000 for the entire program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits.

The interest rates payable by a borrower are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a borrower will pay on its bonds sold to the PFA.

On February 18, 2016 the Industrial Development Bond Program was downgraded to a rating of "A+" by Standard & Poor's Ratings Group. The PFA did not issue IDBP Bonds in 2016.

Part I of Attachment 1 beginning on page 1-25 of this Report contains a complete list, as of December 31, 2016, of all loans made by the PFA with proceeds of IDBP Bonds issued under the IDBP General Bond Resolution, including the name of each borrower and the original amount of each loan.

Part I of Attachment 2 on page 2-3 of this Report contains a complete list, as of December 31, 2016, of all series of Industrial Development Program Bonds issued under the IDBP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of IDBP Bonds.

The outstanding amount of Reserve Fund Letters of Credit at December 31, 2016 was $772,575. The IDBP Reserve Fund Letters of Credit are issued to meet the requirement of the IDBP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month periods. The IDBP Reserve Fund Letters of Credit are issued by BND.

OTHER BONDS

1977 General Bond Resolution. The PFA, pursuant to a 1977 General Bond Resolution, issued $15,000,000 in 1977, $16,590,000 of bonds in 1979, and $11,600,000 of bonds in 1983, for a total principal amount of $43,190,000. The 1977, 1979 and 1983 bonds have been retired.

1985 Local Governmental Assistance Program. In 1985, the PFA issued $35,290,000 of bonds under a Local Governmental Assistance Program. These bonds were retired in 1986.

1990 Government Assistance Program. In 1990, pursuant to its Government Assistance Program, the PFA issued two series of bonds in the total amount of $2,006,704. These bonds were retired in 1991.

1989 Insured Water System Revenue Bonds and 1999 Taxable Insured Water System Refunding Revenue Bonds. Pursuant to a Trust Indenture adopted in 1989, the PFA issued two series of Water System Revenue Bonds. The 1989 Series A Bonds were issued in the amount of $11,650,000, and the 1989 Series B Bonds were issued in the amount of $1,410,000 (the 1989 Series A Bonds and the 1989 Series B Bonds are referred to as the "1989 Bonds"). The Series B Bonds were issued to fund a reserve fund for the Series A Bonds. On December 21, 1995, the PFA entered into a Purchase Contract for the forward refunding of the 1989 Bonds. Under the terms of the Purchase Contract, the PFA issued and delivered $8,875,000 of its Taxable Insured Water System Refunding Revenue Bonds, on April 1, 1999, for the purpose of refunding the 1989 Bonds. These bonds were retired in 2014.

BIENNIAL DEBT SERVICE REQUIREMENTS

The debt service requirement for the outstanding CFP Bonds for the 2015-2017 biennium is $9,484,451, and the debt service requirement for the outstanding SRF Program Bonds for the 2015-2017 biennium is $5,950,535. The outstanding IDBP debt service requirement for 2015-2017 is $260,246.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2015-2017 biennium is $15,695,232.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
LOANS MADE 1977 THROUGH 2016

Part A

Subpart 1 — $15,000,000 1977 Series A Bonds

Borrower

Alexander PSD
Alexander
Almont
Ashley
Barney
Bell PSD
Beulah
Bismarck
Bismarck Park District
Butte PSD
Buxton
Carrington PSD
Cass County
Casselton
Center
Courtenay Special PSD
Drake
Edinburg PSD
Edmore PSD
Elgin
Ellendale PSD
Emerado
Enderlin
Esmond
Esmond PSD
Fingal PSD
Finley
Fordville
Gackle PSD
Galt PSD
Garrison
Glen Ullin PSD
Gwinner
Halliday
Hampden PSD
Hazelton Moffitt PSD
Hazen
Jamestown
Juzeler PSD
Kathryn PSD
Kensal PSD
Kinloss PSD
Kinyon PSD
Kulm
LaMoure PSD
LaMoure
Lawton
Leeds
Lehr
Leonard PSD
Leonard
Lidgerwood
Lignite
Lincoln PSD
Linton
Linton PSD
Maddock
Mandan
Mayville
McVille
Michigan
Minnewauken PSD
Napoleon
Nedrose PSD
Nesson PSD
New Salem
New Leipzig Fire District
New Rockford
New Leipzig PSD
New Leipzig
New Rockford
North Sargent PSD
Park River
Parshall
Pembina
Portland
Reeder PSD
Regent PSD
Reynolds
Robinson PSD
Rock Lake PSD
Rolla
Rutland
Sawyer PSD
Scotia PSD
Scranton
Sharon
Sharon PSD
Sherwood
Sheyenne PSD
Solen PSD
South Heart PSD
South Bend PSD
Southern PSD
Southwest Fargo
Stanley
Stanton
Steele
Streeter PSD
Sutton PSD
Thompson
Tioga PSD
Tolna
Traill County District
Turtle Lake
Valley City
Velva
Verona
Walcott
Walhalla
Washburn
Watford City
Westhope
Wildrose PSD
Wilton
Wishek PSD
Wishek
Woodworth PSD
Yellowstone Irrigation District
Zeeland PSD

84

Subpart 2 **$16,590,000 1979 Series A Bonds**

Borrower

Anita Fire Protection District
Ashley PSD
Beulah
Beulah PSD
Center PSD
Edgeley
Edinburg
Edmore
Enderlin
Finley
Gackle
Garrison
Glen Ullin
Grand Forks Park District
Halliday
Harwood
Hazelton
Hazen
Hazen PSD
Hebron
Hettinger
Hope
Hunter
Linton
Lisbon
Mandan
Mayville
Medina
Mott
Napoleon
New Rockford
New Rockford Park District
Park River
Portland
Richardson PSD
Rock Lake
Rolla
Scranton
Sherwood Fire Protection District
Stanley
Stanton
Strasburg
Streeter
Thompson
West Fargo PSD
Wilton
Wishek
Zap

Subpart 3 **$11,600,000 1983 Series A Bonds**

Borrower

Anamoose
Antler
Binford
Bismarck Rural Fire District
Bowbells PSD
Carrington
Cass Richland Drainage District
Casselton
Crosby
Dodge
Edgeley PSD
Elgin PSD
Enderlin
Finley
Flasher PSD
Gladstone
Grafton PSD
Gwinner
Hankinson Rural Fire District
Horace
Killdeer
Lakota PSD
Larimore
Leonard
Linton
Mandan
Manning PSD
Mapleton
Medina
Michigan PSD
Milnor
New England
New Leipzig
Osnabrock
Pembina
Pingree PSD
Rhame
Richardton
Rolette
Stanley
Strasburg
Towner
Velva
Westhope
Wildrose
Zap PSD

Part B

Local Government Assistance Program
$35,290,000 1985 Series A Bonds

Borrower

Barnes County
Bismarck PSD
Border Central PSD
Burleigh County
Cass Valley North PSD
Cass County
Crary PSD
Dakota PSD
Dickey County
Dickinson PSD
Drayton PSD
Edgeley PSD
Epping PSD
Fargo PSD
Fessenden
Fordville
Grace City PSD
Grand Forks County
Grand Forks PSD
Killdeer PSD
LaMoure PSD
Mandan PSD
Mandan
McIntosh County
Michigan PSD
Minot PSD
Morton County
Powers Lake PSD
Ramsey County
Richland County
Solen PSD
Stanton PSD
Stark County
Steele County
Stutsman County
Tolley PSD
Walsh County
West Fargo PSD

Part C

Government Assistance Program
$765,000 1990 Series A Bonds

Borrower

Cavalier
Edgely PSD
Eight Mile PSD
Marion PSD
Pembina PSD
Sherwood PSD

Part D

Insured Water System Revenue Bonds
$8,875,000 1999 Series A Bonds
$1,410,000 1999 Series B Bonds

Borrower

All Season Water Users
Cass Rural Water
Dakota Water Users
Lidgerwood
North Valley Water Users Association
Richland Rural Water
Traill County Rural Water Users, Inc.
Tri-County Water Users Association

Capital Financing Disaster Loan Program

Part E

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 1	**2011**		
Orlien Township, Ward County		$ 400,000	$ 0
Lund Township, Ward County		70,000	0
Ramsey County		2,000,000	0
Anna Township, Ward County		800,000	23,900
Logan County		6,000,000	500,000
Dickey County		5,000,000	0
Rolling Green Township, Ward County		460,742	24,323
Cameron Township, Ward County		495,000	0
Otis Township, McLean County		35,000	0
Normanna Township, Cass County		40,000	0
Casselton Township, Cass County		83,000	18,000
Ward County		10,000,000	768,235
Sargent County		10,000,000	0
Stutsman County		2,739,859	0
Weld Township, Stutsman County		1,321,733	0
Stirton Township, Stutsman County		1,295,017	0
Valley Springs Township, Stutsman County		904,483	0
Lowery Township, Stutsman County		600,000	0
Wadsworth Township, Stutsman County		26,000	0
St Paul Township, Stutsman County		278,500	21,113
Ashland Township, Stutsman County		5,741	0
Woodbury Township, Stutsman County		150,000	2,200
Sinclair Township, Stutsman County		193,000	0
Meadow Lake Township, Barnes County		101,000	0
Sharlow Township, Stutsman County		50,000	0
Streeter Township, Stutsman County		400,000	0
Griffin Township, Stutsman County		61,832	0
Mandan		8,000,000	0
Rice Lake Recreation Service District		400,000	0
North Prairie Rural Water District		700,000	0
North Prairie Rural Water District		450,000	0
Minnewaukan Public School District		2,500,000	0
		55,560,907	1,357,771
Subpart 2	**2012**		
Newman Township, Ward County		40,000	0
Griffin Township, Stutsman County		1,030,530	0
Minot Park District		7,000,000	0
Rice Lake Recreation Service District		672,600	339,344
		8,743,130	339,344

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 3	**2013**		
Gray Township, Stutsman County		$ 30,000	$ 0
Minnewaukan		6,637,509	0
German Township, Dickey County		360,000	0
Chicago Township, Stutsman County		200,000	0
		7,227,509	0
Total Capital Financing Disaster Program Loans		$ 71,531,546	$ 1,697,116

Capital Financing Program

Part F

Borrower	Original Loan Amount
Subpart 1 1990	
Morton County	$ 400,000
Linton	185,000
Mandan	95,000
Hankinson	155,000
Fargo Park District	680,000
Traill County Water Resource Dist	100,000
Dickinson Recreation Building Auth.	250,000
Rolla	220,000
Morton County Water Resource Brd.	230,000
North Valley Rural Water Assoc.	140,000
Milnor	85,000
Bismarck Parks & Recreation Dist.	770,000
Twin Buttes School District	70,000
Hettinger Park District	35,000
Mandan Parks & Recreation Dist.	335,000
	3,750,000
Subpart 2 1991	
Burleigh County Housing Auth.	225,000
Bismarck Parks & Recreation Dist.	1,300,000
Bismarck Parks & Recreation Dist.	410,000
Mandan Parks & Recreation Dist.	560,000
Richardton	165,000
Kindred	25,000
Montefiore PSD	75,000
Pembina PSD	195,000
Eight Mile PSD	150,000
Lake Agassiz Regional Council	180,000
North Valley Water Association	200,000
Finley	875,000
Wyndmere	65,000
Ward County	85,000
Oakes Municipal Airport Authority	45,000
Devils Lake PSD	1,810,000
Greater Richland Ed. Comm. Cons.	250,000
Cass County	400,000
	7,015,000

Borrower	Original Loan Amount
Subpart 3 1992	
Mandan PSD	$ 2,500,000
New England	75,000
Cavalier	75,000
Lidgerwood	75,000
Kindred PSD	1,545,000
Edinburg	120,000
Milnor	205,000
West Fargo PSD	2,500,000
Lisbon PSD	800,000
Emerado PSD	100,000
Milnor	190,000
Pembina PSD	195,000
Eight Mile PSD	200,000
Briarwood	40,000
Buxton	40,000
Missouri Hills Interactive Cons.	455,000
Grand Forks PSD	2,500,000
Mercer County Housing Auth.	435,000
Nelson County	100,000
	12,150,000
Subpart 4 1993	
Lake Metigoshe RSD	150,000
Glenburn PSD	880,000
Fargo PSD	1,975,000
Fargo PSD	525,000
Thompson PSD	900,000
Souris	40,000
Marion PSD	115,000
Pembina PSD	180,000
Eight Mile PSD	150,000
Sims PSD	60,000
Oakes	120,000
McVille	230,000
Milnor	195,000
Emerado PSD	60,000
Grand Forks PSD	2,000,000
Burleigh County Housing Auth.	325,000
	7,905,000

Borrower	Original Loan Amount
Subpart 5 1994	
Mandan Airport Authority	$ 180,000
Fairmount PSD	305,500
Grafton PSD	2,000,000
Sawyer PSD	450,000
Glenburn PSD	592,500
Lincoln PSD	274,000
Finley-Sharon PSD	499,500
Oakes PSD	1,650,000
North Sargent-Gwinner PSD	538,300
Rolette PSD	461,900
Zap PSD	250,000
Stanley PSD	1,185,000
Clifford-Galesburg PSD	532,669
Rhame PSD	180,000
West Fargo PSD	3,000,000
Manvel PSD	228,000
United-Des Lacs PSD	942,647
Surrey PSD	413,000
Cando PSD	50,000
Surrey PSD	325,000
Sawyer	150,000
Marion PSD	105,000
Pembina PSD	90,000
Eight Mile PSD	200,000
Sims PSD	50,000
	14,653,016
Subpart 6 1995	
Burleigh County Housing Auth.	1,600,000
Traill County WRD	100,000
Mooreton	170,000
Milnor	160,000
Ward County	95,000
Marion PSD	105,000
Eight Mile PSD	200,000
Sims PSD	75,000
	2,505,000
Subpart 7 1996	
Minot	500,000
Rolette County Housing	500,000
Dunseith	100,000
Garrison	120,000
Hazelton	140,000
Walcott-Colfax District	70,000
Burleigh Water Users	1,585,000
Marion PSD	120,000
Garrison PSD	230,000
	3,365,000

Borrower	Original Loan Amount
Subpart 8 1997	
Cavalier	$ 540,000
Burleigh Rural Water Users	3,350,000
New Town PSD	300,000
North Valley Water Association	1,400,000
South Central Water Users Dist.	350,000
Grafton PSD	4,500,000
Richardton	205,000
Aggasiz Water Users	375,000
Sims PSD	50,000
West Fargo PSD	1,000,000
Wahpeton	1,600,000
Garrison	125,000
McVille	1,550,000
	15,345,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 9	**1998**		
Gackle		$ 295,000	$ 0
Lidgerwood		120,000	0
Prairie Rose		175,000	0
Surrey		100,000	0
Hettinger Park District		200,000	0
Maple River Water Resource District		55,000	0
Milnor		400,000	0
Grandin		165,000	25,000
West Fargo PSD		1,000,000	0
Sims PSD		50,000	0
Park River		450,000	100,000
		3,010,000	125,000
Subpart 10	**1999**		
Lidgerwood		1,075,000	0
Drayton		140,000	0
Drayton		70,000	0
Max		50,000	0
Surrey		100,000	0
West Fargo PSD		1,000,000	0
Sims PSD		100,000	0
Tri-County Water District		1,710,000	0
Tri-County Water District		285,000	130,000
		4,530,000	130,000
Subpart 11	**2000**		
Lisbon		765,000	0
Enderlin		195,000	0
Amenia		155,000	0
West Fargo PSD		3,000,000	0
Sims PSD		100,000	0
		4,215,000	0
Subpart 12	**2001**		
Frontier		735,000	0
Subpart 13	**2002**		
McVille		215,000	0
Southeast Water Users District		700,000	0
Bismarck Rural Fire District		185,000	0
Kulm		150,000	0
Fessenden-Bowdon PSD		350,000	0
		1,600,000	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 14	**2003**		
Langdon Rural Water District		$ 1,495,000	$ 0
Subpart 15	**2004**		
Traill Rural Water		300,000	150,000
Surrey		500,000	0
Mercer County Housing		80,000	0
		880,000	150,000
Subpart 16	**2006**		
Rolette County Housing Authority		235,000	180,000
Belcourt Public School District		1,045,000	0
Enderlin		105,000	0
		1,385,000	180,000
Subpart 17	**2009**		
West Fargo		530,000	460,000
Tri-County Water District		1,415,000	1,040,000
Emerado		180,000	140,000
		2,125,000	1,640,000
Subpart 18	**2011**		
Drayton		405,000	329,000
Drayton		350,000	285,000
McVille		2,357,000	2,093,000
McVille		618,000	363,000
		3,730,000	3,070,000
Subpart 19	**2012**		
McVille		150,000	115,000
Kulm		85,000	50,000
All Seasons Water Users District		820,000	685,000
Forman Housing Authority		935,000	820,000
Forman		505,000	465,000
Forman		1,090,000	870,000
Hankinson		1,930,000	1,720,000
Mayville		1,430,000	1,220,000
Tri-County Water District		1,405,000	1,275,000
Gackle		1,285,000	1,110,000
		9,635,000	8,330,000
Subpart 20	**2013**		
Fargo		51,375,000	45,940,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 21	**2014**		
Fargo		$ 32,512,000	$ 29,949,000
Noonan		328,000	306,000
Stutsman Rural Water District		9,000,000	8,335,000
		41,840,000	38,590,000
Subpart 22	**2015**		
Minot		1,945,000	1,800,000
Forman		1,965,000	1,875,000
Watford City		23,655,000	22,960,000
Watford City		35,550,000	34,965,000
Rugby		465,000	425,000
Zap		2,265,000	2,190,000
		65,845,000	64,215,000
Total Capital Financing Program Loans		$ 259,088,016	$ 162,370,000

03

Clean Water State Revolving Fund Program

Part G

Borrower		Approved and Funded Loan Amount
Subpart 1	**1990**	
Enderlin		$ 490,000
Fargo		3,561,559
Minot		879,386
		4,930,945
Subpart 2	**1993**	
Fargo		7,770,000
Jamestown		1,581,406
Minot		665,000
Northwood		1,150,000
Wahpeton		1,062,366
West Fargo		175,000
Lake Metigoshe		296,263
New Town		132,050
Jamestown		1,289,702
Williston		252,835
		14,374,622
Subpart 3	**1994**	
Minot		443,522
Burlington		165,037
Devils Lake		1,076,423
Grafton		410,000
Casselton		112,000
		2,206,982
Subpart 4	**1995**	
Fargo		2,850,429
Max		74,912
Cooperstown		55,000
Northwood		225,837
Colfax		36,297
Edmore		62,256
Ellendale		196.826
Minot		400,000
Williston		291,881
Lisbon		100,000
Napoleon		133,851
Park River		498,279
Carrington		835,000
Mott		211,157
Harvey		478,556
Beach		226,241
Williston		328,581

Borrower		Approved and Funded Loan Amount
Subpart 4 Cont.	**1995**	
Buffalo		38,248
Hettinger		156,001
Davenport		176,339
Ellendale		220,990
Cando		113,006
Cooperstown		300,000
		8,009,687

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 5	**1996**			
Jamestown		$ 16,300,000	$ 16,300,000	$ 0
Cooperstown		1,174,952	1,174,952	0
Park River		72,312	72,312	0
Portland		82,368	82,368	0
Medina		67,255	67,255	0
Mayville		105,433	105,433	0
Manvel		478,416	478,416	0
Oriska		21,531	21,531	0
Bottineau		100,000	100,000	0
Arthur		132,963	132,963	0
Cando		254,052	254,052	0
Kindred		124,498	124,498	0
Page		47,738	47,738	0
Argusville		213,061	213,061	0
Bottineau		104,500	104,500	0
Grand Forks		13,700,000	13,700,000	1,695,000
Bank of North Dakota		1,101,444	1,101,444	0
		34,080,523	34,080,523	1,695,000
Subpart 6	**1997**			
Grand Forks		3,940,000	3,940,000	485,000
Casselton		1,589,652	1,589,652	0
Christine		385,273	385,273	40,000
Mapleton		152,864	152,864	0
Horace		225,330	225,330	15,000
Carrington		805,000	805,000	50,000
Mandan		5,191,929	5,191,929	950,000
Berthold		82,875	82,875	4,975
Cooperstown		123,067	123,067	10,000
Jamestown		2,277,487	2,277,487	140,000
Lakota		1,933,969	1,933,969	125,000
Minnewauken		218,000	218,000	0
		16,925,446	16,925,446	1,819,975
Subpart 7	**1998**			
Granville		42,000	42,000	0
Enderlin		342,373	342,373	0
Wishek		140,704	140,704	0
Fargo		1,482,337	1,482,337	0
Gwinner		258,711	258,711	45,000
Southeast Cass		214,000	214,000	29,000
Casselton		108,261	108,261	0
Sanborn		76,195	76,195	0
Frontier		98,603	98,603	10,000
Abercrombie		300,875	300,875	40,875
Grandin		97,042	97,042	10,000
Taylor		59,872	59,872	0
Fargo		10,723,277	10,723,277	0
Grand Forks		2,650,804	2,650,804	295,000
		6,595,054	16,595,054	429,875

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 8	**1999**			
Fargo		$ 210,000	$ 210,000	$ 0
Gackle		118,020	118,020	0
Hillsboro		360,000	360,000	0
Kindred		1,113,522	1,113,522	205,000
Wimbledon		74,738	74,738	15,000
Jamestown		747,990	747,990	0
Lisbon		87,025	87,025	17,000
Stanley		102,413	102,413	0
Buffalo		213,667	213,667	39,000
Buxton		77,000	77,000	0
Hankinson		88,000	88,000	18,000
Jamestown		454,641	454,641	0
		3,647,016	3,647,016	294,000
Subpart 9	**2000**			
Abercrombie		20,064	20,064	0
Hankinson		84,999	84,999	20,000
Fargo		1,816,295	1,816,295	435,000
Lidgerwood		89,405	89,405	22,000
Enderlin		1,189,549	1,189,549	285,000
Hunter		158,395	158,395	30,000
Cogswell		81,960	81,960	15,000
Mayville		1,075,000	1,075,000	315,000
Ward County Water Resource District		797,375	797,375	195,000
Emerado		406,207	406,207	40,000
		5,719,249	5,719,249	1,357,000
Subpart 10	**2001**			
Jamestown		370,120	370,120	0
Mayville		1,169,393	1,169,393	350,000
Forman		135,172	135,172	34,000
Lisbon		716,436	716,436	175,000
Amenia		141,489	141,489	34,000
Grand Forks		13,781,500	13,781,500	4,105,000
Kulm		678,640	678,640	210,000
Tower City		503,123	503,123	150,000
Lake Metigoshe		485,400	485,400	105,000
Williston		1,124,000	1,124,000	335,000
Rolette		102,000	102,000	30,500
Hebron		122,890	122,890	37,000
Hankinson		1,457,760	1,457,760	430,000
Harvey		69,281	69,281	20,900
Oakes		106,076	106,076	8,000
		20,963,280	20,963,280	6,024,400

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 11	**2002**			
Sanborn		$ 30,694	$ 30,694	$ 10,200
Williston		1,190,559	1,190,559	425,000
Grand Forks		1,580,755	1,580,755	495,000
Grand Forks		2,274,164	2,274,164	640,000
Grand Forks		6,546,560	6,546,560	2,070,000
Linton		95,770	95,770	35,000
Mayville		3,073,811	3,073,811	1,090,000
Morton County Water Resource District		258,000	258,000	91,000
Wildrose		86,405	86,405	0
Mapleton		80,790	80,790	0
Wahpeton		374,065	374,065	150,000
		15,591,573	15,591,573	5,006,200
Subpart 12	**2003**			
Hunter		41,930	41,930	17,200
Oakes		746,350	746,350	273,000
Harvey		244,615	244,615	101,000
Hankinson		133,790	133,790	54,800
Mantador		50,000	50,000	20,600
Litchville		236,381	236,381	98,000
Courtenay		49,444	49,444	0
Jamestown		1,309,568	1,309,568	625,000
		2,812,078	2,812,078	1,189,600
Subpart 13	**2004**			
Oakes		601,500	601,500	260,000
Portland		291,164	291,164	120,000
Lidgerwood		84,416	84,416	38,000
Lincoln		397,944	397,944	0
Hillsboro		186,336	186,336	0
Warwick		32,775	32,775	16,000
West River Water and Sewer		338,007	338,007	152,000
		1,932,142	1,932,142	586,000
Subpart 14	**2005**			
Mapleton		335,000	335,000	158,000
Hazen		276,120	276,120	133,000
Enderlin		184,307	184,307	83,000
Rutland		180,841	180,841	91,000
Grand Forks		4,500,000	4,500,000	2,300,000
		5,476,268	5,476,268	2,765,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 15	**2006**			
Jamestown		$ 1,475,346	$ 1,475,346	$ 833,000
Rice Lake Recreation Service District		2,813,537	2,813,537	1,573,000
Fargo		2,631,739	2,631,739	0
Gackle		77,824	77,824	0
Tower City		121,502	121,502	68,000
BND		2,398,556	1,722,501	234,732
Portland		30,236	30,236	17,500
Wyndmere		188,146	188,146	0
Oakes		950,000	950,000	545,000
		10,686,886	10,010,831	3,271,232
Subpart 16	**2007**			
Bismarck		20,000,000	20,000,000	12,375,000
Southeast Cass Water Resource District		738,299	738,299	380,000
Lakota		414,948	414,948	135,000
Leonard		255,000	255,000	155,000
Argusville		634,606	634,606	396,000
Mayville		345,725	345,725	195,000
McVille		81,677	81,677	48,000
Jamestown		1,467,998	1,467,998	777,000
Hope		757,963	757,963	421,000
Portland		46,937	46,937	29,000
Cass Rural Water District		15,326,652	15,326,652	11,170,652
Willow City		148,174	148,174	90,000
Oakes		258,747	258,747	151,000
Nome		16,011	16,011	0
		40,492,737	40,492,737	26,322,652
Subpart 17	**2008**			
Lisbon		1,174,092	1,174,092	765,000
Harvey		210,952	210,952	95,000
Hunter		138,580	138,580	93,000
Fargo		63,725,000	62,106,787	47,136,787
Flasher		121,414	121,414	51,000
Hankinson		100,000	100,000	67,000
Ellendale		734,842	734,842	484,000
Fargo		1,640,000	1,640,000	1,180,000
Watford City		808,588	808,588	530,000
		68,653,468	67,035,255	50,401,787

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 18	**2009**			
Tappen		$ 179,761	$ 179,761	$ 119,000
Casselton		1,931,688	1,931,688	1,395,000
Mandan		1,679,763	1,679,763	1,120,000
Mandan		1,000,000	1,000,000	665,000
Stutsman Rural Water District		4,603,386	4,603,386	2,970,000
Lisbon		1,247,424	1,247,424	365,000
Cavalier		487,315	487,315	310,000
Lake Metigoshe Recreation Service District		517,400	517,400	190,000
Velva		346,601	346,601	0
Hazen		246,919	246,919	65,000
Enderlin		799,172	799,172	220,000
Glenburn		784,378	784,378	290,000
Davenport		389,832	389,832	120,000
Munich		1,200,120	1,200,120	0
Edgeley		1,644,845	1,644,845	265,000
Valley City		345,241	345,241	215,000
Strasburg		1,404,743	1,404,743	245,000
		18,808,588	18,808,588	8,554,000
Subpart 19	**2010**			
Hillsboro		127,849	127,849	90,000
Drayton		1,677,066	1,677,066	98,000
Michigan		1,606,506	1,606,506	365,000
Northwood		2,306,303	2,306,303	720,000
Fargo		822,348	822,348	535,000
Wishek		185,547	185,547	132,000
Mapleton		610,964	610,964	420,000
Hankinson		569,833	569,833	415,000
Fargo		4,061,075	4,061,075	3,135,000
Hunter		143,032	143,032	110,000
Dickinson		569,354	569,354	355,000
Langdon		157,454	157,454	0
Kulm		54,409	54,409	42,000
		12,891,740	12,891,740	6,417,000
Subpart 20	**2011**			
Jamestown		1,140,023	1,140,023	860,000
Pembina		217,329	217,329	175,000
Wyndmere		1,664,897	1,664,897	1,330,000
Devils Lake		2,500,000	2,500,000	1,970,000
Minto		1,177,115	1,177,115	940,000
Fingal		519,245	519,245	305,000
Southeast Cass WRD		591,777	591,777	340,000
Forman		750,935	750,935	355,000
Hazen		178,494	178,494	142,000
		8,739,815	8,739,815	6,417,000

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Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 21	**2012**			
Velva		$ 210,408	$ 210,408	$ 160,000
Kathryn		68,006	68,006	56,000
Maddock		1,284,300	1,284,300	360,000
Casselton		765,923	765,923	620,000
Dunn Center		200,000	200,000	165,000
Des Lacs		97,403	97,403	81,000
Clifford		46,228	46,228	38,000
Medina		238,028	238,028	148,000
		2,910,296	2,910,296	1,628,000
Subpart 22	**2013**			
Burleigh County WRD		244,653	244,653	203,000
Rolla		1,809,750	1,667,824	1,422,824
Lisbon		469,752	469,752	405,000
Ray		2,533,536	2,533,536	1,545,000
Wyndmere		205,773	205,773	80,000
Jamestown		822,306	822,306	720,000
Dickinson		40,500,000	37,985,948	32,990,948
Casselton		3,246,585	3,246,585	2,831,585
Lehr		219,482	219,482	89,000
Mandan		2,066,118	2,066,118	1,805,000
		52,117,955	49,461,977	42,092,357
Subpart 23	**2014**			
Douglas		67,866	67,866	58,000
Jamestown		11,100,950	11,100,950	10,215,000
Berthold		2,471,000	1,248,288	708,979
Bowbells		685,005	685,005	455,000
Noonan		237,000	237,000	215,000
Enderlin		365,500	365,500	335,000
Page		182,867	182,867	165,000
Beulah		586,800	557,460	507,460
Washburn		2,922,696	2,922,696	2,678,696
Mandan		1,681,280	1,681,280	1,515,000
Dickinson		42,108,000	36,812,429	33,874,429
Grenora		416,147	416,147	324,000
Williston		125,600,000	95,585,372	91,235,372
Ryder		189,109	189,109	167,000
		188,614,220	152,051,969	142,453,936

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 24	**2015**			
Watford City		$ 18,718,523	$ 18,718,523	$ 18,283,523
Mandan		5,300,000	3,751,650	3,546,650
Tioga		2,500,000	2,500,000	1,930,000
Marion		97,732	97,732	90,000
Harvey		830,477	830,477	795,000
Ward County WRD		2,778,000	2,554,061	2,450,039
Granville		139,939	139,939	130,000
Grafton		750,000	362,535	361,535
Watford City		14,000,000	9,948,204	9,948,204
		45,114,671	38,903,121	37,534,951
Subpart 25	**2016**			
Oberon		191,552	191,552	186,552
Jamestown		522,119	522,119	521,119
Dwight		100,000	45,930	45,930
Makoti		57,450	57,450	57,450
LaMoure		1,425,000	294,646	206,253
Hebron		682,000	606,752	606,752
Arnegard		380,000	361,000	252,700
		3,358,121	2,079,449	1,876,756
Total		$ 605,653,362	$ 556,650,643	$ 348,136,721

Drinking Water State Revolving Fund Program

Part H

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1999**			
Wahpeton		$ 345,715	$ 345,715	$ 40,000
Park River		261,000	261,000	0
New Rockford		281,102	281,102	35,000
Sawyer		136,000	136,000	0
Walsh Rural Water District		3,000,000	3,000,000	0
Tioga		44,004	44,004	0
Williston		3,901,331	3,901,331	1,170,000
St. John		399,388	399,388	96,000
		8,368,540	8,368,540	1,341,000
Subpart 2	**2000**			
Grand Forks		11,542,236	11,542,236	2,770,000
Lisbon		912,115	912,115	210,000
Stutsman Rural Water Users		666,168	666,168	160,000
State Water Commission		1,500,000	1,500,000	0
Cooperstown		300,000	300,000	74,000
Harwood		866,514	866,514	260,000
Mayville		1,025,000	1,025,000	300,000
		16,812,033	16,812,033	3,774,000
Subpart 3	**2001**			
Hankinson		405,000	405,000	110,000
Finley		2,479,994	2,479,994	731,600
Enderlin		195,000	195,000	40,000
Valley City		1,444,139	1,444,139	430,000
Grand Forks		10,050,000	10,050,000	0
Oxbow		475,657	475,657	140,000
Lisbon		460,381	460,381	140,000
Nome		22,465	22,465	0
Southeast Water Users		60,000	60,000	17,500
		15,592,636	15,592,636	1,609,100

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4	**2002**			
Lisbon		$ 413,522	$ 413,522	$ 145,000
Harvey		427,076	427,076	150,000
Grafton		285,616	285,616	100,000
Mandan		4,197,565	4,197,565	1,315,000
Ramsey County WRD		3,482,000	3,482,000	0
Enderlin		87,500	87,500	32,000
Linton		563,063	563,063	200,000
Cleveland		206,406	206,406	66,000
Langdon		522,796	522,796	0
Drayton		132,362	132,362	0
Larimore		1,991,805	1,991,805	690,000
Wahpeton		1,890,000	1,890,000	821,000
Grafton		1,130,229	1,130,229	480,000
		15,329,940	15,329,940	3,999,000
Subpart 5	**2003**			
Southeast Water District		1,446,906	1,446,906	0
Grand Forks - Traill Water District		3,991,780	3,991,780	1,415,000
North Valley Water District		4,138,000	4,138,000	0
Williston		3,693,344	3,693,344	1,505,000
Barnes Rural Water District		816,000	816,000	335,000
Argusville		360,718	360,718	150,000
Casselton		1,272,000	1,272,000	540,000
Aneta		171,340	171,340	72,200
Stutsman Rural Water District		201,651	201,651	93,000
		16,091,739	16,091,739	4,110,200
Subpart 6	**2004**			
Oakes		147,652	147,652	63,000
Cass Rural Water District		1,890,923	1,890,923	925,000
Leeds		179,000	179,000	70,000
Hazen		1,000,000	1,000,000	460,000
Tioga		418,727	418,727	134,000
Lincoln		307,681	307,681	149,000
Lincoln		447,000	447,000	0
Abercrombie		244,002	244,002	114,000
Lisbon		410,000	410,000	185,000
Williston		5,000,000	5,000,000	0
Harvey		676,556	676,556	300,000
Noonan		39,602	39,602	20,000
Williams County Rural Water		1,500,000	1,500,000	730,000
Williston		17,593,143	17,593,143	9,910,000
Jamestown		2,534,604	2,534,604	1,280,000
		32,388,890	32,388,890	14,340,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 7	**2005**			
Argusville		$ 217,304	$ 217,304	$ 103,000
Park River		746,100	746,100	395,000
Mapleton		83,754	83,754	0
Bottineau		750,000	750,000	378,000
Southeast Water Users District		808,411	808,411	420,000
		2,605,569	2,605,569	1,296,000
Subpart 8	**2006**			
Walcott		159,112	159,112	87,000
Stutsman Rural Water District		1,164,020	1,164,020	581,000
Wildrose		52,291	52,291	26,500
Velva		1,616,123	1,616,123	415,000
Cooperstown		309,634	309,634	150,000
Riverdale		762,138	762,138	349,000
Pick City		223,328	223,328	123,000
Braddock		16,610	16,610	0
Center		358,800	358,800	190,000
Page		95,975	95,975	55,000
Harvey		91,581	91,581	51,000
Hillsboro		1,151,563	1,151,563	455,000
Washburn		1,870,633	1,870,633	995,000
Southeast Water Users District		4,655,000	4,655,000	2,614,000
Portal		50,000	50,000	0
Park River		517,600	517,600	310,000
Central Plains Water District		1,661,967	1,661,967	932,000
Columbus		57,000	57,000	0
Southeast Water Users District		186,902	186,902	103,000
		15,000,277	15,000,277	7,436,500
Subpart 9	**2007**			
McLean-Sheridan Rural Water		519,104	519,104	316,000
Walsh Rural Water District		1,796,902	1,796,902	0
North Prairie Water District		5,700,000	5,700,000	3,510,000
Mayville		324,341	324,341	180,000
Southeast Water Users District		5,418,000	5,418,000	1,780,000
South Central Regional Water		8,000,000	8,000,000	4,878,000
Jamestown		2,076,816	2,076,816	1,205,000
Devils Lake		3,800,000	3,800,000	2,340,000
North Valley Water District		2,617,000	2,617,000	0
Christine		219,015	219,015	138,000
Grand Forks Traill Water District		1,200,000	1,200,000	705,000
All Seasons Water Users District		211,950	211,950	128,000
		31,883,128	31,883,128	15,180,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 10	**2008**			
Southeast Water Users District		$ 595,000	$ 595,000	$ 364,000
Hazelton		245,120	245,120	100,000
Lisbon		757,220	757,220	450,000
Mapleton		1,149,088	1,149,088	760,000
Mandan		4,511,900	4,511,900	2,990,000
Fargo		2,500,000	2,500,000	1,600,000
Cass Rural Water District		1,376,605	1,376,605	905,000
Fargo		14,110,422	14,110,422	7,380,422
Tri-County Water District		363,289	363,289	237,000
Lakota		199,802	199,802	0
Crosby		551,488	551,488	0
Hankinson		95,000	95,000	63,000
Hannaford		53,748	53,748	35,000
South Central Regional Water		4,000,000	4,000,000	2,665,000
Ray		1,452,760	1,452,760	370,000
Parshall		2,887,500	2,785,771	1,998,271
Mandan		7,972,283	7,972,283	5,355,000
Leeds		37,076	37,076	24,000
		42,858,301	42,756,572	25,296,693
Subpart 11	**2009**			
Traill Rural Water District		3,396,880	3,396,880	2,880,000
Carrington		240,117	240,117	159,000
Lisbon		305,787	305,787	200,000
Watford City		347,464	347,464	232,000
Bismarck		16,320,000	16,320,000	11,510,000
Lisbon		1,613,726	1,613,726	1,120,000
Ray		864,000	864,000	0
Southeast Water Users District		1,128,358	1,128,358	810,000
Southeast Water Users District		841,774	841,774	635,000
Barnes Rural Water District		2,050,000	2,050,000	1,325,000
Velva		373,579	373,579	255,000
All Seasons Water Users District		154,433	154,433	100,000
Wimbledon		258,353	258,353	174,000
Hope		175,000	175,000	115,000
Enderlin		2,196,790	2,196,790	1,485,000
Garrison		158,222	158,222	0
Wildrose		1,503,094	1,503,094	0
Karlsruhe		791,415	791,415	99,000
Strasburg		2,060,678	2,060,678	255,000
		34,779,670	34,779,670	21,354,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 12	**2010**			
Hillsboro		$ 289,376	$ 289,376	$ 205,000
Washburn		4,023,646	4,023,646	1,330,000
South Central Regional WD		4,600,000	4,600,000	3,480,000
BDW Water Systems		2,309,158	2,309,158	0
State Line Water Coop		147,781	147,781	26,000
Valley City		4,646,000	4,646,000	1,365,000
Hillsboro		1,310,679	1,310,679	755,000
Mandan		6,923,867	6,923,867	5,265,000
Kenmare		403,579	403,579	275,000
Buffalo		98,922	98,922	74,000
Jamestown		5,525,008	5,525,008	3,825,000
Kulm		25,300	25,300	19,000
		30,303,316	30,303,316	16,619,000
Subpart 13	**2011**			
Pembina		1,743,743	1,743,743	1,460,000
Linton		224,800	224,800	180,000
Page		90,597	90,597	72,000
Cooperstown		700,235	700,235	535,000
Sawyer		308,708	308,708	250,000
Bowbells		2,145,000	2,145,000	935,000
McKenzie County WRD		8,200,000	7,778,566	4,475,825
Kenmare		892,039	892,039	685,000
		14,305,122	13,883,688	8,592,825
Subpart 14	**2012**			
Ray		2,500,000	2,500,000	835,000
Minnewaukan		1,850,000	1,435,689	0
R & T Water Supply Commerce		9,349,789	9,349,789	6,729,789
Garrison Rural Water District		720,000	720,000	590,000
Southeast Water Users District		1,610,000	1,603,656	666,000
Sherwood		82,475	82,475	70,000
Granville		209,990	209,990	165,000
		16,322,254	15,901,599	9,055,789
Subpart 15	**2013**			
Hillsboro		2,623,344	2,623,344	1,960,000
Ross		1,890,000	1,740,267	670,267
Max		292,062	292,062	260,000
Fargo		66,352,000	24,752,253	24,752,253
Cooperstown		314,393	314,393	270,000
		71,471,799	29,722,319	27,912,520

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 16	**2014**			
Westhope		$ 926,447	$ 926,447	$ 385,000
Grafton		3,000,000	1,989,625	1,754,625
Cooperstown		200,733	200,733	125,000
Stutsman Rural Water District		7,800,000	7,248,504	5,134,704
McLean-Sheridan Rural Water		1,350,000	1,280,158	1,250,158
Mandan		641,683	641,683	565,000
Fairmount		121,759	121,759	111,000
Noonan		282,130	282,130	259,000
Leeds		317,106	317,106	295,000
Columbus		387,828	368,437	135,840
Washburn		1,391,331	1,391,331	1,286,691
Jamestown		3,572,603	3,572,603	3,260,000
Grenora		383,853	383,853	289,000
Carrington		1,459,704	1,459,704	1,345,000
Ray		1,670,000	1,586,500	584,600
Barnes Rural Water District		2,063,033	2,063,033	1,980,000
		25,568,210	23,833,606	18,760,618
Subpart 17	**2015**			
Cass Rural Water District		3,000,000	2,826,967	2,826,967
Jamestown		794,159	794,159	725,000
Garrison		1,821,023	1,821,023	1,741,023
Gwinner		3,050,000	2,882,111	1,801,111
Sheyenne		77,362	77,362	74,000
Lehr		79,065	79,065	30,500
		8,821,609	8,480,687	7,198,601
Subpart 18	**2016**			
Tri-County Water District		750,000	571,542	380,078
New Rockford		270,000	270,000	260,000
Enderlin		340,000	306,175	293,175
Cooperstown		750,000	335,035	320,035
Robinson		130,000	100,634	25,159
South Central Regional WD		3,125,000	810,865	810,865
New Town		5,000,000	2,893,750	1,892,750
Hebron		2,288,000	1,777,577	1,777,577
Stutsman Rural Water District		1,706,000	746,199	746,199
Flaxton		100,000	95,000	95,000
North Prairie Water District		1,126,000	170,413	170,413
		15,585,000	8,077,190	6,771,251
Total		$ 414,088,033	$ 361,811,399	$ 194,647,097

Industrial Development Bond Program Loans

Part I

Borrower		Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**2006**		
Prairie Gold Real Estate, LLC		$ 1,360,000	$ 973,750
Subpart 2	**2008**		
ND Natural Beef, LLC		2,000,000	0
Subpart 3	**2009**		
Giant Snacks Inc.		1,500,000	1,213,750
ND Natural Beef, LLC		65,269	0
		1,565,269	1,213,750
Total		$ 4,925,269	$ 2,187,500

Direct Loans

Part J

Borrower		Original Loan Amount
Subpart 1	**1992**	
Ft. Clark Irrigation		$ 20,750
Subpart 2	**1993**	
Solen		9,000
Subpart 3	**1995**	
Plaza PSD		16,000
Mooreton		30,000
Garrison PSD		110,000
Beulah Airport Authority		35,000
		191,000
Subpart 4	**1996**	
Christine		27,000
McHenry		24,000
Sims PSD		17,000
		68,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 5	**1997**		
Ward County		$ 80,000	$ 0
Traill County Rural Water Users		40,000	0
Christine		17,500	1,750
Manvel		28,000	0
		165,500	1,750
Subpart 6	**1998**		
Berthold		45,000	0
Page		60,000	0
Ransom Sargent Water Users Inc.		87,000	0
Upper Souris Water Users Association		75,000	0
Hannaford		20,000	0
		287,000	0
Subpart 7	**1999**		
Forest River		50,000	0
Subpart 8	**2000**		
New Town PSD		500,000	0
Sanborn		13,500	0
Havana		120,000	0
		633,500	0
Subpart 9	**2001**		
Fort Pembina Airport Authority		117,000	0
Sims PSD		100,000	0
		217,000	0
Subpart 10	**2002**		
Kulm		21,360	0
Southeast Water Users		640,000	0
Solen PSD		200,000	0
		861,360	0
Subpart 11	**2003**		
Solen PSD		200,000	0
Traill County Rural Water Users		50,000	0
St. John		85,000	0
		335,000	0
Subpart 12	**2004**		
Solen PSD		200,000	0
New Town PSD		60,000	0
		260,000	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 13	**2005**		
Enderlin		$ 92,000	$ 0
Columbus		57,000	0
Solen PSD		200,000	0
Gackle		75,000	0
Portal		185,000	0
Surrey Township		42,500	0
		651,500	0
Subpart 14	**2006**		
Solen PSD		200,000	0
Subpart 15	**2007**		
Emerado		186,288	0
Subpart 16	**2008**		
Sterling PSD		100,000	0
Cass Rural Water District		330,000	0
Watford City		405,000	0
Casselton		685,000	0
		1,520,000	0
Subpart 17	**2009**		
Northood PSD		1,500,000	0
Hazen		215,000	0
Solen PSD		390,000	0
		2,105,000	0
Subpart 18	**2010**		
Drayton		405,000	0
Drayton		278,000	0
		683,000	0
Subpart 19	**2012**		
Fessenden		44,000	0
Rolla		265,000	49,723
Sheldon		63,413	14,000
		372,413	63,723

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 20	**2013**		
Noonan		$ 115,290	$ 0
Noonan		400,000	0
Rolla		190,000	79,000
Benedict		126,500	104,000
McHenry County		1,777,500	0
		2,609,290	183,000
Subpart 21	**2014**		
Traill Rural Water District		200,500	123,000
Berthold		450,000	410,000
Leeds		70,000	0
Colfax		40,000	24,000
		760,500	557,000
Subpart 22	**2015**		
Grafton		150,000	120,000
Total Direct Loans		$ 12,336,101	$ 925,473

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BONDS ISSUED 1977 THROUGH 2016

Part A 1997 General Bond Resolution

		Initial Bond Amount
1977 Series A		$ 15,000,000
1979 Series A		16,590,000
1983 Series A		11,680,000
	Subtotal	43,270,000

Part B Local Government Assistance Program

1985 Series A		35,290,000

Part C Insured Water Revenue Bonds

1989 Series A		11,650,000
1989 Series B		1,410,000
	Subtotal	13,060,000

Part D Government Assistance Program

1990 Series A		765,000
1990 Series B		1,241,704
	Subtotal	2,006,704

Part E Taxable Insured Water System Refunding Bonds

1999 Series A		8,875,000
1999 Series B		1,410,000
	Subtotal	10,285,000

Part F Capital Financing Program

	Initial Bond Amount
1990 Series A	400,000
1990 Series B	185,000
1990 Series C	95,000
1990 Series D	155,000
1990 Series E	680,000
1990 Series F	100,000
1990 Series G	250,000
1990 Series H	220,000
1990 Series I	230,000
1990 Series J	140,000
1990 Series K	85,000
1990 Series L	770,000
1990 Series M	70,000
1990 Series N	35,000
1990 Series O	335,000

Part F Cont.

	Initial Bond Amount
1991 Series A	225,000
1991 Series B	1,300,000
1991 Series C	410,000
1991 Series D	560,000
1991 Series E	265,000
1991 Series F	345,000
1991 Series G	380,000
1991 Series H	280,000
1991 Series I	2,460,000
1992 Series A	565,000
1992 Series B	820,000
1992 Series C	2,650,000
1992 Series D	115,000
1992 Series E	1,870,000
1992 Series F	3,260,000
1992 Series G	290,000
1992 Series H	395,000
1992 Series I	535,000
1992 Series J	2,500,000
1992 Series K	535,000
1993 Series A	150,000
1993 Series B	880,000
1993 Series C	1,975,000
1993 Series D	1,465,000
1993 Series E	505,000
1993 Series F	2,930,000
1994 Series A	5,335,000
1994Series B	525,000
1994 Series C	445,000
1995 Series A	1,700,000
1995 Series B	425,000
1995 Series C	380,000
1996 Series A	500,000
1996 Series B	930,000
1996 Series C	1,585,000
1996 Series D	350,000
1997 Series A	540,000
1997 Series B	3,350,000
1997 Series C	300,000
1997 Series D	1,750,000
1997 Series E	4,705,000
1997 Series F	375,000
1997 Series G	1,050,000
1997 Series H	3,275,000
1998 Series A	945,000
1998 Series B	6,685,000

Part F Cont.		Initial Bond Amount	Outstanding Bond Amount
1998 Series C		$ 565,000	$ 25,000
1998 Series D		1,050,000	0
1998 Series E		450,000	100,000
1999 Series A		1,075,000	0
1999 Series B		260,000	0
1999 Series C		100,000	0
1999 Series D		1,100,000	0
1999 Series E		1,710,000	0
1999 Series F		285,000	130,000
2000 Series A		1,115,000	0
2000 Series B		3,100,000	0
2001 Series A		735,000	0
2002 Series A		1,700,000	0
2003 Series A		1,495,000	0
2004 Series A		880,000	150,000
2006 Series A		1,385,000	180,000
2009 Series A		2,125,000	1,640,000
2011 Series A		3,730,000	3,070,000
2012 Series A		9,635,000	8,330,000
2013 Series A		51,375,000	45,940,000
2014 Series A		32,840,000	30,255,000
2014 Series B		9,000,000	8,335,000
2015 Series A		1,945,000	1,800,000
2015 Series B		25,620,000	24,835,000
2015 Series C		38,280,000	37,580,000
	Subtotal	258,120,000	162,370,000
Part G	**Capital Financing Disaster Loan Program**		
2011 Series A		9,141,832	0
2012 Series A		2,892,780	0
2013 Series A		1,696,000	0
2014 Series A		675,000	0
	Subtotal	14,405,612	0

			Initial Bond Amount	Outstanding Bond Amount
Part H	**State Revolving Fund Program**			
1990 Series A		[1]	5,520,000	0
1993 Series A		[2, 5]	20,220,000	0
1995 Series A		[3]	6,975,000	0
1996 Series A		[3]	29,845,000	100,000
1998 Series A		[5, 6]	35,965,000	5,225,000
2000 Series A		[4]	16,725,000	0
2001 Series A		[7]	23,725,000	0
2003 Series A		[7, 8]	26,795,000	0
2003 Series B		[9]	20,455,000	0
2004 Series A		[9]	11,790,000	0
2005 Series A		[8]	36,210,000	900,000
2008 Series A		[10]	46,100,000	5,385,000
2011 Series A			101,210,000	80,915,000
2012 Series A			19,705,000	17,005,000
2012 Series B			17,900,000	8,155,000
2015 Series A			119,195,000	115,485,000
2016 Series A			16,405,000	16,405,000
	Subtotal		554,740,000	249,575,000

[1] A portion of the proceeds of the 1993 Series A SRF Bonds was used to defease and refund the 1990 Series A SRF Bonds.
[2] A portion of the proceeds of the 2001 Series A SRF Bonds was used to defease and refund the 1993 and 1995 Series A SRF Bonds.
[3] The proceeds of the 2003 Series B SRF Bonds was used to defease and refund the 1996 Series A SRF Bonds.
[4] The proceeds of the 2004 Series A SRF Bonds was used to defease and refund the 2000 Series A SRF Bonds.
[5] A portion of the proceeds of the 2005 Series A SRF Bonds was used to defease and refund the 1993 and 1998 Series A SRF Bonds.
[6] A portion of the proceeds of the 2008 Series A SRF Bonds was used to defease and refund the 1998 Series A SRF Bonds.
[7] A portion of the proceeds of the 2011 Series A SRF Bonds was used to defease and refund the 2001Series A and 2003 Series A SRF Bonds.
[8] A portion of the proceeds of the 2012 Series A SRF Bonds was used to defease and refund the 2003Series A and 2005 Series A SRF Bonds.
[9] A portion of the proceeds of the 2012 Series B SRF Bonds was used to defease and refund the 2003 Series B and 2004 Series A SRF Bonds.
[10] The proceeds of the 2016 Series A SRF Bonds was used to defease and refund the 2008 Series A SRF Bonds.

Part I	**Industrial Development Bond Program**			
2006 Series A			1,360,000	1,000,000
2008 Series A			2,000,000	1,660,000
2009 Series A			1,500,000	1,240,000
	Subtotal		4,860,000	3,900,000
Total All Bonds		$	936,037,316	$ 415,845,000

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Doug Burgum
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Robert Frantsvog
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DMR

House Appropriations Committee
SB-2014

March 1, 2017

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission

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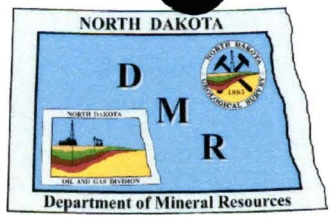
DMR Audit Findings

The Office of State Auditor performed an operational and financial audit for the biennium ending June 30, 2015. The audit began on February 08, 2016, and was finalized on September 22, 2016. DMR had no formal findings.



EXPLANATION OF PROGRAM COSTS

The Department of Mineral Resources (DMR) budget is 99% general funds and <1% federal funds. Budget costs are primarily salary and benefits (84%). Federal funds for protection of fresh water supplies are not increasing, although program costs continue to rise due to inflation and federal environmental mandates. However, the agency continues to have statutory responsibilities to protect fresh water supplies. The federal funds are not expected to change over the current biennium.

The operating budget consists of Lease/Rent/Facilities costs (27%) for the Bismarck office, warehouse, and three field offices. Other items of significant costs include travel (40%), primarily state fleet vehicle mileage for fieldwork, and IT costs (13%) two-thirds of which are ITD data processing, Telephone, and Contractual Services. Less than one-tenth is for software and supplies and the DMR will not purchase new computers during the biennium, but rather will extend warranties and utilize existing computer systems.

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SALARIES AND BENEFITS

During the 2015-2017 biennium North Dakota experienced a decreasing rig count, although ever-increasing drilling rig efficiencies and technological advancements have resulted in a 40% increase in well output over the two-year period. Current staffing levels are inadequate to keep up with a rig count above 35 rigs. At the same time, our work force has been strained by attrition due to the 6.55% allocation this biennium. A record number of oil producing wells has resulted in a significant shift in workload due to a decrease in permitting, but an increase in workload due to required oil conditioning and gas capture goals set by the Commission.

To address this shift in workload, the Department reassigned duties of several engineering technicians that were assigned to permitting. Rig count is slowly rebounding as oil prices have doubled from their recent lows and rig count is projected to increase to 50 rigs in FY 2018 and 55 in FY 2019. The Spearfish play has been proven commercial in the past and increased oil prices could return activity to Bottineau County, which will warrant additional inspections from our Minot office. Temporary staffing will be crucial to meeting our mission both in the field and in the central office and flexibility is needed so that the personnel can be assigned to meet the most critical need.

OPERATING

Travel

Although DOT motor pool rates have remained fairly flat for the 2015-2017 biennium, total mileage driven has risen. To offset allotments and/or the executive budget reductions, the number of field inspections will have to be reduced at a time when industry has fewer personnel creating a need for greater regulatory oversight. This may result in inadequate protection of potable waters and correlative rights. Cutting travel will also affect the agency's role in providing services necessary to meet the objectives of collecting and disseminating geologic data, overseeing the regulatory aspects assigned and providing information as requested.

Lease/Building Rent/Land

Oil and Gas Division rent is increasing $42,123 in our Bismarck, Dickinson, Minot, and Williston office buildings. These offices provide a location for efficient synchronization of inspector data to our main database, contact between the general public and local Oil and Gas Division employees, and for inspectors to complete written correspondence.

Geological Survey is experiencing increases in office and warehouse rents of $5,922. The expansion of the Wilson M. Core and Sample Library will require increases in janitorial, buildings and grounds, and property insurance of $43,500.

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Oil and Gas Regulatory Programs

Oil and Gas Exploration and Production (NDCC 38-08-01)

It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

Geophysical Exploration (NDCC 38-08.1-02)

Notwithstanding any other provision of this chapter, the commission is the primary enforcement agency governing geophysical exploration in this state. Any person in this state engaged in geophysical exploration or engaged as a subcontractor of a person engaged in geophysical exploration shall comply with this chapter; provided, however, that compliance with this chapter by a crew or its employer constitutes compliance herewith by that person who has engaged the service of the crew, or its employer, as an independent contractor.

Oil and Gas Regulatory Programs

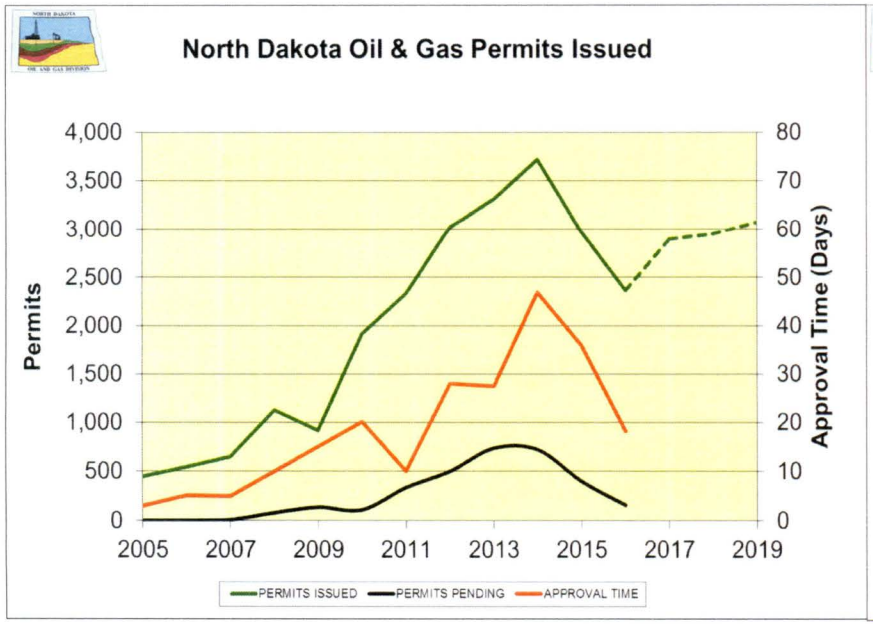
Pipeline (NDCC 38-08-27)

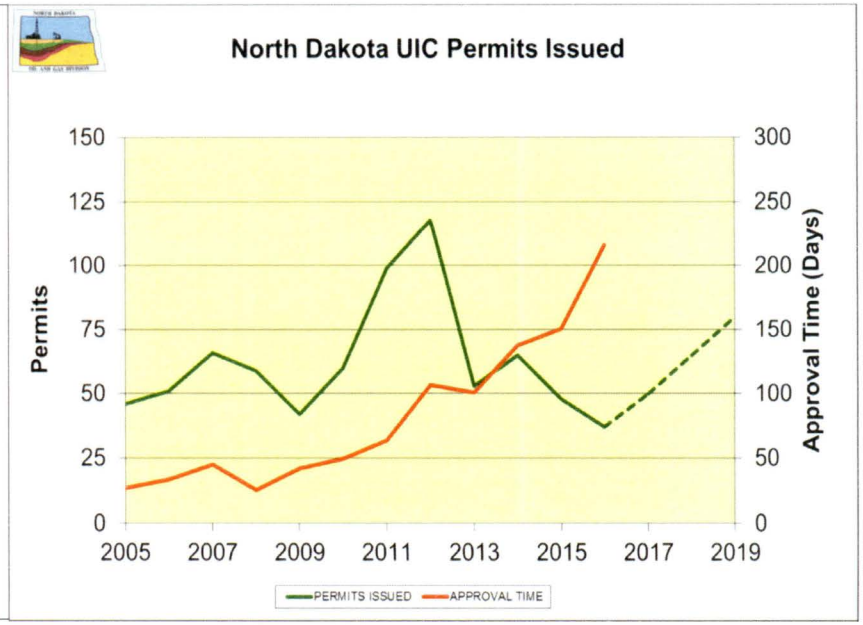
The application of this section is limited to an underground gathering pipeline that is designed or intended to transfer crude oil or produced water from a production facility for disposal, storage, or sale purposes and which was placed into service after August 1, 2015. Upon request, the operator shall provide the commission the underground gathering pipeline engineering construction design drawings and specifications, list of independent inspectors, and a plan for leak protection and monitoring for the underground gathering pipeline. Within sixty days of an underground gathering pipeline being placed into service, the operator of that pipeline shall file with the commission an independent inspector's certificate of hydrostatic or pneumatic testing of the underground gathering pipeline.

Carbon Dioxide Geological Storage (NDCC 38-22-01)

It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and its citizens. Further, geologic storage of carbon dioxide, a potentially valuable commodity, may allow for its ready availability if needed for commercial, industrial, or other uses, including enhanced recovery of oil, gas, and other minerals. Geologic storage, however, to be practical and effective requires cooperative use of surface and subsurface property interests and the collaboration of property owners. Obtaining consent from all owners may not be feasible, requiring procedures that promote, in a manner fair to all interests, cooperative management, thereby ensuring the maximum use of natural resources.

NORTH DAKOTA
D M R
Department of Mineral Resources





NORTH DAKOTA
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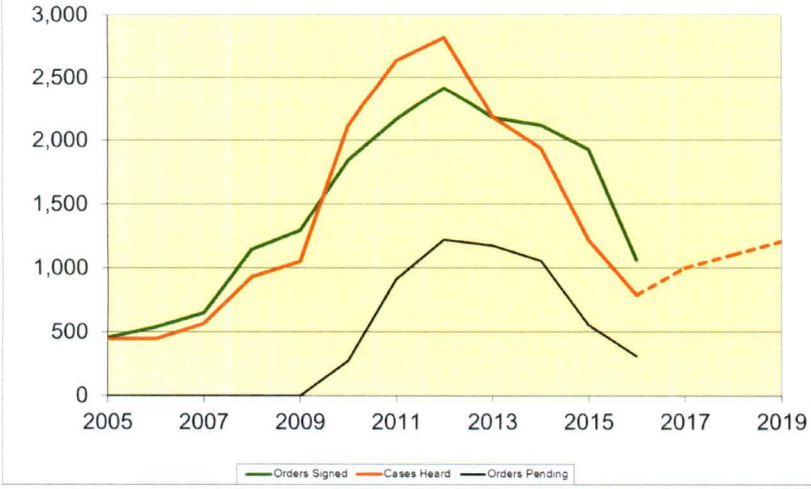
Department of Mineral Resources

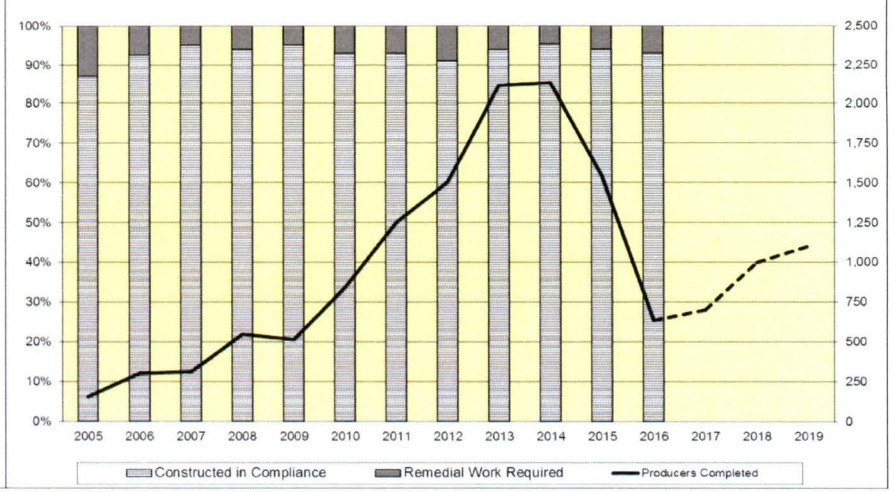
Orders Signed--Cases Heard

The Oil and Gas Division continues to work on issuing the backlog of pending applications and is now seeing signs of increasing hearing activity.



Well Construction

The Oil and Gas Division has well construction rules to protect underground drinking water. Without this program 5-10% of new North Dakota wells could be leaking.



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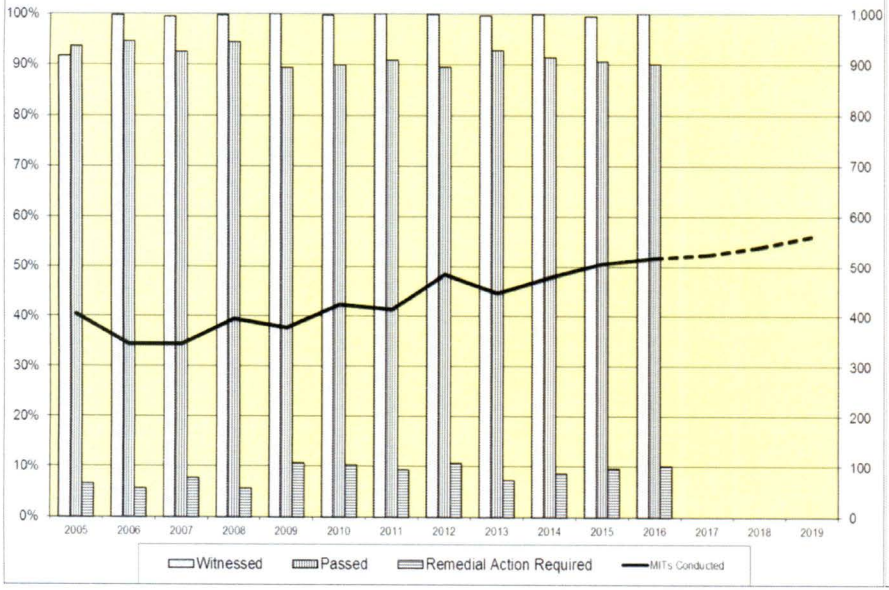
NORTH DAKOTA

D M R

Department of Mineral Resources

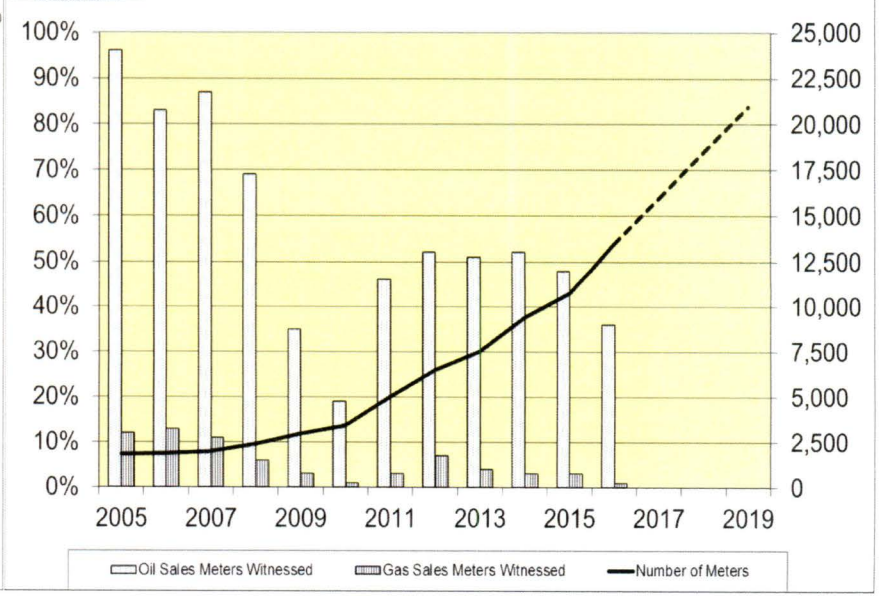
Mechanical Integrity Tests

The Oil and Gas Division witnesses nearly all mechanical integrity tests.
Without this program 10% of North Dakota injection and temporary abandoned wells could be leaking.



Sales Meter Tests

The Oil and Gas Division regulates oil and gas meter accuracy and royalty owner information.
Recent decline in meter witness percentage reflects staff reduction due to mandatory budget allotments.



North Dakota Geological Survey

The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 115 years, the Survey still serves as the primary source of geological information in the state. Its mission over the years has grown and is now three-fold: to investigate the geology of North Dakota; to administer regulatory programs and act in an advisory capacity to other state agencies; and to provide public service to the people of North Dakota.

The Geological Survey publishes maps and reports on the mineralogical, paleontological, and geochemical resources of North Dakota, including oil and gas, coal, uranium, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources, the Survey is actively mapping the surface geology throughout the state with an emphasis on urban areas and the identification of geohazards such as landslides. Survey publications support the regulatory programs of the Industrial Commission, as well as other state and federal agencies, and assist mineral companies, geotechnical consulting firms, city and county governments, landowners, and citizens of the state.

The Geological Survey and the Oil and Gas Division are in the Department of Mineral Resources and under the North Dakota Industrial Commission. The main office of the Department of Mineral Resources is located at 1016 East Calgary Avenue in Bismarck. The paleontology program of the Geological Survey is housed in the Clarence Johnsrud Paleontology Laboratory in the North Dakota Heritage Center (state museum) on the State Capitol grounds in Bismarck. The North Dakota State Fossil Collection, as well as the State Rock and Mineral Collection, are also housed in the Heritage Center. The North Dakota Geological Survey's Wilson M. Laird Core and Sample Library is located on the University of North Dakota campus in Grand Forks. The facility currently houses 400,000 feet of core and 35,000 boxes of drill cuttings obtained from oil and gas wells.

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GEOLOGICAL SURVEY REGULATORY PROGRAMS

Regulation, Development, and Production of Subsurface Minerals (NDCC 38-12)

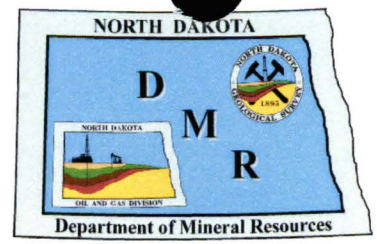
The exploration, development and production of subsurface minerals requires a permit, basic data to be provided to the state geologist. These regulations cover minerals not included in the oil & gas and coal regulatory programs.

Subsurface Mineral Exploration and Development		**(NDAC 43-02-02)**
Underground Injection Control Program	**(NDCC 61-28)**	**(NDAC 43-02-02.1)**
In Situ Leach Uranium Mining Rules		**(NDAC 43-02-02.2)**
Surface Mining –Noncoal		**(NDAC 43-02-02.3)**
Solution Mining		**(NDAC 43-02-02.4)**

Coal Exploration (NDCC 38-12.1)

Drilling for coal exploration or evaluation requires a permit and a report of findings must be filed with the state geologist. Collectively, these reports comprise a database useful to private and government coal researchers and provide information necessary for geologic correlations and economic forecasting.

Coal Exploration (NDAC 43-02-01)



GEOLOGICAL SURVEY REGULATORY PROGRAMS

Geothermal Resource Development Regulation (NDCC 38-19)

Geothermal (ground source) heating and cooling systems require a permit. The permit review process helps to ensure that geothermal systems are properly designed and constructed, and minimizes the risk of groundwater contamination or other environmental problems.

Geothermal Energy Production (NDAC 43-02-07)

Paleontological Resource Protection (NDCC 54-17.3)

Paleontological resources, on land owned by the State of North Dakota and its political subdivisions, are protected. A permit is required from the state geologist to investigate, excavate, collect, or otherwise record paleontological resources on these lands.

Paleontological Resource Protection (NDAC 43-04)

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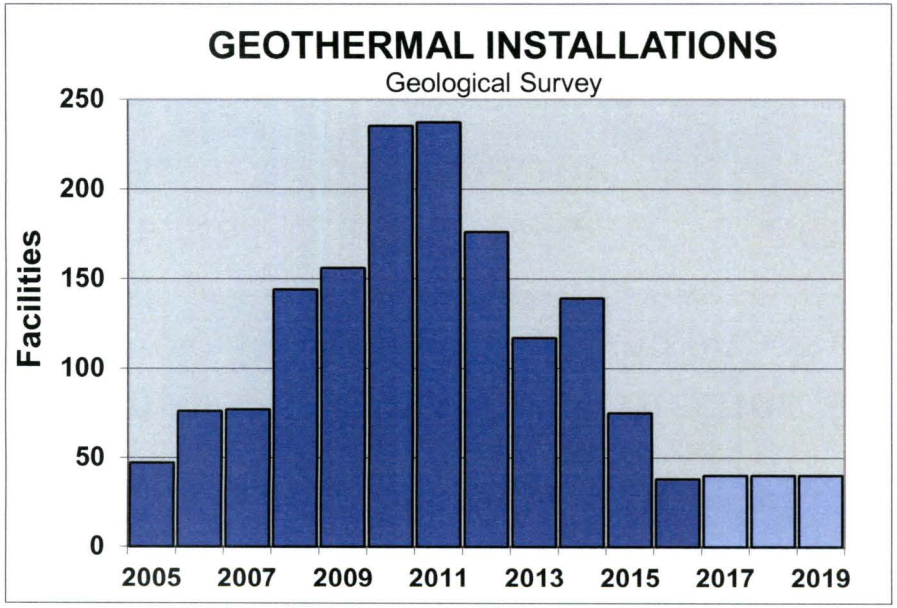
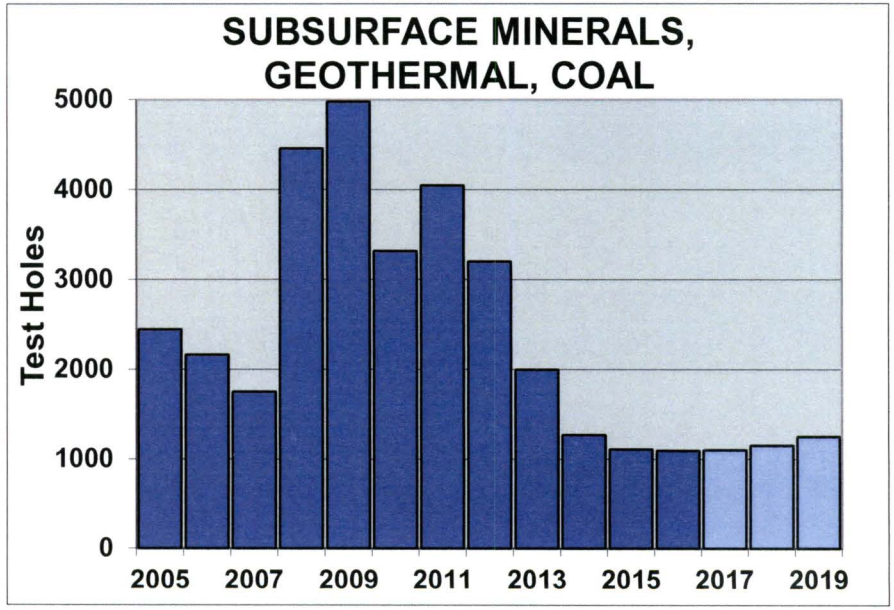
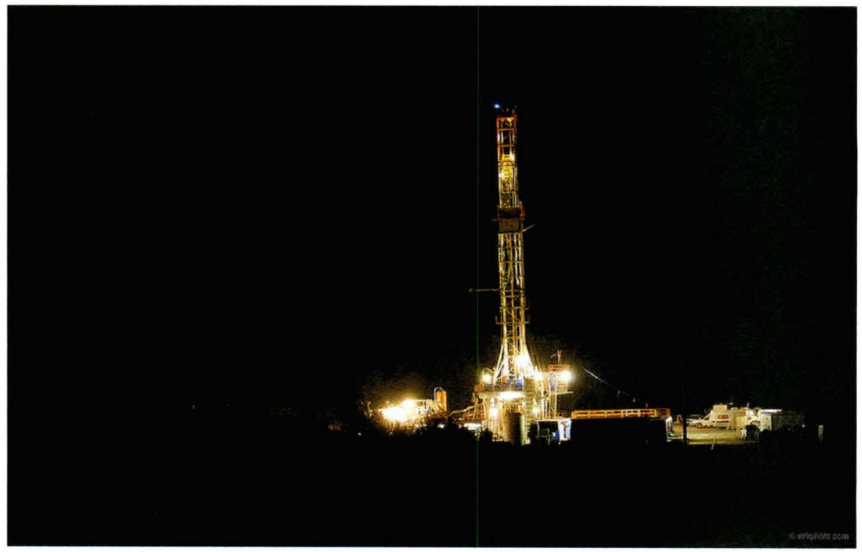
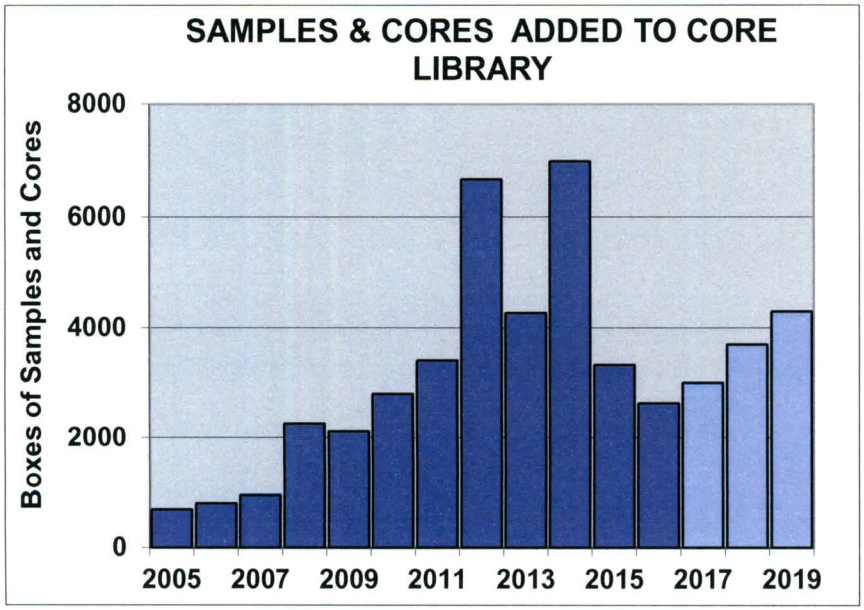


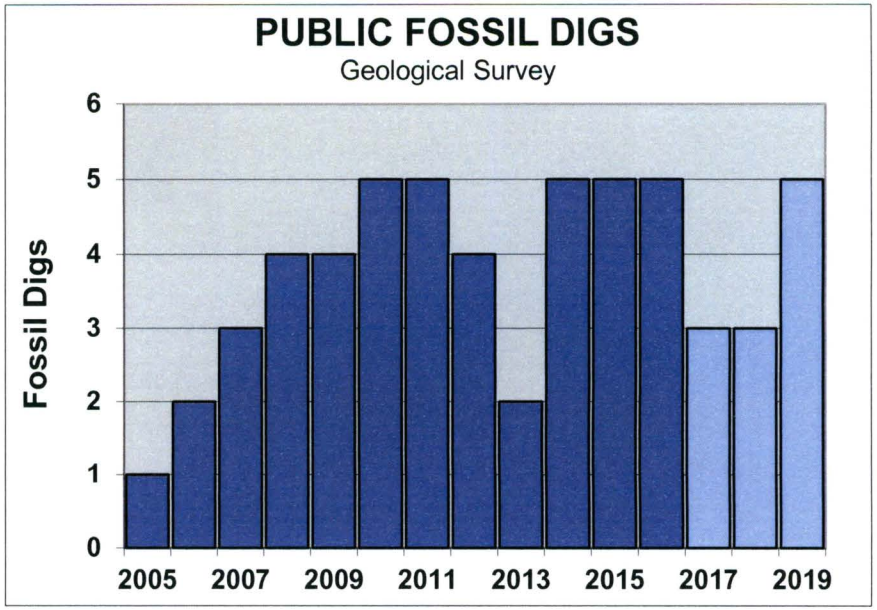


Minnkota Power Cooperative Site in Grand Forks, 646 closed loops, 25 feet apart, and 220 feet deep. Feb., 2016.



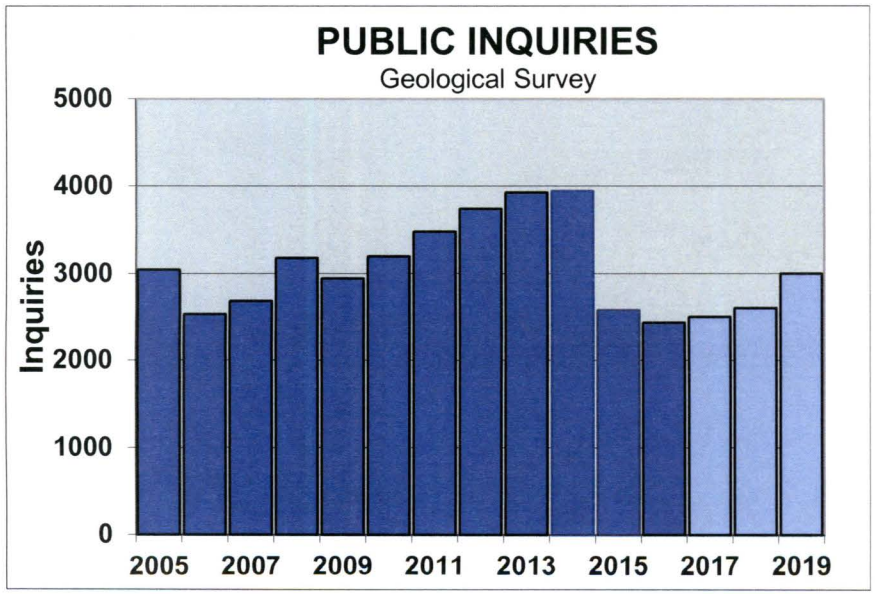
In 2010 the Eby potash well in Burke County was drilled to a depth of 9,167 feet.

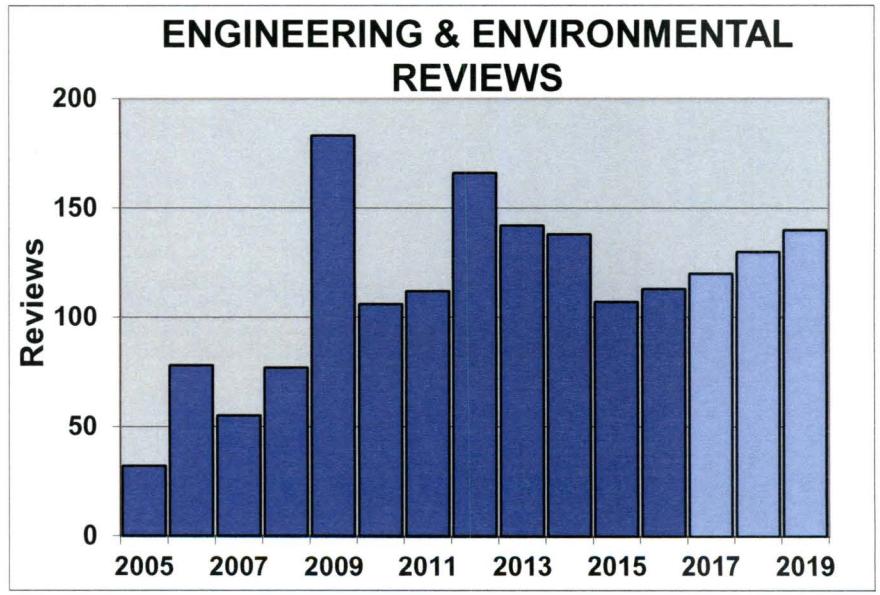




Recently arrived cores and samples filling the new shelving.

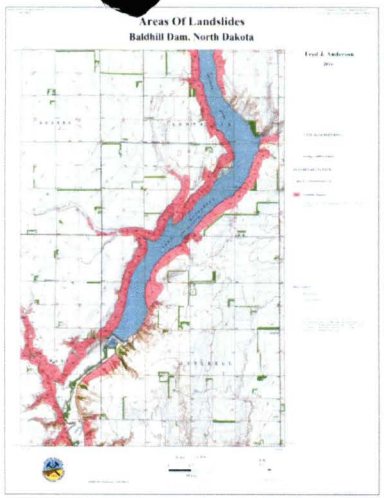
2016 public fossil dig in the Pembina Hills.

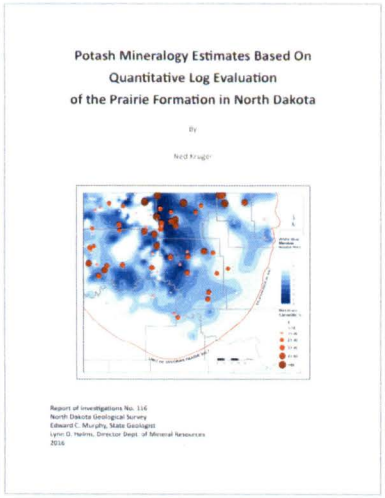


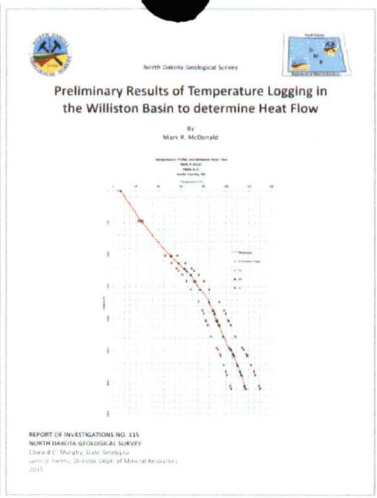


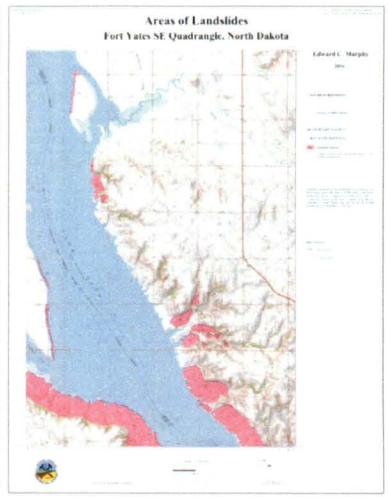
More than 2,400 inquiries per year even though all publications and data files can be freely downloaded from the Survey website.

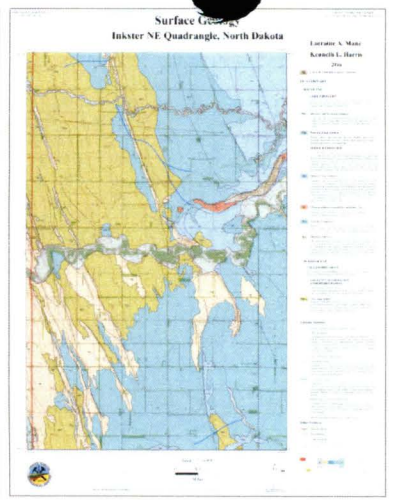
Wind turbines being installed in Morton County.

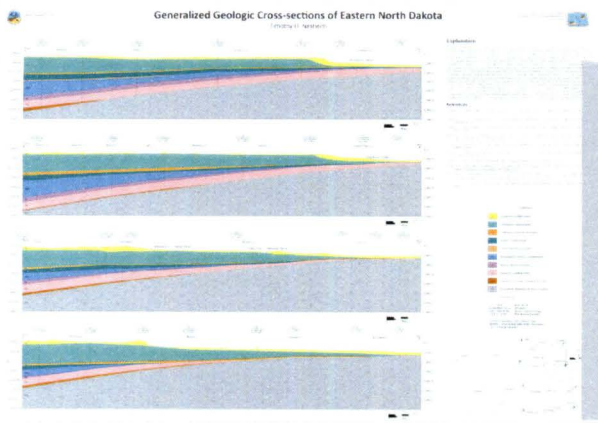


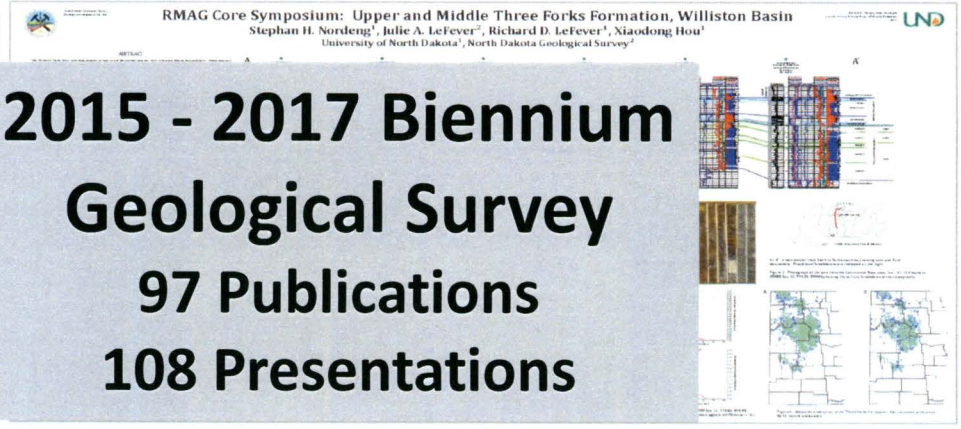


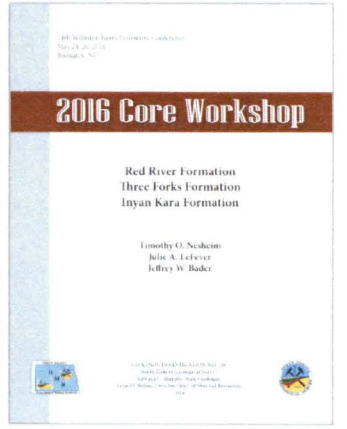




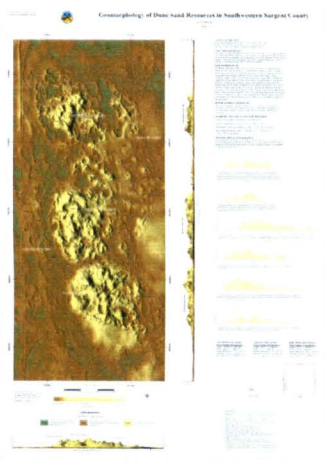


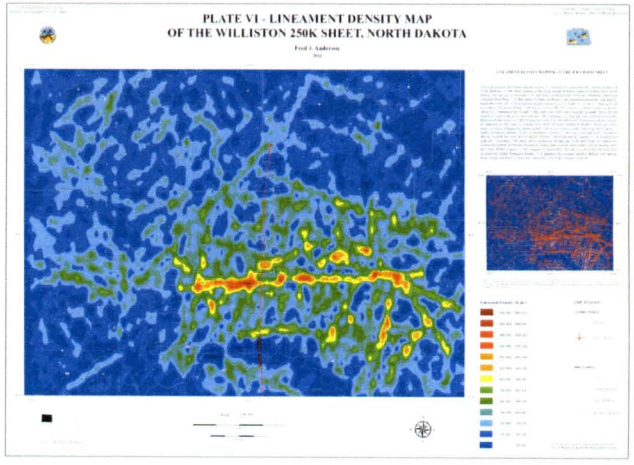


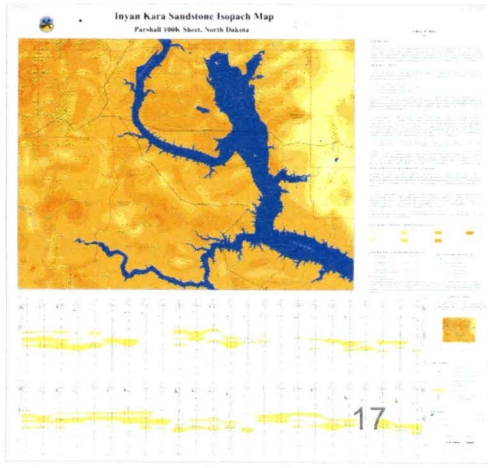




2015 - 2017 Biennium
Geological Survey
97 Publications
108 Presentations







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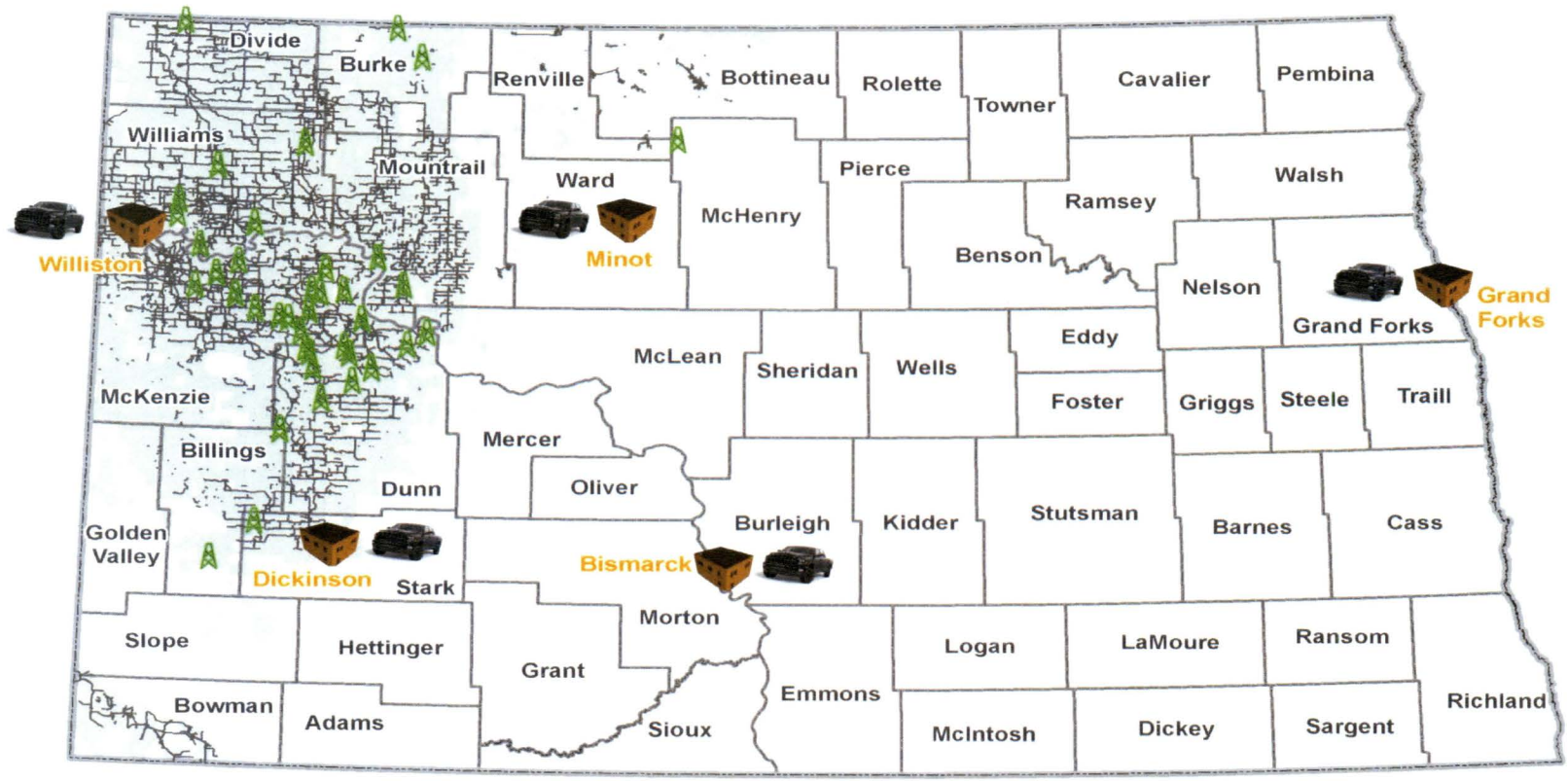
Department of Mineral Resources Staffing



Years of Service	0-3	3-5	5-10	10-15	15-20	20-25	25-30	30+
FTE	36	21	18	8	7	1	3	14
%	33%	19%	17%	7%	6%	1%	3%	13%

DMR Ongoing Funding

	2013-15 Biennium Appropriation	2015-17 Biennium Appropriation	DMR Essential Budget	SB 2014 Senate Version
Salaries & Benefits	$16,782,602	$21,212,487	$20,945,034	$20,653,016
Operating Expenses	5,413,669	5,893,859	4,865,052	4,795,048
Total Ongoing Expenses	$22,196,271	$27,106,346	$25,810,086	$25,448,064
Litigation	0	2,500,000	1,000,000	1,000,000
Capital Assets	5,800	13,666,822	0	0
Contingencies	586,230	556,260	1,254,462	1,254,462
Less Estimated Income	(294,177)	(13,863,256)	(1,238,004)	(1,238,004)
Total General Fund	$22,494,124	$29,966,172	$26,826,544	$26,464,522
FTE	90.0	110.0	103.5	101.5
Contingent FTE	3.0	5.0	6.0	6.0
Total FTE	93.0	115.0	109.5	107.5

Note: The 2013-15 biennium had 3 contingent positions that were triggered.
The 5 contingent positions in the 2015-17 biennium were graduated hiring's that were not triggered.

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2015-2019 Potential Changes in Federal Funding

Federal Funding Program	2015-2017 Anticipated Award	2015-2017 Anticipated Change	2017-2019 Anticipated Award
UIC Oil & Gas (EPA)	$210,000	$0	$210,000
PSC Coal (OSM-DOI)	$8,000	$0	$8,000
NCRDS-Coal (USGS-DOI)	$20,000	$0	$20,000
Other Sources (USGS-DOI)	$0	$0	$0

2015-2017 Appropriations Update

DMR Original Appropriation & Allotments

	DMR 2015-17 Approp.	DMR 6.55% Allotments	DMR Continuing Budget
40510 Salaries & Wages	$21,632,727	($783,342)	$20,849,385
40530 Operating Expense	$8,529,880	($1,179,442)	$7,350,438
40550 Capital Assets	$13,666,822	$0	$13,666,822
Total Expenditures	$43,829,429	($1,962,784)	$41,866,645

Breakdown of 6.55% Allotments:

Salaries & Benefits:	($701,842)
Temp Salaries:	($81,500)
Travel:	($546,294)
IT Software & Equip:	($293,488)
Supplies:	($26,700)
Lab & Safety Equip:	($26,200)
Equipment & Repairs:	($87,715)
Professional Development:	($15,545)
Professional Services:	($183,500)

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2015-2017 Appropriations Update

DMR Estimated 2015-2017 Spending

	DMR Current* 2015-17 Approp	2015-17 Actual Spent as of 01/31/17	2015-17 Estimated Spending	Major Variances
40510 Salaries & Wages	$20,854,347	$15,883,667	$4,970,680	$0
40530 Operating Expense	$8,224,463	$4,387,322	$1,837,141	$2,000,000
40550 Capital Assets	$13,666,822	$13,273,454	$193,368	$200,000
Total Expenditures	$42,745,632	$33,544,443	$7,001,189	$2,200,000

Operating variance is due to remaining one-time funding for possible litigation.

Capital Assets variance is due to the Core Library expansion project coming in under budget.

*Note: These amounts reflect DMR's current authorization to spend after allotments. Salaries include $4,962 in transfers for Affordable Care Act temp employee insurance, and Operating includes $874,025 in litigation carryover.

2017-2019 Budget Reductions to Meet 90% Budget

DMR Proposed Budget Reductions to Meet the 90% Budget Request

	2015-17 Approp.	Base Budget	10% Reductions	90% Budget
40510 Salaries & Wages	$21,632,727	$21,485,319	($1,585,149)	$19,900,170
40530 Operating Expense	$8,529,880	$5,314,717	($1,043,778)	$4,270,939
40550 Capital Assets	$13,666,822	$0	$0	$0
Total Expenditures	$43,829,429	$26,800,036	($2,628,927)	$24,171,109

Breakdown of 10% Reductions (items with adjustments greater than $5,000):

Salaries & Benefits:	($1,401,557) (11.5 positions)
Temp Salaries:	($183,592)
Travel:	($587,076)
IT Software Maintenance:	$44,645
Professional Supplies:	($30,043)
Other Operating:	($21,682)
Supplies:	($9,000)
IT Equipment:	($228,075)
Office/Other Equip:	($112,746)
Lease/Rent Bldg:	$55,695
IT Communications:	($57,939)
Professional Development:	($11,380)
Operating Fees:	($80,767)

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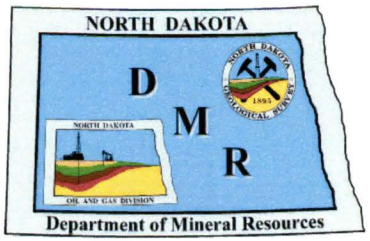
Industrial Commission - Budget No. 405
Senate Bill No. 2014
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	116.75	$24,957,746	$16,994,447	$41,952,193	116.75	$24,957,746	$16,994,447	$41,952,193
2017-19 Ongoing Funding Changes								
Base payroll changes		$66,741	$82,522	$149,263		$66,741	$82,522	$149,263
Salary increase - Performance				***0***				0
Health insurance increase		314,819	20,034	334,853		314,819	20,034	334,853
Employee portion of health insurance		***(161,902)***	***(10,514)***	***(172,416)***				0
Removes FTE positions	(11.50)	(1,016,028)		(1,016,028)	(8.50)	(577,999)		(577,999)
Removes additional FTE positions	***(2.00)***	***(380,500)***		***(380,500)***				0
Reduces funding for salaries and wages		(900,000)		(900,000)				0
Adds funding for contingent FTE positions				0	6.00	1,254,462		1,254,462
Adjusts funding operating expenses		(75,356)	78,000	2,644		448,753	78,000	526,753
Reduces funding for operating expenses		(675,000)		(675,000)				0
Decreases funding for bond payments			(1,830,345)	(1,830,345)			(1,830,345)	(1,830,345)
Reduces operating expenses - 2 percent		***(66,700)***		***(66,700)***				0
Total ongoing funding changes	(13.50)	($2,893,926)	($1,660,303)	($4,554,229)	(2.50)	$1,506,776	($1,649,789)	($143,013)
One-time funding items								
Federal litigation costs			$1,000,000	$1,000,000			$1,000,000	$1,000,000
Total one-time funding changes	0.00	$0	$1,000,000	$1,000,000	0.00	$0	$1,000,000	$1,000,000
Total Changes to Base Level Funding	(13.50)	($2,893,926)	($660,303)	($3,554,229)	(2.50)	$1,506,776	($649,789)	$856,987
2017-19 Total Funding	103.25	$22,063,820	$16,334,144	$38,397,964	114.25	$26,464,522	$16,344,658	$42,809,180

Other Sections in Industrial Commission - Budget No. 405

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	Senate Version
Bond payments	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.



The difference between Engrossed Senate Bill 2014 Budget without contingent positions and the Governor Burgum Budget is $3,146,240.

$2,022,200 (64%) of that difference is underfunding of Salaries and Benefits ($1,280,500) and Operating ($741,700) based on turn back of funds in the 2011-2013 biennium and the 2013-2015 biennium.

$1,575,000 of that underfunding is in Governor Dalrymple's Executive Budget as Salaries and Benefits ($900,000) and Operating ($675,000).

$447,200 of that underfunding is in Governor Burgum's Executive Budget as Salaries and Benefits ($380,500 equated to 2.0 FTE) and Operating ($66,700).

Following is an explanation of why the turn back of funds is not a good basis for underfunding:

The 2011-2013 turn back resulted from $1,000,000 added to the DMR budget for potential litigation of EPA regulation of hydraulic fracturing which was not needed and 52 man-months of vacant positions due to the oil boom creating a housing shortage and salary disadvantage.

The 2013-15 turn back resulted from $418,000 Legislative Council error added to the DMR budget, the legislative requirement to set aside $323,000 for accrued leave, and 149 man-months of vacant positions due to the oil boom creating a housing shortage and salary disadvantage.

14.1

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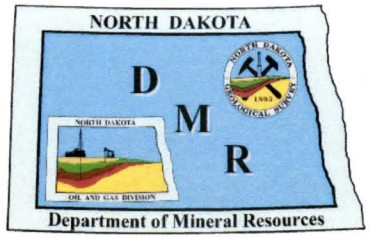
Staff Model- Effects of Burgum Budget



FY 2019

Permanent Field Staff Model

Current				Total	Action	Impact
21	Petroleum Engineer - Field Inspectors	9	Engineering Technician - Field Inspectors	30		
		1	Geophysical/coal exploration - Field Inspector	1		
		6	Engineering Technician - Pipeline Inspectors	3	-3 FTE = -50%	Increased risk-environment & safety
0	Petroleum Engineer - Field Inspectors - vacant FTE	4	Engineering Technician - Field Inspector - vacant FTE	4	-4.0 FTE	
Required						
55	Drilling Rigs	16,602	Wells and Facilities			
7	Petroleum Engineer - Field Inspectors Needed	17	Engineering Technician - Field Inspectors Needed	24	-6.0 FTE	Increased risk-environment & safety
45	hours per week	40	hours per week			
5	hours office time	5	hours office time			
20	hours Spills, Pluggings, other Engineering	5	hours Spills and Berms			
17,955	producing wells 0 visits per year	17,955	producing wells 6 visits per year	-50%		Increased risk-environment & safety
1,451	injection wells 0 visits per year	1,451	injection wells 12 visits per year			
0	hours for well inspections	29	hours for well inspections			
20	hours for rig inspection	0	hours for rig inspection			

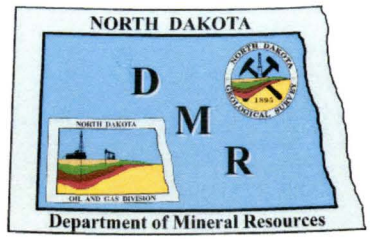
	Rigs	Petroleum Engineer - Field Inspectors	6/30/2019 Wells	Engineering Technician - Field Inspectors	Total - Field Inspectors
Min	20	2	17,622	26	28
	30	4	18,132	27	31
FY17=40	40	5	18,642	27	32
FY18=50	50	6	19,152	28	34
FY19=55	55	7	19,406	29	36
	70	9	20,171	30	39
	80	10	20,681	30	40
	100	12	21,701	32	44
	120	15	22,721	33	48
	140	17	23,741	35	52
	160	20	24,760	36	56
	180	22	25,780	38	60
Max	200	25	26,800	39	64

Staff Model- Effects of Burgum Budget

Office Staff Model	Current FY2017		Metrics increase each FY due to efficiencies	Fiscal Year 2019					
	FT	Temp		work load	FTE	FT	Temp	Action	Impact
Pipeline	4.0		625 miles gathering pipeline construction / FTE	2,500	4.0	4.0			
Underground injection	1.0		1,500 UIC wells / FTE	1,538	1.0	1.0			
Treating Plants	1.0		10 permits / year / FTE	10	1.0	0.0		-1.0 FTE = eliminate inspections	Increased environmental risk
Well logs, cores, samples, cement tops, and directional surveys	6.0		505 permits / year / FTE	3,050	6.0	5.0		-1.0 FTE Backlog I&E	Decreased protection of correlative rights
Oil and Gas permitting	5.0		615 permits new and renewed / year / FTE	3,050	5.0	5.0			
Information Technology	5.0	1.0	20 employees / FTE	120	6.0	5.0	1.0	Use Temp Salaries	
Accounting & payroll	3.0		40 employees / FTE	120	3.0	3.0			
Reclamation	2.0		9,200 wells / FTE	19,689	2.1	2.0			
Petroleum Engineering (NCW, IAW, TA, Sundries)	3.0		900 wells / FTE	2,744	3.0	3.0			
Production auditing	3.0		3,900 wells / FTE	19,689	5.0	3.0		Increase electronic filing	
Oil and Gas measurement	3.0	0.5	5,550 wells / FTE	19,689	3.5	2.0	0.5	-1.0 FTE + Temp Salaries	Increased risk of royalty payment errors
Hearing dockets and orders	3.0		500 cases / year / FTE	1,000	2.0	2.0		-1.0 FTE	Hearing & docket case load is decreasing
Reception, filing, and misc temps	4.5		5,500 well files / FTE	19,689	3.6	3.5	0.4	-1.0 FTE	Visitor & filing workload is decreasing
Human Resources	1.0		115 employees / FTE	120	1.0	1.0			
Safety-Facilities-Motorpool	1.0		115 employees / FTE	120	1.0	1.0			
Bonding	1.0		18,800 wells / FTE	19,689	1.0	1.0			
Geology surface	4.0		22 permits, publications, presentations / year/ FTE	90	4.0	4.0			
Geology subsurface	1.0		6 permits, publications, presentations / year/ FTE	6	1.0	1.0			
Geology petroleum	2.0		7 permits, publications, presentations / year/ FTE	15	2.0	1.0		-1.0 FTE = -50% publications	Decreased industry information and investment
Geology inquiries, georeviews, and publications	5.5		14 permits, publications, presentations / year/ FTE	70	5.0	5.0		-0.5 FTE	Geology Inquiry workload is decreasing
Core Library	3.0	2.5	470 permits / year / FTE	3,050	6.5	3.0	3.5		
Paleontology	3.0	0.5	20 permits, publications, presentations / year/ FTE	70	3.5	3.0	0.5		
Executive	4.0		17 employees / FTE	63	3.7	4.0			
Total Office Staff	69.0	4.5			74.2	62.5	5.9	-6.5 FTE	
Total DMR Staff	110.0					90.5		-19.5 FTE	

14/4

Staff Model- Engrossed SB 2014



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5	hours office time	5	hours office time			
20	hours Spills, Pluggings, other Engineering	5	hours Spills and Berms			
17,955	producing wells 0 visits per year	17,955	producing wells 9 visits per year	-25%		Increased risk-environment & safety
1,451	injection wells 0 visits per year	1,451	injection wells 12 visits per year			Risk removed by Contingency
0	hours for well inspections	29	hours for well inspections			
20	hours for rig inspection	0	hours for rig inspection			

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Executive	4.0		17 employees / FTE	65	3.8	4.0			
Total Office Staff	69.0	4.5			74.0	64.5	5.0	-4.5 FTE	
Total DMR Staff	110.0					101.5		-8.5 FTE	

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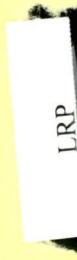
SB 2014 Senate Version

	SB 2014 Base Level (6.55% Allot.)	Senate Changes	DMR Senate Version
Salaries & Benefits	$20,849,385	($511,188)	$20,338,197
Health Insurance Increase	0	314,819	314,819
Operating Expenses	4,346,295	448,753	4,795,048
Litigation (one-time funding)	0	1,000,000	1,000,000
Contingencies (6 FTE)	0	1,254,462	1,254,462
Total Funding	$25,195,680	$2,506,846	$27,702,526
Less Estimated Income	(237,934)	(1,000,070)	(1,238,004)
Total General Funds	$24,957,746	$1,506,776	$26,464,522
FTE Count	110.0	(8.5)	101.5
Contingent FTE	0.0	6.0	6.0
Total FTE Count	110.0	(2.5)	107.5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Jason Bohrer, President & CEO
Lignite Energy Council
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Bismarck, ND 58502
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Fax: (701) 258-2755

Testimony in Support of SB 2014
Submitted by the Lignite Energy Council before the House Appropriations Committee, Government Operations Division
March 1, 2017

Mr. Chairman, members of the committee, please accept these comments on behalf of the Lignite Energy Council (LEC) in support of Senate Bill 2014. In particular, sections 14, 25, 28, and 29 of this bill provide critical funding for lignite R&D and advanced energy technology development. This funding will play a critical role in helping our state's lignite industry develop technological solutions to its single greatest challenge: capture and utilization of carbon dioxide. The provisions contained within this legislation were first proposed under Governor Dalrymple's budget, endorsed by Governor Burgum, and received the full support of the Senate Appropriations Committee.

We have discussed this problem in the past, in the context of the Clean Power Plan, which, unchanged, would have required North Dakota to shut down almost half of its entire coal fleet, at the cost of thousands of jobs and increased electric bills. Although the Clean Power Plan has been temporarily stayed by the Supreme Court, and it is likely that President Trump may make significant changes to the timeline, the Clean Air Act still requires the EPA to regulate carbon dioxide.

For North Dakota, that anticipated regulation means that our $8 billion in assembled assets are at risk, since there is not at present commercially available retrofit technology that can capture significant amounts of carbon dioxide from our existing assets. It also means that unless we bring forward new technology, North Dakota will never build another coal power plant, stranding billions of dollars of coal under the prairie.

The twin challenges of building new power plants and extending the working life of our existing plants are recent additions to our R&D priorities. By way of background, the lignite R&D program is currently funded through the North Dakota coal severance tax of 37.5 cents on every ton of coal mined in the state, a two-cent per ton R&D tax, and a portion of the coal conversion tax. The focus of the Lignite Research Fund has traditionally revolved around identifying technological solutions to address criteria pollutants, improve power plant efficiency and operation, help launch new lignite conversion facilities, and activities that mutually-benefit the State of North Dakota and lignite industry as a whole.

Promising projects currently receiving funding involve extracting rare earth minerals from North Dakota lignite, better understanding the relationship between environmental pollutants and human health, and a host of carbon dioxide related projects.

As we look more closely at the industry challenges presented by the regulation of carbon dioxide, our industry has recognized that we can't simply rely upon state and federal funding, and has independently increased its own commitment to the pursuit of solutions, adding additional R&D dollars as well as paying a portion of the costs associated with the state's successful Next Generation Act lawsuit.

When we increased our focus on R&D funding to tackle this issue, we have asked the state to do the same. Last session, as we evaluated the challenges associated with building the next generation of coal power in North Dakota, the legislature, and this committee in particular, was instrumental in making a one-time appropriation of $5 million dedicated to carbon dioxide capture and next-generation power technology.

Over the last two years, the Industrial Commission has put those funds to use in partnership with the EERC on significant research with a new option for power generation known as the Allam Cycle, for which Mike Holmes will provide an update. Other foundational work for the Allam Cycle continues in Houston, Texas, where an Allam Cycle pilot plant utilizing natural gas is currently being constructed – on-schedule and on-budget.

Further, given that the state currently has several billion dollars in existing power plant infrastructure, much of which has many decades of remaining useful life notwithstanding carbon dioxide regulations, the industry has also focused on identifying a retrofit solution to capture carbon dioxide from existing plants. This effort is currently being led by Minnkota Power Cooperative and ALLETE Clean Energy with a potential project for the Milton R. Young Station. Again, the specific technology is based off that which has just been put into operation – on-schedule and on-budget - at the W.A. Parish Generating Station, known as the Petra Nova Project, outside Houston, Texas.

Again, sections 14, 25, 28, and 29 of this legislation are important steps to achieving commercial development of carbon capture technologies that will allow North Dakota to continue enjoying the benefits provided by the lignite industry for the next generation of North Dakotans and beyond. We request your favorable consideration of these provisions.

I will now turn to our Vice President of Research and Development, Mike Holmes, for a more in-depth report of the Allam Cycle and a report on how we spent the $5 million appropriation from last session. After that, both Mike Holmes and I would be glad to take any questions.

Mike Holmes Testimony:

As a result of the North Dakota legislature's appropriation, the Industrial Commission was able to invest in the Pathway to Low-Carbon Lignite Utilization – Allam Cycle project. The project is in partnership with a team comprised of Basin Electric including Dakota Gasification Company and Basin Electric Power, ALLETE including Minnesota Power, BNI Clean Energy and the EERC

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(Including support from the Department of energy) as well as the technology developer 8 Rivers Capital. The LEC initiated the project in June of 2015 through a contract with the team led by the EERC to address challenges identified with application of the technology to lignite.

The lignite industry has identified both carbon capture and economic power production as critical goals as they look toward future growth in electrical demand in North Dakota. The Allam Cycle technology has the potential to meet these goals of the lignite industry. Initial targets of the technology include near zero emissions of carbon dioxide, economic power production ($0.04 to $0.07 / kWh depending on the value of the carbon dioxide), and more than 40 percent improvement in efficiency over the U.S. coal fleet average. Most of the increased electrical demand for North Dakota is forecast to be in support of Bakken oil production and the opportunity for carbon dioxide-based Enhanced Oil Recovery (EOR) can help offset the costs for new electrical generation assets that include carbon capture.

The project leverages the $140 million effort outside of Houston, Texas that Jason referenced where a plant is under construction to demonstrate the technology using natural gas as the feedstock. This Texas demonstration is targeting the summer of 2017 for start-up of the system. The project team and North Dakota stakeholders have made several trips to the Texas to take advantage of the learnings from this parallel effort.

The lignite fueled version of the technology involves replacing the natural gas with syngas supplied by coal gasification. The EERC team has been addressing previously identified barriers to application of the technology with lignite. These projects include gasification technology selection, identifying and managing any materials corrosion issues, controlling coal related impurities in the syngas, and redesign of the combustion system to account for the changes with syngas. Several tests have been completed with a large test planned for May of 2017 that will combine lignite gasification, syngas impurity removal, and corrosion evaluations. Results from these tests and the related engineering efforts are critical steps to enable the next Allam Cycle plant to be constructed in North Dakota, utilizing North Dakota lignite. It is important to note that these technology developments including gasifier technology evaluations, syngas impurity removal, and corrosion management are also applicable to lignite based polygeneration of fuels, fertilizers, and other chemicals along with electricity.

Finally, the Lignite Research Council met on February 23, 2017 for a special grant round. A proposed project titled "North Dakota Integrated Carbon Storage Complex Feasibility Study" received unanimous support. The project will leverage an LRC investment of $1.5 million against a total budget of just under $14 million for the project. The objective is focused on improving the understanding and confidence in the geology in North Dakota for carbon dioxide storage, and set the stage for commercial utilization and storage of carbon dioxide. Meanwhile the suite of projects continue, and others are in development to provide solutions to preserving our existing power production assets in the State and develop value added products from North Dakota's lignite resources.

The Allam Cycle

In order for North Dakota's energy future to allow prosperity for future generations and the ability to use our abundant natural resources, it must be able to build **new coal fired power plants** to provide power, jobs and revenue for the state.

What is the Allam Cycle?

- A technology that will allow new coal-fired power plants to be built in North Dakota.
- A new thermodynamic cycle for generating electricity that is smaller, more efficient and has less emissions than traditional steam generation.
- Turbines in an Allam design would be driven by a stream of compressed CO2, not steam.
- Because the Allam Cycle is a completely new process, it cannot be retrofitted to the existing power plants in North Dakota. It is not a "CO2 scrubbing" solution.

Why should we pursue the Allam Cycle in order to build new power plants?

- The Allam Cycle captures 100 percent of its CO2, allowing it to meet or exceed EPA air regulations.
- An Allam Cycle plant would produce electricity at a cost per kilowatt hour that is at or below current technologies.
- As environmental regulations multiply, new technologies are the only way North Dakota can seize control
- of its own destiny and continue to develop its fossil fuel resources.
- The cycle also captures a stream of pure CO2 that can be directed to enhanced oil recovery or other purposes.

Who is involved?

- The project is being led in North Dakota by ALLETE, Inc. and Basin Electric Power Cooperative. Research is primarily conducted at the EERC.
- 8 Rivers, Inc. represents the technology ownership as it pertains to coal.
- Net Power, Inc. represents the technology ownership as it pertains to natural gas.

What is the status of development of the Allam Cycle?

- Research, engineering, and modeling has been successfully conducted with assistance from the Lignite Research Council and an additional appropriation from the state.
- A 25 MWe natural gas-fired demonstration plant is being constructed in Texas.
- Although our North Dakota team is following the Texas project, that project is independently funded and managed.
- Once the natural gas cycle has successfully proven the technology, the North Dakota partnership will work on a "fuel switch" to demonstrate the technology with gasified North Dakota lignite.

What will it cost?

- Exact estimates are difficult, but we believe total costs would range from $500-900M.
- We are working with DOE to secure the largest single part of that amount, with the remainder to be secured by the industry participants, along with the State of North Dakota.

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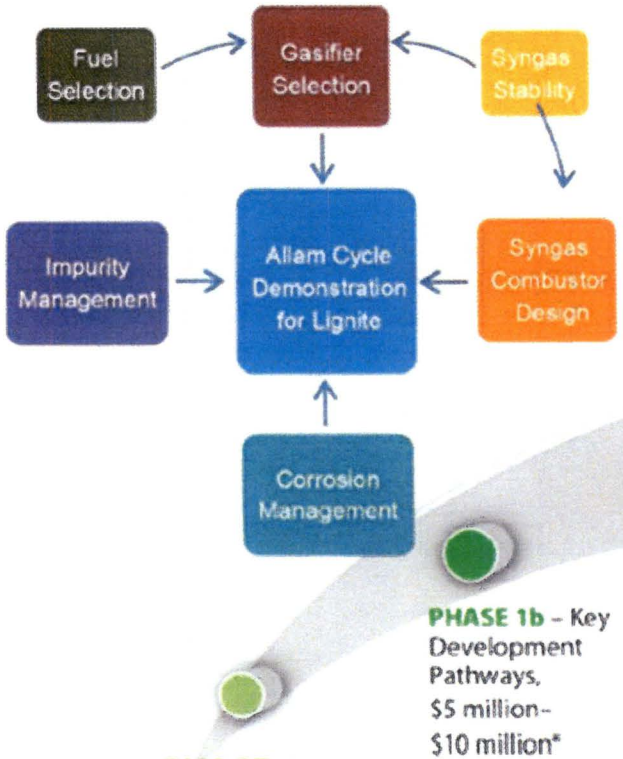
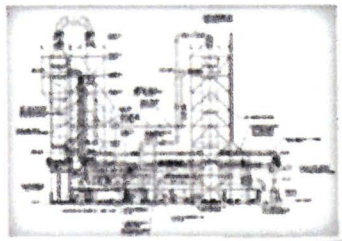
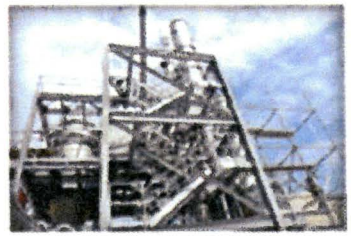
Lignite-Based Allam Cycle Technology Development Road Map







PHASE 1a – Addressing Technical Challenges, $3.18 million
- January – November 2016

PHASE 1b – Key Development Pathways, $5 million–$10 million*
- June 2016–December 2017
- Additional Follow-Up R&D Identified in Phase 1a
- Syngas Combustor Pilot Test

PHASE 2 – Pre-FEED and Pilot Testing, $20 million–$50 million*
- August 2016 – July 2019
- Preliminary Engineering of Commercial Plant
- Engineer, Procure, Construct, and Operate Pilot Plant
- 5–10-MWe System

PHASE 3 – FEED for Commercial Plant, $10 million–>$30 million*
- August 2019 – July 2020
- Up Through Preliminary Design and Estimates of Commercial Operation

PHASE 4 – Commercial Demonstration, $500 million–>$900 million*
- July 2020–2024
- 100–300-MWe System
- Detailed Engineering, Procurement, Construction, and Operation

EERC JS51631 AI

*Costs are estimated and include matching support from federal and industrial sponsors.

Project Tundra

In order for North Dakota to continue to have a vibrant coal industry that supports thousands of jobs and provides $100M in tax revenue per year, we must protect our **existing power plants** from premature retirement, which results in billions of stranded assets and economic losses.

What is Project Tundra?

- ALLETE Clean Energy, in partnership with North Dakota-based Minnkota Power Cooperative, are spearheading Project Tundra, a project to capture carbon dioxide emissions from a large, existing coal-fired power plant owned and operated by Minnkota in Center, North Dakota.
- An integrated platform to remove CO2 from the power plant and a new source of CO2 for enhanced oil recovery.

Why should we pursue retrofit solutions like Project Tundra?

- The project builds upon prior federal investments in Petra Nova by scaling up the application to capture more flue gas, and apply to a cold weather climate and low rank (lignite) coal. The ultimate goal is to create a new benchmark – a large-scale demonstration at an existing plant that can be commercially and economically replicated across the region, country and the world.
- Help to provide continued reliability and affordability of electricity from the power plant, while also preserving and creating jobs and economic development opportunities for the state. With billions of dollars invested in our infrastructure over the past decade, premature retirement of power plants will result in lost jobs and lost revenue unless these plants can be saved.
- The Clean Power Plan requires North Dakota to reduce its CO2 emissions by 45 percent.
- The technology required to build new coal plants is not yet fully developed; retrofit solutions offer a bridge to the future while preventing billions in stranded assets and economic losses.

Who is involved?

- ALLETE Clean Energy, BNI Energy and Minnkota Power Cooperative.
- NRG developed the Petra Nova project being explored as a model for Tundra.
- Senator Hoeven is leading efforts to prioritize Department of Energy funding.

What is the status of development of Project Tundra?

- The technology used in Petra Nova can be adapted to the Young Station, so large scale research is not needed.
- Chemistry challenges specific to North Dakota Lignite remain, including aerosol formation, and must be solved before the project can move forward.
- The DOE has expressed interest in Project Tundra, and the project is pursuing opportunities for funding.

What will it cost?

- A large retrofit solution with the associated EOR infrastructure such as Project Tundra is estimated to cost around $1.1B.
- In conjunction with federal support, project support will also need to be secured by industry participants, along with the State of North Dakota.

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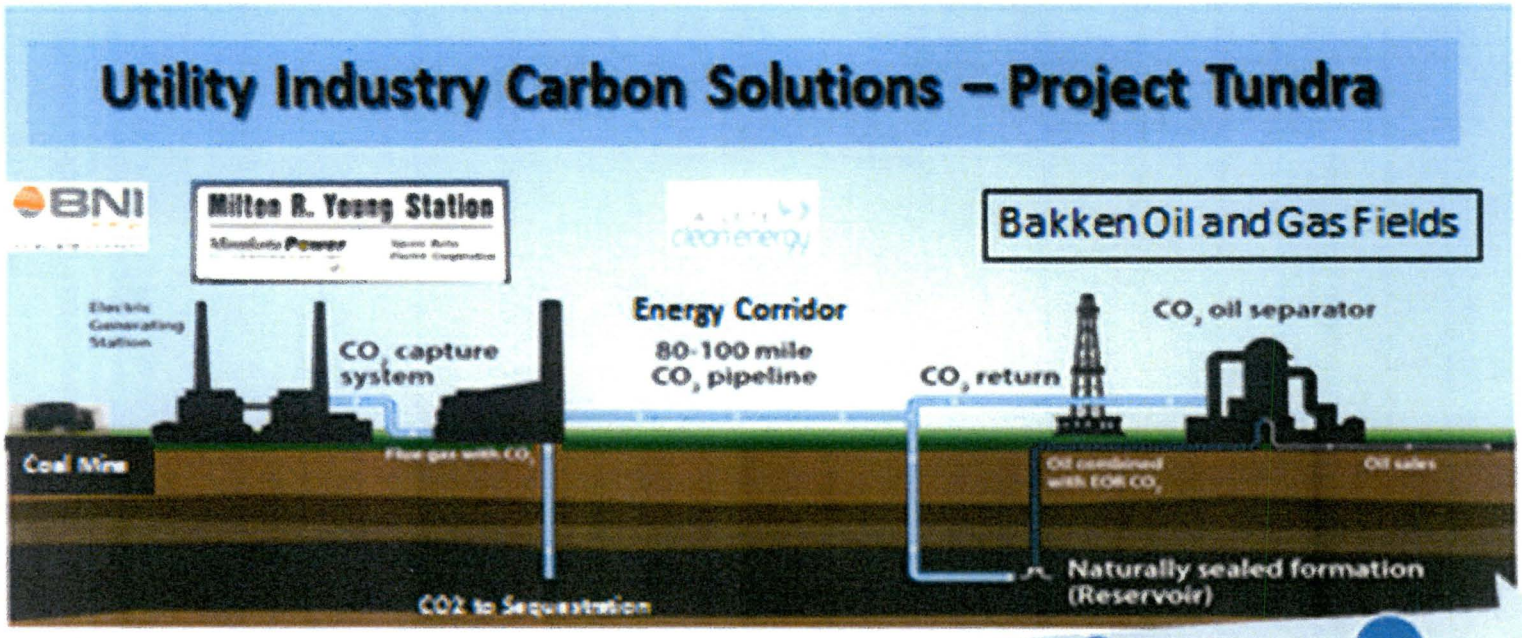
Utility Industry Carbon Solutions – Project Tundra



Project Tundra Roadmap

Key Technology Improvements

Addressing the key technical challenges from recent projects to improve efficiency and performance.

Tundra Design – Gen 2.0 Project

Advance technology: Scale-up and broaden design and its application for industry.

Federal and State, funding, and tax credit support.

CO2 for EOR and Sequestration

Identify locations & partners; design and test sequestration; permit corridor for CO2 pipeline and infrastructure for EOR and sequestration.

Pre-FEED and FEED & Pilot Testing

FEED for full project, and agreements for offtake and sequestration.

Pilot testing at MR Young Station.

Finalize Federal and State support.

Commercial Application

Detailed engineering, procurement, & construction.

Operation and affirmation of capture, EOR, and sequestration solutions for industry.

Timeline and Cost Estimate	2015–2016	2016–2017	2017-2018	2018-2019	2020-2022
	$1 million	$5 million	$50 million	$100 million	$1.1 billion

August 2016

OHF

NORTH DAKOTA Outdoor HERITAGE FUND

Prepared by IC Staff 1-18-17

Background - The Outdoor Heritage Fund (OHF) was created by the Legislature in 2013. The OHF, currently capped at $40 million per biennium, is governed by the Industrial Commission consisting of Governor Doug Burgum, Chairman, Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring. A 16-member advisory board (12 voting members) reviews applications from eligible organizations: nonprofits, state agencies, political subdivisions, and tribes; and makes grant funding recommendations to the Commission.

Governor Jack Dalrymple's Executive Budget proposes a decrease in the funding level to $10 million per biennium.

Directive A - Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

Directive B - Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems and to support other practices of stewardship to enhance farming and ranching;

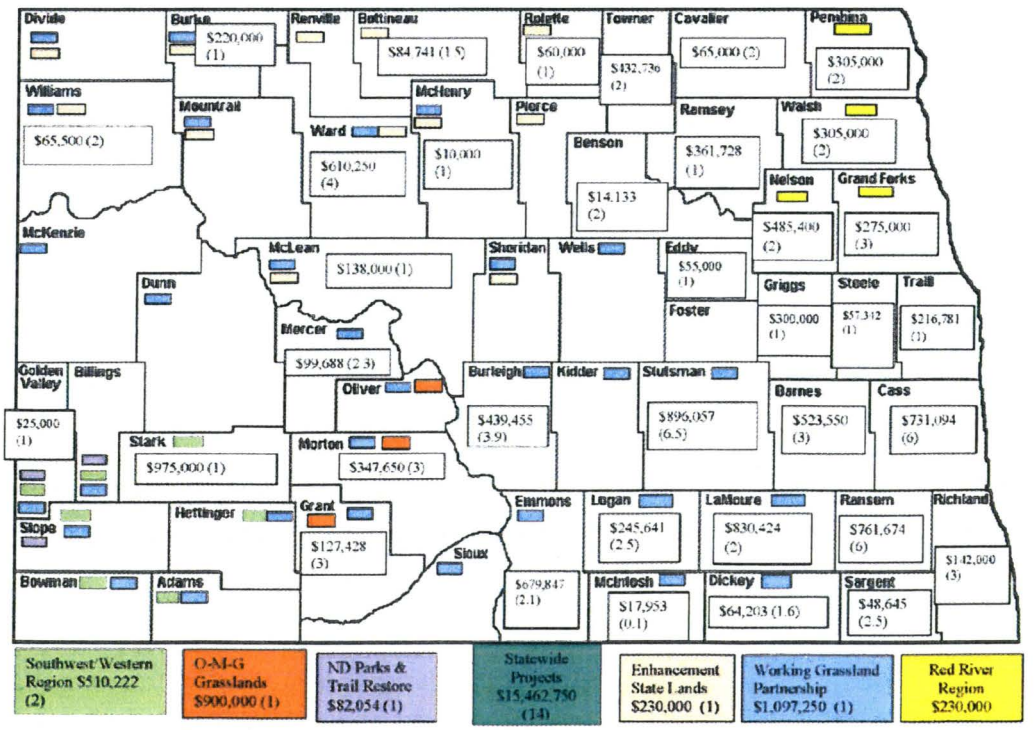
Directive C - Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and

Directive D - Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Funding Guidelines

A 25% match from the applicant is required. Except for extenuating circumstances the Commission cannot consider funding for projects already completed; feasibility or research studies; maintenance costs; paving projects for roads and parking lots; swimming pools or aquatic parks, and personal property that is not affixed to the land. Funding for playground equipment is limited to 25% of the cost of the equipment up to $10,000 per project. Funding for staffing or outside consultants for the design and implementation of the project (based on documented need) may not exceed 5% of the grant if the grant exceeds $250,000 and may not exceed 10% if the grant is $250,000 or less.

Approved Projects Grant Rounds 1 – 8 for a total of $29,529,196



Directive	Title	Total Project Cost	IC Approved Funding
A	Big Coulee Dam Repair	$1,751,616	$426,148
A	Blacktail Dam Association	$105,100	$35,000
A	Cattail Bay Boat Ramp Project	$45,000	$33,750
A	Devils Lake Access Improvement for Handicapped, Elderly & Mobility Impaired	$610,756	$361,728
A	Downtown River Access for Grand Forks Greenway	$169,073	$100,000
A	Fingal Wildlife Club Dam Restoration	$52,600	$35,500
A	Fox Island Boat Ramp Bank Stabilization	$299,122	$215,374
A	Handicap Accessible Fishing Pier at Sheep Creek Dam	$28,632	$20,902
A	Mapping of Tribal Land for Sportsmen	$8,568	$8,568
A	Mt. Carmel Dam Recreational Area	$171,201	$20,000
A	ND Game & Fish Department Outdoor Heritage Habitat Initiative	$2,733,000	$1,900,000
A	North Dakota Pheasant Habitat Initiative	$38,000,000	$3,000,000
A	Pheasant Lake Fishing Access/Shoreline Restoration Project	$42,500	$21,250
A	Prairie Project	$842,300	$300,000
A	Ryder's Point Recreation Area	$127,987	$30,500
A	TMBCI Sky Chief Park Fishing Pier Project	$70,000	$60,000
A	Western ND Habitat Enhancement Projects	$719,900	$480,900
	Directive A Totals	**$45,777,355**	**$7,049,620**
B	Alkali Lake Habitat Enhancement	$425,316	$135,169
B	Antelope Creek Wild Rice Corridor Watershed Restoration Project	$977,000	$105,000
B	Bald Hill Creek Watershed Project	$880,665	$300,000
B	Beginning Farmer Enhancement	$257,441	$132,884
B	Cass County Cover Crop Project	$100,000	$60,000
B	Emmons County Grassland & Cropland Conservation Effort	$1,080,000	$630,000
B	Enhanced Grazing Lands & Wildlife Habitat (Phase 1)	$3,665,820	$828,000
B	Grasslands Enhancement Pilot Project	$438,681	$230,000
B	Homme Dam Watershed 319 Project	$550,200	$65,000
B	Logan County Natural Resource Program	$700,000	$210,000
B	Marcus Friskop Learning Center (Phase 2)	$104,172	$7,000
B	ND Statewide Conservation Tree Planting Initiative	$4,875,033	$1,878,000
B	North Dakota Pollinator Partnership	$292,879	$173,750
B	North Dakota Statewide Conservation Tree Planting Initiative	$4,133,704	$2,050,000
B	North Dakota Statewide Windbreak Renovation Initiative	$3,600,000	$1,800,000
B	O-M-G Grassland Improvement Project	$1,500,000	$900,000
B	Ransom County Water Quality Improvement Project	$1,600,000	$115,000
B	Red River Riparian Project	$568,394	$230,000
B	Riparian Grazing Systems Project	$422,500	$253,500
B	Sheyenne River Sedimentation Reduction Project	$957,000	$126,000
B	Sheyenne River Sedimentation Reduction Project Phase II	$1,163,000	$200,000
B	Stutsman County Manure Management Project	$2,900,000	$300,000
B	The Bee Integrated Demonstration Project	$527,076	$94,768
B	The Marcus Friskop Nature Center	$378,960	$30,000
B	Turtle Creek Watershed Project Water & Habitat Initiative	$1,263,072	$138,000
B	Wild Rice River Restoration & Riparian Project Phase II	$33,125	$9,937
B	Working Grassland Partnership	$1,467,250	$1,097,250
	Directive B Totals	**$34,861,288**	**$12,099,258**
C	Aquatic Habitat Infrastructure Enhancement	$934,218	$322,000
C	Artificial Nesting Habitat Improvement	$5,565	$5,565
C	Barnes Lake Preservation Project	$103,320	$69,320
C	Bismarck PF Habitat Enhancement	$100,000	$60,000
C	Brown Ranch Habitat Enhancement through Prescribed Grazing	$24,255	$16,000
C	Conservation of Grasslands and Long-billed Curlews on Private Lands in SW ND	$213,930	$29,322
C	Grassland Restoration & Retention Program	$1,938,500	$250,000
C	Lake Tschida's Wildlife Conservation Planting, Recreation Project Walking Trail, Bird Observatory and Playground Rest Area	$92,969	$66,152
C	LaMoure County Dam Reparation Project	$180,000	$135,000
C	LSC 20,000 Trees by 2020	$181,000	$50,000
C	Natural Resource Stewardship in North Dakota's Parks, Preserves & Natural Areas	$645,987	$129,000
C	ND Hen House Project I	$65,030	$34,000
C	ND Hen House Project II	$60,900	$26,300
C	North Dakota Waterbank Program	$1,600,000	$1,200,000
C	North Dakota Youth Pollinator Habitat Program	$36,225	$20,000
C	Powers Lake Watershed Project-Lake Improvement Phase	$571,500	$220,000
C	Sheyenne River Bank Stability Restoration Project Phase I	$1,245,917	$197,550
C	South Golden Lake Inlet Beautification Project	$74,342	$57,342
C	The Fargo Project: World Garden Commons	$930,000	$350,000
C	Urban Woods and Prairies Initiative	$148,789	$82,218
C	Warwick Dam - Modification & Rehabilitation (Water Commission Project # 0240)	$272,152	$55,000
C	Water Storage Piggyback	$400,000	$300,000
C	Working Wetlands in North Dakota	$4,950,000	$1,750,000
	Directive C Totals	**$14,774,599**	**$5,424,769**
D	Almont Park & Playground Equipment Upgrade	$40,572	$10,000
D	Beach City Park Northside Playground	$60,000	$25,000
D	Beulah Bay Campground Expansion & Conservation Project	$74,212	$42,120
D	Bottineau Winter Park Infrastructure & Program Improvements	$215,788	$70,000
D	Centennial Park Woodland Trail and Souris River Recreational Access Plan	$634,000	$305,000
D	City of Munich Playground Equipment Fund	$109,329	$45,000
D	City Park Playground Equipment Upgrade	$86,135	$10,000
D	Community Outdoor Fitness Park	$466,492	$45,000
D	Crooked Crane Trail Exercise & Fitness Loop	$1,300,000	$975,000
D	Dead Colt Creek Recreational Playground Project	$60,232	$45,174
D	Downtown River Access for Grand Forks Greenway	$100,000	$75,000
D	Drayton Campground	$463,378	$305,000
D	Egeland RV Park & Campground	$8,784	$6,588
D	Graner Park Bank Stabilization	$250,200	$187,650
D	Harmon Lake Campground Expansion	$200,000	$150,000
D	LaMoure County Memorial Park Streambank Restoration Project	$971,946	$695,424
D	Madison Nature & Conservation Classroom, Preparing Today the Landowners	$290,833	$60,000
D	Norsemen Outdoor Education Center	$303,281	$216,781
D	North Dakota 4-H Camp	$23,673	$18,768
D	Northern Cass Pass	$185,171	$138,876
D	Park River Parks & Recreation - Phase 1 Campground	$1,460,027	$240,000
D	Play land Dream	$32,000	$10,000
D	Public Use Fishing Docks at Lake Metigoshe and Beaver Lake State Parks	$53,842	$40,382
D	Ryan Lake Fishing and Recreation Development Project	$290,005	$100,000
D	Sandhills Archery Club Landscaping	$82,550	$40,000
D	Sargent County Silver Lake Park "Playplaces & Gathering Spaces" Renovations Project	$54,850	$13,708
D	Saving Minot Retriever Club Grounds for Future Generations	$195,000	$144,000
D	Stump Lake Park Bank Restoration	$630,550	$472,912
D	Tolna Bay Boat Ramp & Recreation Area	$24,975	$12,488
D	Trail Restoration & Improvement Program	$242,629	$112,000
D	Trail Restoration & Improvement Program Part 2	$441,870	$82,054
D	Trailhead / Neighborhood Park	$627,920	$105,000
D	Tree Planting & Accessibility Improvement at Sheep Creek Dam & Raleigh Dam	$62,508	$40,374
D	Woodland Trail Phase 2	$305,000	$116,250
	Directive D Totals	**$10,347,752**	**$4,955,549**
	Grand Total	**$105,760,994**	**$29,529,196**

ANALYSIS OF THE NORTH DAKOTA OUTDOOR HERITAGE FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		$16,173,872[1]		$0
Add estimated revenues				
Oil and gas gross production tax collections	$19,886,685[2]		$10,000,000[4]	
Interest income	17,608		8,800	
Total estimated revenues		$19,904,293		10,008,800
Total available		$36,078,165		$10,008,800
Less estimated expenditures and transfers				
Grants	$14,536,882[3]		$9,858,800[5]	
Grants awarded in the 2013-15 biennium, but paid in a subsequent biennium[1]	21,391,283			
Administrative expenses	150,000		150,000	
Total estimated expenditures and transfers		36,078,165		10,008,800
Estimated ending balance		$0		$0

[1]The 2015-17 biennium beginning reflects actual distributions from the fund during the 2013-15 biennium and not total grant commitments. Many of the grants awarded during the 2013-15 biennium are for multiyear projects and 2013-15 grant awards were not all paid during the 2013-15 biennium.

[2]Pursuant to North Dakota Century Code Section 57-51-15, the amount of oil and gas gross production tax collections deposited in the fund may not exceed $20 million per fiscal year or $40 million per biennium. The December 2016 executive budget forecast for oil and gas taxes estimates $19.89 million of oil and gas gross production tax collections will be deposited in the fund during the 2015-17 biennium.

[3]The amount shown reflects estimated funds that will be available for grants in the 2015-17 biennium. The Industrial Commission awarded grants of $4,719,843 as of July 31, 2016. In addition funding of $145,202 has been returned during the 2015-17 biennium from projects that did not utilize the total award amount. Many of the grants are for multiyear projects; therefore, not all of the grant funds awarded will be expended during the 2015-17 biennium. The commission has expended $4,610,478 from the fund as of July 31, 2016. The commission anticipates approximately $12 million will be expended from the fund during the 2015-17 biennium for grants.

[4]The executive budget recommends reducing the maximum amount of oil and gas gross production tax collections in the North Dakota outdoor heritage fund from $20 million per year ($40 million per biennium) to $5 million per year ($10 million per biennium). The executive budget assumes the maximum amount of $10 million will be deposited in the fund during the 2017-19 biennium.

[5]The executive budget recommends $9.9 million for new conservation and outdoor recreation project grants from the outdoor heritage fund.

FUND HISTORY

The North Dakota outdoor heritage fund was established in 2013 House Bill No. 1278 (Chapter 54-17.8) to provide, pursuant to a continuing appropriation, grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations, with higher priority given to enhancing conservation practices in this state by:

- Providing access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;
- Improving, maintaining, and restoring water quality, soil conditions, plant diversity, animal systems, and by supporting other practices of stewardship to enhance farming and ranching;

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- Developing, enhancing, conserving, and restoring wildlife and fish habitat on private and public lands; and
- Conserving natural areas and creating other areas for recreation through the establishment and development of parks and other recreation areas.

For the 2013-15 biennium, pursuant to Section 57-51-15, 4 percent of the first 1 percent of oil and gas gross production tax collections is deposited in the North Dakota outdoor heritage fund, up to $15 million per year. Effective July 1, 2015, 8 percent of the first 1 percent of oil and gas gross production tax collections is deposited in the outdoor heritage fund. A maximum of $20 million of oil and gas gross production tax collections may be deposited in the fund each year. The Industrial Commission has oversight of the outdoor heritage fund. The North Dakota Outdoor Heritage Advisory Board (consisting of 12 voting and 4 ex officio members) makes recommendations to the commission on the funding of grants.

INDUSTRIAL COMMISSION OF NORTH DAKOTA
RENEWABLE ENERGY PROGRAM

Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Renewable Energy Program
North Dakota Century Code 54-63

History of the Renewable Energy Program

North Dakota's Renewable Energy Program was established by the Legislature in 2007 under the control of the North Dakota Industrial Commission. The law provides that the Industrial Commission shall consult with the Renewable Energy Council. The Program's responsibilities include providing financial assistance as appropriate to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal and renewable hydrogen through research, development, demonstration and commercialization. In addition the Program shall promote research and utilization of renewable energy co-product utilization for livestock feed, human food products and industrial use technologies. The Commission has adopted policies to implement this Program.

The Legislature further provided that the Commission shall contract with the Department of Commerce to provide technical assistance to the Renewable Energy Council and the Industrial Commission to carry out the law, including pursuit of aid, grants or contributions of money and other things of value from any source for any purpose consistent with the law.

The 2013 Legislature approved a continuing source of funding for the program—5% of the monies credited to the Resources Trust Fund with a $3,000,000 cap.

Mission Statement

The Mission of the Renewable Energy Program is to promote the growth of North Dakota's renewable energy industries through research, development, marketing and education.

Grant Round Timelines

By policy grant round application deadline dates are currently established to be February 1, and August 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission of North Dakota.

Grant Round Process & Procedures

A group of Technical Reviewers are identified by the Department of Commerce staff to analyze and critique the applications. Based on the analysis of the Technical Reviewers the Dept. of Commerce staff makes a recommendation to the Renewable Energy Council. The Council then makes a recommendation to the Industrial Commission. If the Commission approves funding the Industrial Commission Executive Director negotiates a contract and payments are made based upon work completed.

Grants may not exceed the legislative appropriation. By policy all projects must generate matching funds from industry or other sources (e.g., various federal government agencies, non-profit organizations) of cash or in-kind services (contributed equipment, materials or services). In-kind

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services may not exceed fifty percent of the total Commission funding amount. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. The Commission has established that the maximum amount of any one grant is $500,000. The Commission may award multi-grants for different phases of a project, provided appropriate benchmarks are in place and earlier phases have been deemed successful by the Council and the Commission.

Funded Projects

The Commission has approved the funding of 40 projects including 1 project that was funded from the Biomass Incentive Research Fund. Currently there are 2 applications for Grant Round 31 that are in the review process. The total amount of Renewable Energy Program funding committed to the 40 approved projects as of December 31, 2016 is $11,713,795. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over $34.6 million. Some of the ongoing projects are:

- Commercial Application of Soybean Stalk as a New Alternative Fiber
- Distributed Geothermal Power
- Solar Soaring Power Manager Phase III
- Gateway to Science Ethanol Exhibit
- Pilot Scale Facility for Biocomposites Development for Industrial and Consumer Products
- Integrated Carbon Capture and Storage for North Dakota Ethanol Production
- Landfill Gas to Compressed Natural Gas Fast-Fill Fueling Station

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Commerce Commissioner - by law the Commissioner serves as Chairman
Kyle Bahls, ADM – represents biodiesel industry
Al Christianson, Great River Energy – represents biomass industry
Terry Goerger – represents the agriculture industry
Rod Holth, Green Vision – represents advanced biofuels and sugar-based biofuel
Mark Nisbet, Excel Energy – represents wind industry
Randy Schneider – represents ethanol industry

ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND

N.D.C.C. 54-63-04

Continuing Appropriation

	2015-2017 Biennium		2017-2019 Biennium	
Beginning Balance		$3,496,859[1]		$2,922,859
Add estimated revenues[2]				
Resources Trust Fund	$3,000,000		$3,000,000	
Interest Income (estimated)	$ 5,000		$ 4,000	
Applicant contribution (estimated)	$ 1,000		$ 1,000	
Total Available		$6,502,859		$5,927,859
Less estimated project expenditures and commitments				
Project Expenditures & Commitments[3]	$3,450,000		$4,865,000	
Administrative Costs	$ 130,000		$ 135,000	
Total estimated expenditures		$3,580,000		$5,000,000
Estimated ending balance		$2,922,859		$927,859

(1) The Renewable Energy Program/Fund was authorized in 2007 and received $3,000,000 General Fund appropriations in each of the 2007-2009, 2009-2011 biennia & $1,500,000 in the 2011-2013 biennium. In addition some special funds were transferred from the Biomass Incentive Fund prior to 2013. In the 2013-2015 biennium a continuing appropriation was established with 5% of the Resources Trust Fund not to exceed $3,000,000 per biennium so $3,000,000 was received during the 2013-2015 and 2015-2017 biennia.

(2) Revenues under the 2015-2017 biennium reflect the continuing appropriation of $3,000,000. Other estimated revenues include actual interest income of $4,221 and application contribution income of $900 through February, 2017 with estimated revenues for the remainder of the biennium.

(3) Actual project expenditures for the 2015-2017 biennium through February, 2017 totaled $1,361,967. There are outstanding commitments of $1,882,504 for 10 projects with 4 project applications in the review process that total $1,650,000 and a grant round application deadline scheduled for March 1, 2017. Anticipate receiving at least one application in the amount of $500,000. Actual administrative and technical costs through February, 2017 total $73,665 with an estimate for the remainder of the biennium.

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

OIL AND GAS RESEARCH COUNCIL

Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Brent Brannan, Director
E-Mail: brentbrannan@gmail.com

Oil and Gas Research Program
North Dakota Century Code 54-17.6

History of the Oil and Gas Research Program

North Dakota's Oil and Gas Research Program ("Program"), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the State oil and gas exploration and production industry, to promote efficient, economic and environmentally sound exploration and production methods and technologies, to preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources, to develop the State's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is funded from two percent of the State's share of the oil and gas gross production tax and oil extraction tax revenues, **up to $10 million**, each biennium.

Mission Statement

The Mission of the Oil and Gas Research Council/Program is to promote the growth of the oil and gas industry through research and education.

General Criteria

Priority areas of the Program that promote the growth of the oil and gas industry through research and education in no particular order include, but are not limited to, the following:

- Generate information and knowledge that will have the highest probability of bringing new oil and gas companies and industry investment to North Dakota.
- Have the highest potential for preserving and creating oil and gas jobs, wealth, and tax revenues for North Dakota.
- Most effectively educate the general public about the benefits and opportunities provided by the North Dakota oil and gas industry.
- Positively affect ultimate recovery from North Dakota's existing oil and gas pools.
- Preserve existing production levels.
- Identify oil and gas exploration and production technologies presently not used in North Dakota.
- Identify oil and gas potential in non-producing counties.
- Maximize the market potential for oil, natural gas, and the associated byproducts.
- Improve the overall suitability of the oil and gas industry in North Dakota through the development of new environmental practices that will help to reduce the footprint of oil and gas activities.
- Develop baseline information that will lead to other projects, processes, ideas, and activities.

Grant Round Timelines

Grant round deadline dates are June 1 and November 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission ("Commission").

Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 82 projects totaling $35,799,949. The dollars invested by the State in these projects is also matched so that every dollar provided by the Program is leveraged. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. As with the

Ryan Kopseng, Chairman | Ron Day | Steve McNally | Steve Holan | Daryl Dukart
Ron Ness | Jeff Kummer | Lynn Helms | Ed Murphy

other Commission administered research programs the Commission believes having a partner in the project leads to projects being conducted that have a value to the industry and State and is not just research for research sake. The Program during the 2015-2017 biennium has been set up to direct 73.25% of its funds for research and 15% for education with the remaining funds used for the Pipeline Authority (7.5%) and for administration (4.25%).

Projects of Interest

Program to Determine the Uniqueness of Three Forks Bench Reserves, Determine Optimal Well Density in the Bakken Pool, and Optimize Bakken Production (BPOP) - Energy & Environmental Research Center and Continental Resources

The project goals for this project were to maximize oil production from Bakken and Three Forks wells by employing an "all of the above" approach. This was done by 1) performing reservoir characterization to determine whether the oil of the 2nd and 3rd benches in the Three Forks Formation should be considered separate and unique from those of the 1st bench; 2) improving drilling/stimulation/completion/ production techniques and sequences; 3) determining optimal well spacing for development.

A second goal was to optimize wellsite surface operations by 1) reducing operating costs; 2) reducing developments and operations impacts to surrounding landowners and 3) reducing demands on surrounding infrastructure and water resources.

There was success in all these areas--on the economic side--increased well productivity and economic output; reduced demand for infrastructure construction and maintenance and significant increases to estimates of recoverable hydrocarbons; on the environmental side -- decreased environmental impacts of wellsite operations; reduced land use impacts; reduced gas flaring; evaluation of technologies to recycle wastewater and decrease freshwater demand, improved TENORM (technologically enhanced naturally occurring radioactive material) waste disposal operations, greatly increased understanding of the Bakken-Three Forks reservoirs and public education and outreach. The investment made in this EERC project has yielded tangible, financial returns to the State of North Dakota in many ways. A specific example of these returns is found in BPOP's coordination of a modeling activity that resulted, after public hearing, in a change in in the setback requirements established for Bakken spacing or drilling units. The change will balance the need to extract maximum resources from each unit with the need to maintain correlative rights. The anticipated increase in tax revenues from this change is estimated to be approximately **$1.27 billion**.

Refrac Pilot - Whiting Petroleum Corporation (Whiting)

This project is looking at the potential for refracing older wells in the Williston Basin to enhance their production and reserve recovery. Whiting is undertaking a 10-well project, and with the Oil and Gas Research Program participation, will provide regular reports on the lessons they are learning as they implement their refrac program. This information will be beneficial for not only Whiting but other operators as those lessons learned are shared on the Oil and Gas Research Program's website and at public conferences.

New Technologies for Safe and Cost Effective Oil Conditioning in North Dakota - Statoil

The objective of this project is to explore cost effective robust technology solutions to improve safe operations, manage operational costs, and continue compliance with the Industrial Commission's crude oil conditioning order. This project includes a feasibility study to be followed by field testing and implementation. The expected result of the project is improved reliability and safety associated with oil conditioning operations, and specifically focused on the marketability, cost competiveness, and ultimate revenues achieved from the production of Bakken crude oil in North Dakota.

Improved Characterization and Modeling of Tight Oil Formations for CO_2 Enhanced Oil Recovery Potential and Storage Capacity Estimation - Energy and Environmental Research Center (EERC)

This project is using new reservoir characterization and laboratory analytical data and state-of-the-art modeling to determine the viability of using carbon dioxide for enhanced oil recovery (EOR) in the Bakken. The EERC, through this project, is working to better understand CO_2 EOR potential in the Bakken by identifying various physical and chemical factors that affect CO_2 permeation into, and oil extraction out of, the matrix. This work is also necessary to better understand CO_2 sweep efficiency, oil mobility, and transport through both the fracture networks and the rock matrix. The EERC is addressing these needs by using samples collected from the tight, fractured reservoir and oil-wet, organic-rich shales within the Bakken system.

Collection and Development of Actionable Reclamation Data Using Aerial Remote Sensing - Hell Creek Environmental

This project is conducting proof of concept research and development into the use of remote sensing technology, via manned aircraft, to assess and validate the quality of land reclamation at plugged or otherwise closed oil and gas well sites subject to the North Dakota Industrial Commission well closure requirements. The project objective is to deliver imagery which verifies that the current state of the art in aerial remote sensing can effectively and efficiently assess the eligibility of well sites for their satisfaction with the Commission and other agency requirements for post-closure reclamation. This initiative involves research and development of a remote sensing capability, and the development of a GIS platform, enabling managers to easily view different data sets covering specific locations. The selection of sensors, and associated data sets, were selected based on efficiency and effectiveness metrics developed from commercial research that has been done in the agriculture sector.

ThermoFlo, a novel technology for complete on-site remediation of organically contaminated solids - Drake Water Technologies

The objective of this project is to construct a mobile ThermoFlo pilot unit for deployment to a site in North Dakota for demonstration of onsite cleanup of contaminated soils and solids, i.e. special waste. This means that clean solids may be left on-site and quench water may be re-used in the makeup of drilling mud, eliminating the necessity for specialty packaging of waste materials, the use of flyash for stabilization, truck transport of the waste, and waste deposition in secure landfills. This project includes the construction, shakedown testing, deployment, and demonstration of a mobile 4 to 6 t/hr ThermoFlo pilot unit to treat hydrocarbon contaminated solids at an approved drilling site in North Dakota.

Oil and Gas Research Council Members

The Oil and Gas Research Council is a volunteer, citizen, industry, and government group appointed by the Governor which provides advice to the Commission on policies and recommends research for funding under the Program.

Ron Day (North Dakota Petroleum Council)
Daryl Dukart (county commissioner from an oil-producing county)
Steve Holan (representing oil and gas producing counties)
Ryan Kopseng (North Dakota Petroleum Council)
Jeff Kummer (North Dakota Petroleum Council)
Steve McNally (North Dakota Petroleum Council) (recently resigned)
Ron Ness (President, North Dakota Petroleum Council)
Lynn Helms (ND Oil and Gas Division Director - non-voting member)
Ed Murphy (State Geologist - non-voting member)

Technical Advisors
Kent Ellis (Education expertise)
Monte Besler (Petroleum Engineering expertise)
Rory Nelson (Operation Engineering expertise)

The Commission Administrative Office provides the administrative support for the Program and maintains the financial records of the Program. Brent Brannan has been retained on a part-time basis to serve as the Program Director.

ANALYSIS OF THE OIL AND GAS RESEARCH FUND
N.D.C.C. 57-51.1
Continuing Appropriation

	2015-2017 Biennium		2017-2019 Biennium	
Beginning Balance		$4,419,836[1]		$3,931,836
Add transfers and estimated revenues[2]				
Transfer by State Treasurer from oil and gas taxes	$10,000,000		$10,000,000	
Transfer from the Abandoned Oil & Gas Reclamation Fund	$ 2,000,000		$ 0	
Estimated applicant contributions	$ 2,100		$ 3,000	
Estimated Interest Income	$ 9,900		$ 7,000	
Total Available		$16,431,836		$13,941,836
Less estimated expenditures and commitments[3]				
Estimated Project Expenditures & Commitments	$ 9,924,600		$ 12,280,100	
Estimated Project Expenditures on Legislative studies	$ 2,000,000		$ 0	
Administrative and Technical Services Costs	$ 375,000		$ 400,000	
Transfer to the North Dakota Pipeline Authority	$ 200,400		$ 319,900[5]	
Total estimated expenditures		$12,500,000		$13,000,000
Estimated ending balance		$ 3,931,836[4]		$ 941,836

(1) The Oil and Gas Research Program/Fund was authorized by the 2003 Legislature. During the 2003-2005 biennium $50,000 was made available for the Program. That amount was increased in the 2005 Legislature to $1,300,000 and then it was again increased in 2007 to $3,000,000 and in 2009 it was increased to $4,000,000. In 2013 it was increased to $10,000,000 where it has remained for the 2013-2015 and 2015-2017 biennia. The source of funding for the Oil and Gas Research Fund is two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues.

(2) Revenues under the 2015-2017 biennium reflect the transfer of $10,000,000 from the State Treasurer. Estimated interest income includes actual interest income of $6,621 through November, 2016 and an estimate of the interest income through June 30, 2017. Estimated applicant contributions reflect actual applicant contributions of $1,700 through November, 2016 with an estimate for the remainder of the biennium. Also included under revenues is $2,000,000 that was transferred from the Abandoned Oil and Gas Reclamation Fund for legislative studies.

(3) Since 2003 through 2016 the Commission has committed funding for 82 projects totaling $35,799,949 of OGRP funding. This is exclusive of the two projects directed by the Legislature. Total project costs are $383,185,152. This includes 12 projects approved so far during the 2015-2017 biennium with funding to be provided during the 2015-2017 and subsequent biennia. Actual project payments during the 2015-2017 biennium through November, 2016 total $5,406,188 with an estimate for the remainder of the biennium. Actual administrative and technical services costs through November, 2016 total $136,764 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium. Included in these expenditures is the final payment for the study on workforce that was directed by the 2013 Legislature.

(4) This funding is needed for payments of approved projects that will be completed in subsequent biennia. Outstanding commitments as of January, 2017 are approximately $13.5 million.

(5) This amount is determined by the Industrial Commission based on a recommendation from the Oil and Gas Research Council. It is estimated that approximately $319,900 will be needed during the next biennium for the Pipeline Authority.

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An investment placed by the NDIC in the EERC's Bakken Production Optimization Program has yielded tangible, financial returns to the State of North Dakota in many areas. A specific example of these returns is found in BPOP's coordination of a modeling activity that resulted in a change in rules governing setback requirements in established Bakken spacing or drilling units. The new rules will balance the need to extract maximum resources from each unit with the need to maintain correlative rights.

An estimate of the return on investment of $8,554,500 of NDIC funds via the Oil & Gas Research Program was calculated. An anticipated increase in tax revenue is based on average per-well production increases resulting from the new rule, as modeled by four large North Dakota oil and gas producers. This anticipated increase in tax revenues is estimated to be approximately $1.27 billion.

Avg. Increase in Per-Well Prouduction (bbls/well), lifetime of well	Assumed # of New Bakken/Three-Forks Wells to be Drilled	Overall production increase (MM bbl)	WTI Today ($/bbl)	Revenue Increase	Tax (5% + 5%)	Tax Base Increase
6,766	36,483	246	$51.52	$12.7B	10%	$1.27 B

NOTE: The range of values of per-well production increases were provided in testimony to the NDIC, and are captured in NDIC Order No. 27926. These values ranged from 650 bbls/well to 15,630 bbls/well over the lifetimes of the wells.

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PIPELINE AUTHORITY

Governor
Doug Burgum
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

North Dakota Pipeline Authority
North Dakota Century Code 54-17.7

The North Dakota Pipeline Authority (Pipeline Authority) was created by the North Dakota Legislature in 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy." As established by the Legislature the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed pipeline infrastructure. The Industrial Commission acting as the Pipeline Authority has issued no bonds under this statutory authority.

By law the Pipeline Authority membership is comprised of the members of the Industrial Commission. The Industrial Commission transferred $200,400 during the 2015-2017 biennium from the Oil and Gas Research Fund to the Pipeline Authority Fund. The Industrial Commission has named Justin Kringstad, a consultant, as Director of the Pipeline Authority. He works closely with the Director of the Department of Mineral Resources, the President of the North Dakota Petroleum Council and the Executive Director of the Industrial Commission. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Pipeline Authority Director reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

The Pipeline Authority issues a quarterly newsletter in addition to making numerous presentations to the Legislative interim committees and the public. These newsletters and presentations are available on the Pipeline Authority website at www.northdakotapipelines.com In addition Mr. Kringstad participates in monthly webinars providing regular updates on the transportation issues related to oil and gas.

This past year the Pipeline Authority continued to work closely with the midstream industry in North Dakota to quantify future pipeline and processing needs for the region. This work identified a particular need for additional natural gas liquids infrastructure in and around North Dakota. Evolving technology and dynamic pricing make the Pipeline Authority's production forecasting efforts an ongoing process. Mr. Kringstad also served as an advisor for the EmPower Commission, State Rail Plan, Office of Management and Budget, and Department of Commerce.

The Pipeline Authority website is updated on a regular basis so you should add this website to your "favorites". We are hopeful that this website will be a good tool for keeping policy makers, citizens and industry informed of what is happening with the development of pipelines in North Dakota.

Pipeline Authority
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: Justin Kringstad PHONE: 701-220-6227 FAX: 701-328-2820
"Your Gateway to North Dakota":www.nd.gov

ANALYSIS OF THE PIPELINE AUTHORITY FUND

N.D.C.C. 54-17.7-11

Continuing Appropriation

	2015-2017 Biennium		2017-2019 Biennium	
Beginning Balance		$151,877		$ 52,377
Add transfers and estimated revenues[1]				
Transfer from Oil and Gas Research Fund	$ 200,400		$ 319,900[3]	
Estimated Interest Income	$ 100		$ 100	
Total Available		$352,377		$372,377
Less estimated expenditures and commitments[2]				
Administrative & Study Costs	$ 9,000		$ 30,350	
Consultant Costs	$ 291,000		$ 314,650	
Total estimated expenditures		$300,000		$345,000
Estimated ending balance		$ 52,377		$ 27,377

(1) Revenues reflect a transfer of $200,400 from the Oil and Gas Research Fund for the 2015-17 biennium. Estimated interest income includes actual interest income of $87 through November, 2016 and an estimate of the interest income through June 30, 2017.

(2) Actual administrative costs through November, 2016 total $5,622 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2016 total $195,293 with an estimate for the remainder of the biennium.

(3) The amount to be transferred from the Oil and Gas Research Fund for the Pipeline Authority is at the discretion of the Industrial Commission utilizing the funding available in the Oil and Gas Research Fund.

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NORTH DAKOTA TRANSMISSION AUTHORITY
Chapter 17-05 North Dakota Century Code

The North Dakota Transmission Authority ("Authority") was created by the North Dakota Legislature in 2005. Since its inception the Authority's mission has been to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed transmission.

By statute the Authority membership is comprised of the members of the Industrial Commission. The Director of the Authority works closely with the Executive Director of the Commission. The Authority has no other staff and receives no direct General Fund appropriation. Funding for the Authority comes from the Lignite Research, Development and Marketing Program.

The powers of the Authority include: 1) make grants or loans or borrow money; 2) to issue up to $800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, lease, rent and dispose of transmission facilities; 5) enter into contracts to construct, maintain and operate transmission facilities; 6) investigate, plan prioritize and propose transmission corridors; and 7) participate in regional transmission organizations. In 2009 the Legislature provided the Authority with the power to attach the moral obligation of the State on up to 30% of any revenue bonds sold in conjunction with the financing of a transmission line project.

The Authority's work has focused on observing and achieving a high level of understanding of regional transmission planning. To accomplish this task, the Authority closely monitors and interacts with regional transmission organizations (RTOs) that represent North Dakota transmission developers. These include the Midcontinent Independent System Operator (MISO), and recently the Southwest Power Pool (SPP). The Authority also works with the Organization of MISO States, the Public Service Commission, and other regional and state planning and permitting authorities to ensure transmission policies developed will be favorable to any new North Dakota projects (coal, natural gas, wind or other renewable) that may come before these groups. The Authority has also recently been looking at the impacts of the EPA's Clean Power Plan on regional transmission infrastructure.

The Authority has continued to be engaged in MISO transmission line development work that seeks to identify lines that bring multiple values to transmission across the MISO footprint. This includes transmission under development through the CapX 2020 effort. Such lines with regional benefit will be eligible for cost allocation across the MISO footprint. Of particular importance to North Dakota are the Big Stone South to Ellendale, Big Stone South to Brookings, and Brookings to Twin Cities lines identified by MISO as having regional benefits. The Brookings to Twin Cities line was placed into service in 2015. Big Stone South-Brookings is expected to be completed in 2017, and Big Stone South to Ellendale remains on-schedule for 2019.

North Dakota Transmission Authority
Tyler Hamman, Director
1016 East Owens Avenue – P.O. Box 2277 - Bismarck, ND 58502-2277
E-Mail: tylerhamman@lignite.com PHONE: 701-257-7117 FAX: 701-258-2755

In October 2015, Basin Electric and Western Area Power Administration (Western) officially joined the SPP, another regional transmission organization similar to MISO but with a different footprint. Similar planning and transmission line development will be supported by their power pool as is done by MISO for its members. The two RTOs are currently conducting a joint study to look at the newly created Integrated System "seam" between their markets in the Upper Midwest (primarily North Dakota, South Dakota, and Iowa). Seam issues are generally trading barriers that can arise when there are differences between market rules and designs that can affect the efficiency and reliability of transmission where two RTOs border each other. The Joint Planning Committee is currently determining the full scope and hope to conclude the study by the first quarter of 2017.

The Transmission Authority coordinates its activities with the Public Service Commission and the Department of Commerce and regularly reports to the Industrial Commission.

A copy of the Transmission Authority's annual report is available on the Industrial Commission website at http://www.nd.gov/ndic/ under publications.

March 1, 2017 SB2014 Attachment A-1

North Dakota Pipeline Authority

Annual Report

July 1, 2015 – June 30, 2016

Industrial Commission of North Dakota

Governor Jack Dalrymple, Chairman

Attorney General Wayne Stenehjem

Agriculture Commissioner Doug Goehring

North Dakota Pipeline Authority
Annual Report
July 1, 2015 – June 30, 2016

Overview

At the request of the North Dakota Industrial Commission, the Sixtieth Legislature passed House Bill 1128 authorizing the North Dakota Pipeline Authority. It was signed into law on April 11, 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy". As established by the Legislature, the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed pipeline infrastructure.

By law, the Pipeline Authority membership is comprised of the members of the North Dakota Industrial Commission. Upon the recommendation of the Oil and Gas Research Council, the Industrial Commission authorized the expenditure of up to $200,400 during the 2015-2017 biennium for the Pipeline Authority with funding being made available from the Oil and Gas Research Fund. On August 1, 2008 the Industrial Commission named Justin J. Kringstad, an engineering consultant, to serve as Director of the North Dakota Pipeline Authority. The North Dakota Pipeline Authority Director works closely with Lynn Helms, Department of Mineral Resources Director, Ron Ness, North Dakota Petroleum Council President and Karlene Fine, Industrial Commission Executive Director. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Pipeline Authority Director reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

Statutory Authority

Statutory authority for the Pipeline Authority is found in Chapter 54-17.7 of the North Dakota Century Code (N.D.C.C.). Section 54-17.7-04 N.D.C.C. delineates the powers of the Pipeline Authority including: 1) making grants or loans or to borrow money; 2) to issue up to $800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, purchase, lease, rent and dispose of pipeline facilities or the right to capacity in any pipeline system or systems within or without the State of North Dakota; 5) enter into contracts to construct, maintain and operate pipeline facilities; 6) investigate, plan, prioritize and propose transportation corridors; and 7) participate in regional pipeline organizations.

Before the Pipeline Authority may exercise its power to construct pipeline facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Pipeline

Authority must publish a notice describing the need for the pipeline project. Entities interested in constructing the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Pipeline Authority receives a notice of intent from an interested entity, it may not exercise its powers to construct unless the Pipeline Authority makes a finding that doing so would be in the public interest. In making such a finding, the Pipeline Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

Summary of Activities

Low oil prices in the 2015-2016 timeframe have caused petroleum related activity in North Dakota to slow considerably. Despite the activity slowdown, the midstream industry continued to position itself to meet current production levels, and continue to plan for further expansion when price levels increase. More efficient drilling rigs and advances in drilling and completion techniques allowed North Dakota oil production to remain at historically high levels. During the past year, the Pipeline Authority has been fully engaged in continuing efforts to convert production and development information into oil and natural gas transportation solutions. Working alongside industry to produce crude oil and natural gas production forecasts to quantify future pipeline needs and time frames continues to be one of the principal tasks of the Pipeline Authority. Pipeline companies are conservative by nature and these forecasting exercises proved to be very beneficial in providing the confidence needed to move forward with expansion project planning.

During the fiscal year the Pipeline Authority contacted, met with, and shared information with numerous interested parties, including the following:

Enbridge Pipeline
TransCanada
MDU/WBI Energy
ONEOK
Alliance Pipeline
Northern Border Pipeline
Basin Electric
KLJ Engineering
Loenbro
Badlands NGLs
Paradigm Midstream
Pembina Pipeline
Moody Analytics
GA Group
Oasis Petroleum
Tallgrass Energy
JP Morgan
Hess Corporation
Tesoro
True Companies
Aux Sable Liquid Products
BNSF Railway
Dakota Prairie Refining
Gtuit
Plains All American
Sequent Energy
Barr Engineering
Whiting
Reaction 35
Energy Transfer Partners
Parsons Brinkerhoff
Flight Scan
HRL Morrison
Petro Nerds

Alpha View
Olsson Associates
Meridian Energy Group
Ferus Inc.
Element 1 Corp.
Robert W. Baird & Co.

In addition, the Pipeline Authority worked with a number of state and federal agencies to gather information and provide expertise on pipeline issues. Those agencies and entities included:

North Dakota Public Service Commission
North Dakota Transmission Authority
North Dakota Oil and Gas Division
North Dakota Governor's Office
Canadian Consulate
North Dakota State University
Bank of North Dakota
US Energy Information Administration
North Dakota Oil & Gas Research Program
MHA Energy
Pipeline and Hazardous Materials Safety Administration
North Dakota Office of Management and Budget
North Dakota Department of Commerce
Energy and Environmental Research Center
North Dakota Department of Transportation
Federal Railroad Administration
North Dakota Tax Department
Wyoming Pipeline Authority
EmPower North Dakota Commission
North Dakota State Water Commission
Upper Great Plains Transportation Institute
Province of Alberta

The Director of the Pipeline Authority also worked with the following trade associations/groups:

North Dakota Petroleum Council
North Dakota Petroleum Marketers Association
North Dakota Association of Counties
Energy Policy Research Foundation
NW Landowners Association
Canadian Energy Research Institute
North Dakota Society of Professional Engineers
National Council of State Agriculture Finance Programs

As noted above, the Pipeline Authority has been facilitating discussions between governmental agencies and companies interested in expanding North Dakota's midstream infrastructure.

In addition, the Director of the Pipeline Authority provided information to citizens and news media on issues related to pipelines.

Crude Oil and Natural Gas Production Forecasting

The Pipeline Authority continued to develop and maintain crude oil and natural gas production forecasts for North Dakota and the United States portion of the Williston Basin. These forecasts are widely used throughout both public and private organizations. Two assumption scenarios are forecasted for the purpose of communicating the production impacts of different price and activity levels. Figure 1 is a near term oil production forecast for North Dakota. Figure 2 shows a longer term natural gas production forecast using the two different activity scenarios for North Dakota.

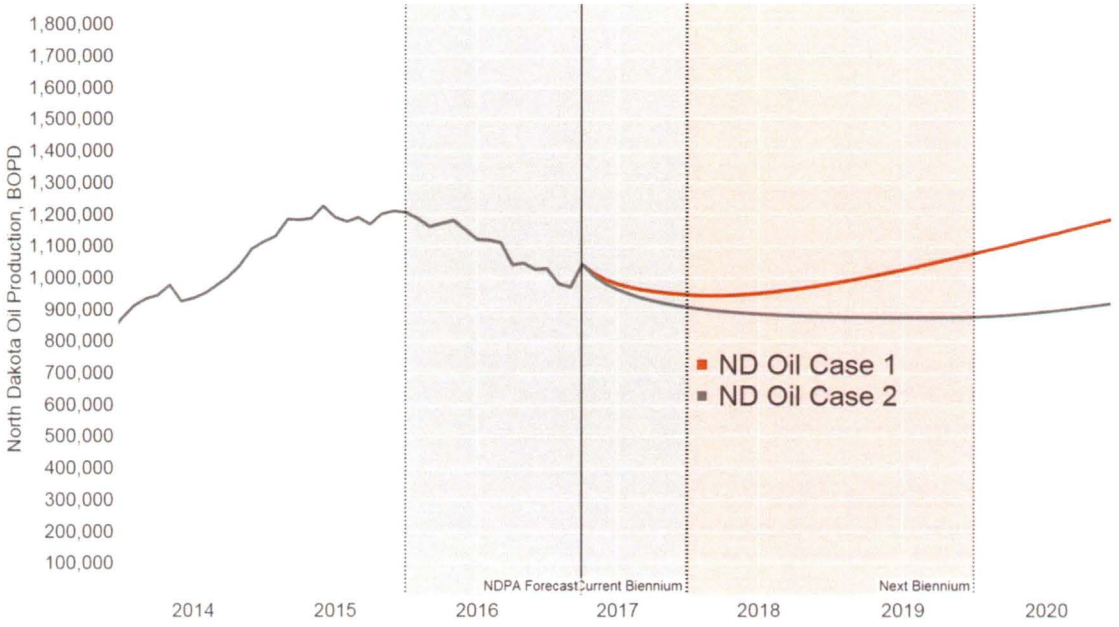


Figure 1. Near term crude oil production forecast for North Dakota

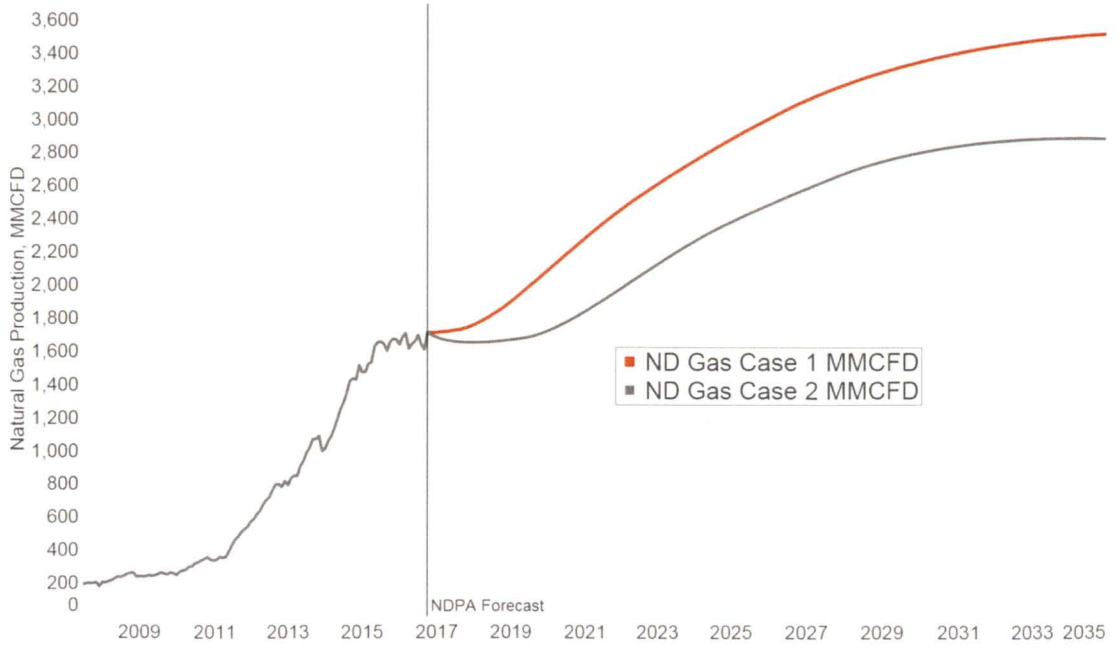


Figure 2. North Dakota natural gas production forecast

Natural Gas Liquids

The Pipeline Authority focused considerable attention in 2015-2016 to the topic of natural gas liquids (NGL). Natural gas produced from the Bakken and Three Forks Formations is very high in natural gas liquids (NGLs) such as ethane, propane, and butane. Forecast models were created by the Pipeline Authority to better understand the production potential and required transportation infrastructure going forward.

The forecast in Figure 3 shows two potential production cases based on different activity level assumptions. In either case, a significant shortfall of gross pipeline capacity occurs in the next 5-10 years. Further complicating the situation is the fact that not all NGL pipelines can handle the same types of NGL products and natural gas plants around the region produce either purity products or unfractionated product, known as Y-grade.

There are several options going forward to address the growing volume of NGLs in North Dakota. One option would be to build, expand, or repurpose existing pipeline systems. A second option would be the development of value added industries that would use NGL products as feedstock. One potential use for NGLs is enhanced oil recovery (EOR) in the Williston Basin as fields continue to mature. The use of NGLs as a working EOR fluid is still in the research phase.

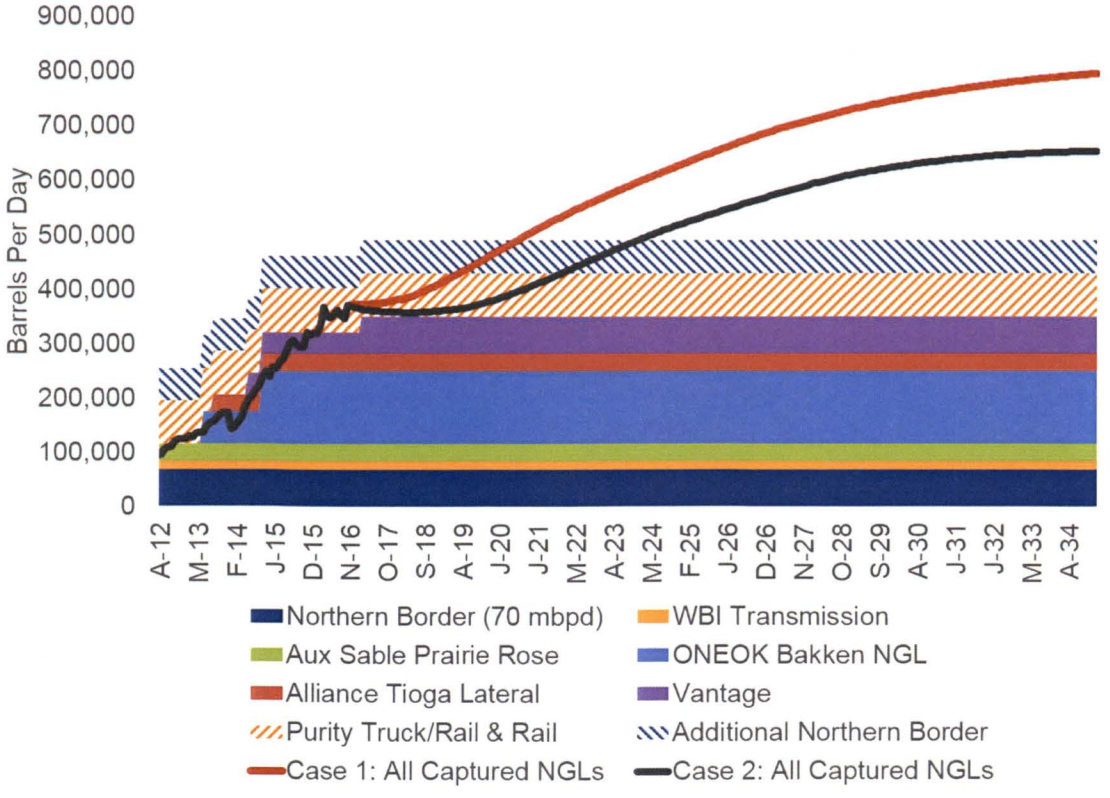


Figure 3. Forecasted North Dakota NGL production and transportation options

State Rail Plan

The North Dakota Department of Transportation, along with its partners, is currently working to update the previous 2007 North Dakota State Rail Plan.

Along with the hired consultant agency, Parsons Brinckerhoff, the Department of Transportation partnered with the following agencies to conduct the study:

- North Dakota Public Service Commission
- North Dakota Department of Commerce
- North Dakota Department of Emergency Services
- North Dakota Pipeline Authority
- Upper Great Plains Transportation Institute

The updated North Dakota State Rail Plan is focused on the following key areas:

- Ensuring safe rail transportation
- Providing consistently reliable, diverse Class I, short line and passenger rail service
- Rail service expansion and economic development opportunities
- Funding future rail improvements
- Understanding and defining the role of the state of North Dakota in rail transportation

The final State Rail Plan report is scheduled to be released in October 2016.

Natural Gas Flaring

While not a regulatory agency, the Pipeline Authority does play a very active role in helping the state reduce the amount of flared natural gas. The Pipeline Authority continually monitors and reports flaring statistics and provides analysis on current and future developments to industry participants, regulators, policy makers, and the public. More information on a comprehensive report published by the Pipeline Authority can be found in the "Industry and Public Communications Activities" portion of this Annual Report.

Several significant actions were taken by the ND Industrial Commission in recent years that have had a positive impact on reducing natural gas flaring. The first was the requirement for operating companies to submit a natural gas capture plan to the Oil & Gas Division to outline how produced natural gas would be sold or utilized on location. The second action was an Industrial Commission order on July 1, 2014 that provided flaring reduction targets to the year 2020 and provided a means of enforcement at the Oil & Gas Division through the use of production and permitting restrictions.

In September 2015, the Industrial Commission revised the 2014 natural gas capture targets for Bakken and Three Forks production as follows:

- 74% Capture – Q4 2014
- 77% Capture – Q1 2015
- 80% Capture – Q2 2016
- 85% Capture – Q4 2016
- 88% Capture – Q4 2018
- 91-93% Capture – Q4 2020

The natural gas capture rate for Bakken production was 91% in June 2016, exceeding the required target of 80%. In order for the industry to continue to meet or exceed gas capture targets, additional investments in gas gathering and processing will be required.

Industry and Public Communications Activities

Pipeline Publication

During the 2015-2016 fiscal year, three *Pipeline Publication* newsletters were published in order to keep interested parties updated on midstream activities in the region. All three newsletters can be found in Appendix A. In addition to the newsletters, the Pipeline Authority used monthly reports, website content, press conferences, and presentations to share updates on production and transportation dynamics in the Williston Basin (additional details below).

Pipeline Authority Websites

In an effort to provide industry and public users with the most timely and complete set of information, the Pipeline Authority continues to update the agency websites as new information becomes available. The websites allow the Pipeline Authority to provide users with current Williston Basin oil production data, maps, news, publications, basic pipeline information, pipeline safety information, and links to pipeline mapping systems.

Monthly Updates

During the 2015-2016 fiscal year, the Pipeline Authority produced monthly transportation and production reports to allow interested parties a quick view of how much crude oil and natural gas was produced each month and how each commodity was shipped and/or processed. Information contained in the reports is presented during monthly media events in conjunction with the ND Oil & Gas Division. Monthly reports are placed on the Pipeline Authority website and an email distribution list has been created to circulate the update to interested parties.

North Dakota Drilling Economics

In order to assist the midstream industry in understanding current and future petroleum activity levels, the Pipeline Authority routinely publishes information exploring the economics of drilling in North Dakota's Bakken/Three Forks Formations. The research takes a detailed look at where drilling in North Dakota has been most successful in the past and then predicts where drilling may be concentrated during periods of fluctuating oil prices.

Figure 4 below was generated during the drilling economics research to represent the expected after tax rate of return at three different drilling and completion costs. While assuming $45/bbl at the wellhead, it was discovered that wells drilled in North Dakota would not consistently receive a 10%-20% rate of return until they were producing at least an average of 700 barrels of oil per day during the well's peak production month. Maps were also generated to show where the locations of the wells in Figure 4 are located.

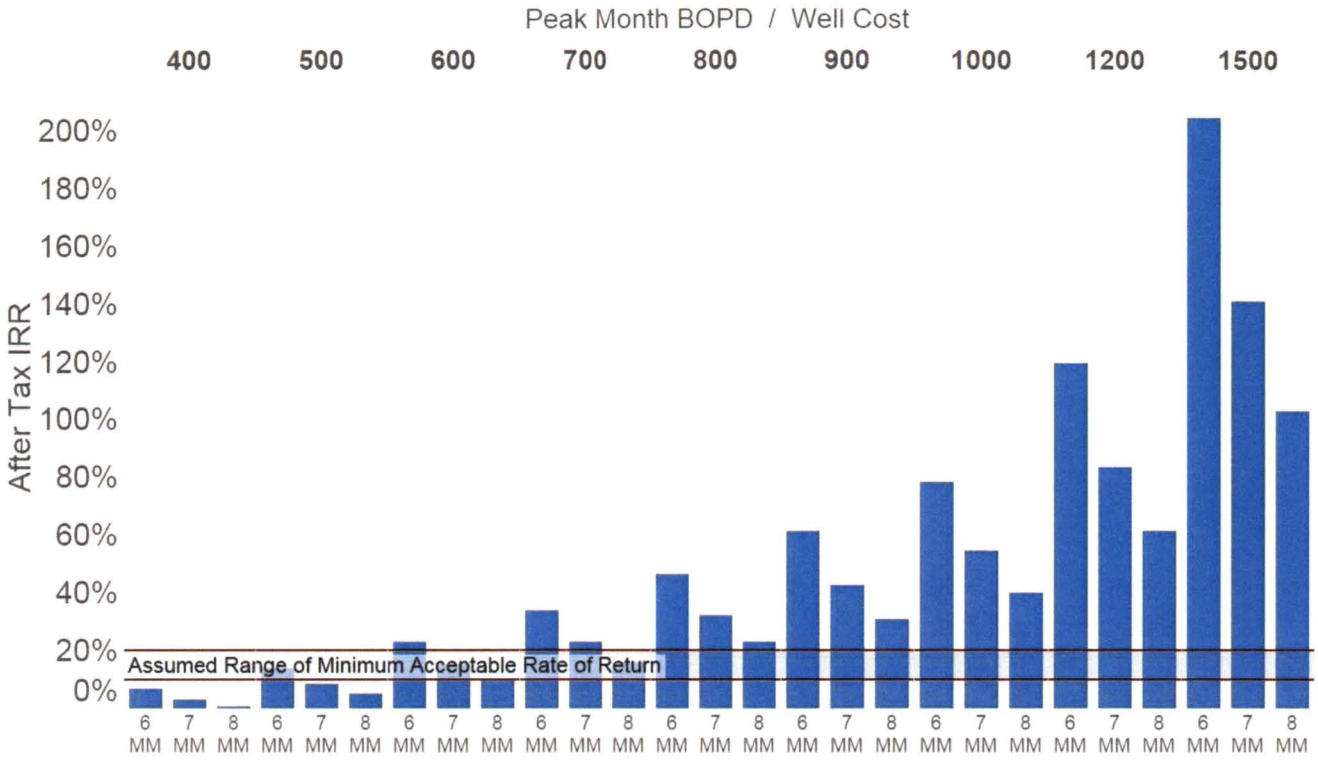


Figure 4. North Dakota drilling economics summary (Assumes $45/bbl at the wellhead)

Video Presentations

During the 2015-2016 fiscal year, the Pipeline Authority researched several areas of interest for the state's midstream industry. Video presentations were created to share the information with interested parties in a timely and concise format. Replays of the video presentations are available on the Pipeline Authority website.

Pipeline Presentations

Over the past year, the Pipeline Authority has had the opportunity to make presentations at a variety of industry and public events. Some of those events included:

- Legislative Interim Committees
- NDPC CookFest Events
- Rotary International
- NDPC Teachers Education Seminar
- North Dakota Safety Council
- EmPower Commission

Baird Capital	Bank of North Dakota
Bismarck-Mandan Chamber	ND Oil and Gas Law Update
ND Society of Professional Engineers	Williston Basin Petroleum Conference

Slides from major presentations can be found on www.northdakotapipelines.com

Williston Basin Pipeline Infrastructure

For reference, a series of North Dakota pipeline maps can be found in Appendix B

Crude Oil Pipelines, Refining, and Rail Transportation

Enbridge Pipelines North Dakota: Having completed several expansion projects over the past number of years, Enbridge now has the capacity to move 355,000 BOPD on its pipeline system to Clearbrook, MN. Enbridge completed their work to expand north bound capacity of 145,000 BOPD in early 2013 for the larger scale "Bakken Expansion Project". Oil using the northbound route navigates the Enbridge Saskatchewan system to an interconnect with the Enbridge Mainline at Cromer, MB. Once on the Mainline system, the Williston Basin oil quickly reenters the United States and meets east bound Enbridge oil at Clearbrook, MN.

Enbridge continued work during the 2015-2016 fiscal year to further expand their Williston Basin system with the "Sandpiper" project. Plans to construct the 225,000 BOPD system were deferred during the third quarter of 2016 due to unexpected market conditions in the near term planning horizon.

Bridger, Belle Fourche, and Butte Pipelines: Bridger and Belle Fourche Pipelines operate as intra-basin pipeline systems moving oil to several pipeline interconnects or rail facilities in the Williston Basin. One such pipeline interconnect is with the Butte Pipeline near Baker, MT. The Butte Pipeline currently has the capacity to move 260,000 BOPD to Guernsey, WY. In Guernsey, WY, the oil is transported to Wood River, IL on the Spectra Platte Pipeline or loaded into rail cars for further transport.

BakkenLink: After announcing plans in 2010 to offer a pipeline system connecting the Williston Basin to the Keystone XL Pipeline in Eastern Montana, BakkenLink has altered their current project scope. Now in service, the BakkenLink system collects crude oil from various locations along its route south of Lake Sakakawea and delivers the oil to a unit train rail facility located near Fryburg, ND. In late 2015, Tesoro Corporation purchased the BakkenLink pipeline and rail facility from Great Northern Midstream.

Energy Transfer Partners: In early 2014, Energy Transfer Partners (ETP) held an open season to solicit interest in a new 30" pipeline from North Dakota to Patoka, IL. In June 2014, ETP announced that they had secured sufficient shipper support to move forward with the project. The "Dakota Access" pipeline will collect oil north and south of Lake Sakakawea and have the ability to initially transport 470,000

BOPD. If additional interest exists, the pipeline could be expanded to carry up to 570,000 BOPD. The project began construction in May 2016 and scheduled to be complete in 2017.

Plains All American Pipeline: In November 2010, Plains All American Pipeline (Plains) announced plans to construct a new 103 mile, 12 inch, pipeline from Trenton, ND to an interconnect with the existing Wascana Pipeline at the United States-Canada border in northeast Montana. The "Bakken North" pipeline went into service in May 2014, with an initial capacity of 40,000 BOPD, expandable to 75,000 BOPD.

TransCanada BakkenLink: On September 13, 2010, TransCanada launched a successful open season for Bakken producers interested in accessing TransCanada's proposed Keystone XL pipeline project in eastern Montana. The proposed 100,000 BOPD interconnect would be located near Baker, MT and would require new pumps and tanks to accommodate the Bakken oil. Third party shippers would be necessary to move crude from North Dakota to the Baker, MT facilities.

In November 2015, President Obama announced that the Keystone XL Pipeline was not in the national interest of the United States and that a required Presidential Permit would not be granted.

TransCanada Upland Pipeline: In February 2015, TransCanada announced plans to construct a 20" pipeline connecting North Dakota to the proposed Energy East project. The pipeline is expected to be in service in 2020 with an initial capacity of 220,000 BOPD, expandable to 300,000 BOPD. The TransCanada Energy East project will use a combination of repurposed natural gas pipeline and new construction to move 1,100,000 BOPD to eastern Canada. North Dakota crude oil not processed in eastern Canada could become waterborne for further shipment to coastal refining centers.

Tesoro Mandan Refinery: Expanded by 10,000 BOPD in 2012, Tesoro operates a 68,000 BOPD refinery in Mandan, ND. The refinery receives its light sweet feedstock though a network of pipelines in the Williston Basin operated by Tesoro High Plains Co. The Tesoro High Plains Pipeline gathering network continues to evolve and expand, with the most recent announcement being the "Connolly Gathering System" which will collect oil from various points in Dunn County for delivery at the existing Connolly pipeline station in central Dunn County. The project began in mid-2014 and is currently in service.

Products generated at the refinery are distributed directly from a truck rack at the facility or through the NuStar North Pipeline to Eastern North Dakota and Minnesota.

Dakota Prairie Refinery: In May 2015, a joint venture of MDU Resources Group and Calumet Specialty Products Partners, the Dakota Prairie Refinery, began processing 20,000 BOPD at its facility just west of Dickinson, ND. The "diesel topping" refinery produces around 7,000 BPD of diesel fuel for consumption, while the remaining product is transported for further processing or use.

In late June 2016, Tesoro Corporation purchased the Dakota Prairie Refinery.

A map of North Dakota crude oil gathering systems can be found in Appendix C

Rail Loading Facilities: The transportation of crude oil by rail car has played a key role in moving growing volumes of crude oil from the Williston Basin to markets around the United States and Canada. Figure 5 shows the estimated Williston Basin market share percentages for rail, pipeline, and local refining. Figure 6 shows the estimated volume of oil moved by rail out of North Dakota. Maps, capacities, and additional information on the various facilities can be found on the Pipeline Authority websites.

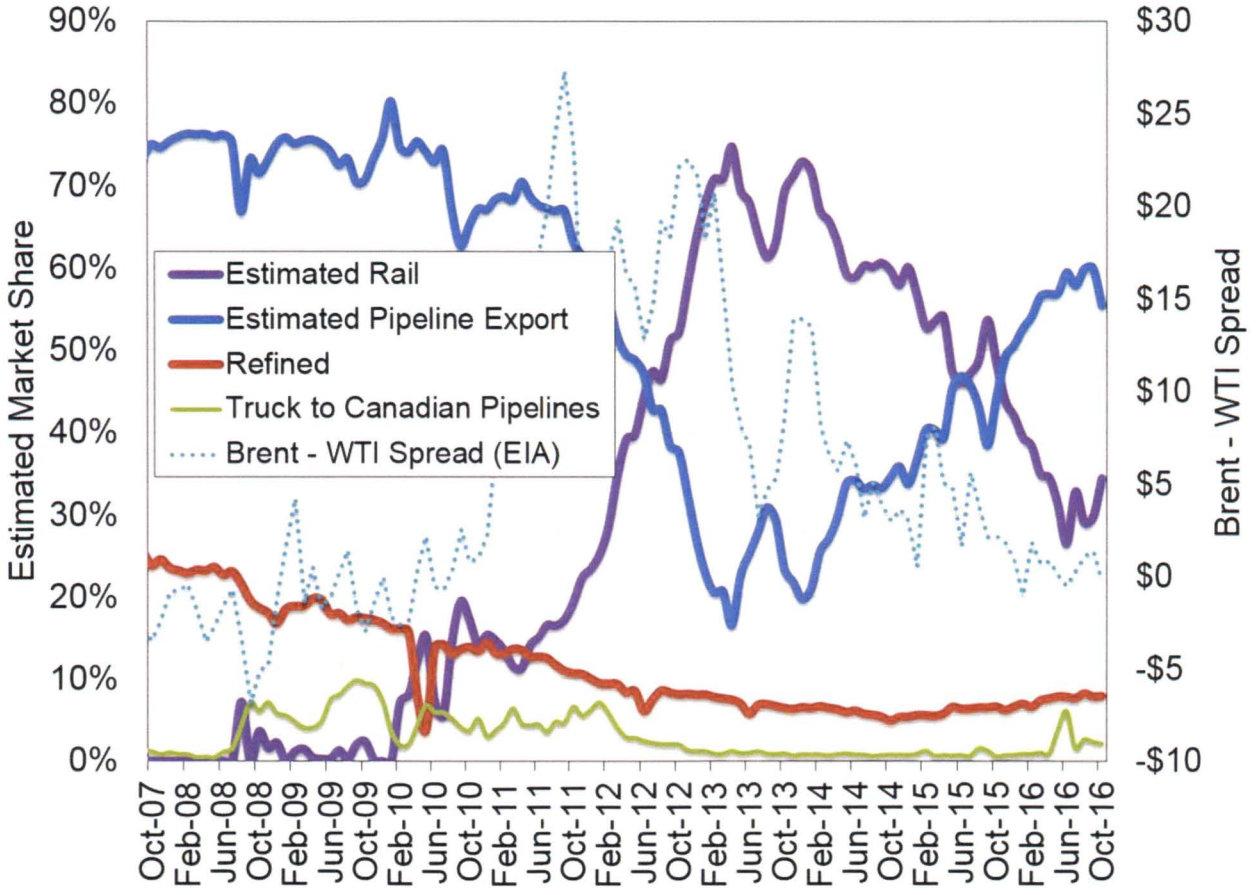


Figure 5. Estimated oil transportation by mode

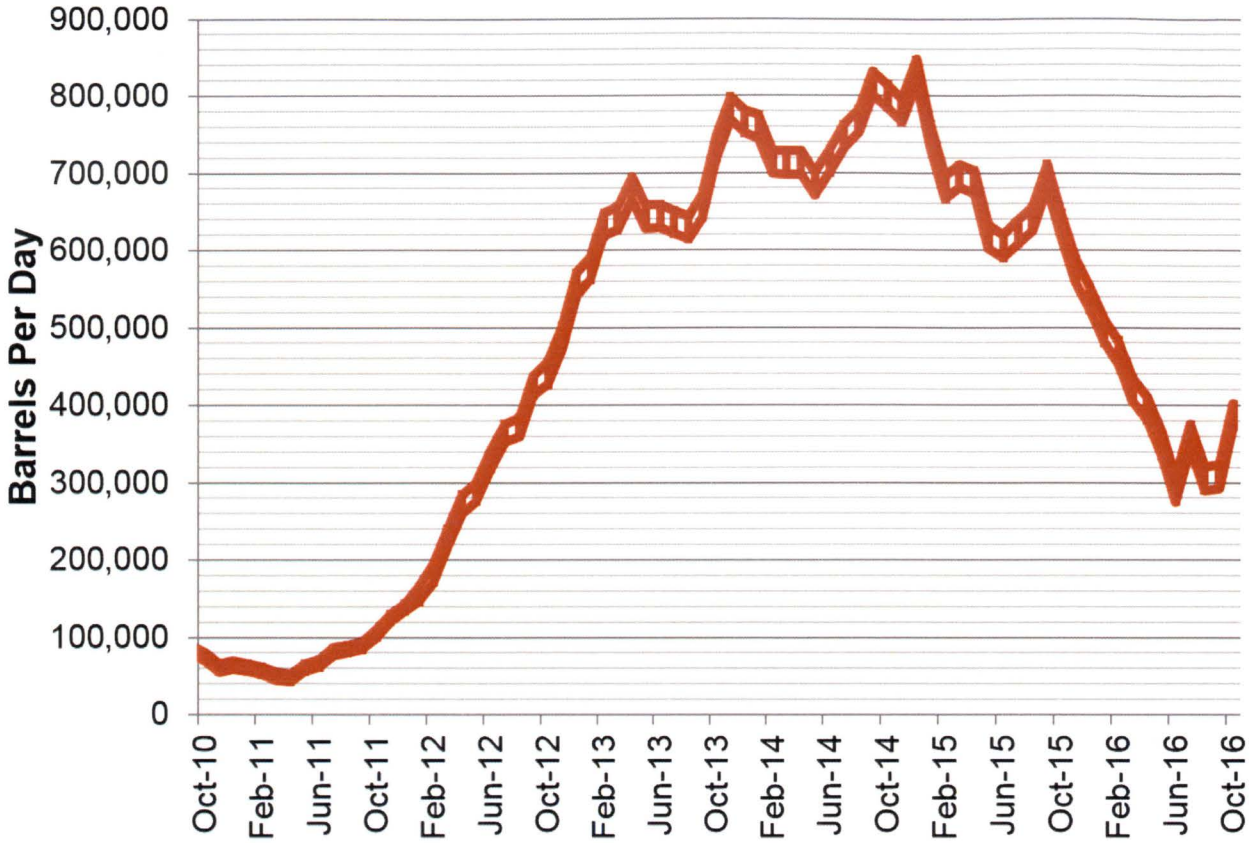


Figure 6. Estimated outbound crude oil rail shipments.

A map of North Dakota oil rail loading facilities can be found in Appendix D

Natural Gas Pipelines

Alliance Pipeline: The Alliance Pipeline is a high pressure, large diameter natural gas pipeline that originates in British Colombia, Canada and terminates at the Aux Sable gas processing plant near Chicago, IL. The Alliance Pipeline transports "dense gas" or gas that still contains high BTU natural gas liquids, such as propane and butane. In February 2010, the Alliance Pipeline began transporting rich natural gas from North Dakota via a new interconnect with the Prairie Rose Pipeline near Bantry, ND (See Aux Sable below). The 36 inch diameter United States portion of the pipeline has a certified capacity of 1.513 billion cubic feet per day (BCFD). The Alliance Pipeline has one North Dakota delivery point in Hankinson.

In response to growing natural gas production, Alliance Pipeline announced plans on June 22, 2011, to construct a new, 80 mile, natural gas pipeline from the Hess Gas Plant in Tioga, ND to an interconnection point near Sherwood, ND. Commissioned in late 2013, the "Tioga Lateral Pipeline" has the ability to deliver liquids rich, high BTU, natural gas to Chicago, IL for further processing and transportation. The Tioga Lateral has the capacity to transport up to 126 MMCFD.

Northern Border: The Northern Border Pipeline, owned by TC Pipelines and ONEOK Partners, is a 1,249 mile pipeline originating at the Port of Morgan in Montana and terminating near North Hayden, Indiana. The pipeline has a system receipt capacity of 2.37 BCFD, a large portion of which is supplied with Canadian natural gas through a receipt point with the Foothills Pipeline at the Port of Morgan. The 42 inch diameter Northern Border Pipeline receives gas deliveries at a total of 15 receipt points in the Williston Basin with twelve of those points for North Dakota gas supply. One additional North Dakota interconnect is expected to go into service in the second half of 2016 increasing total interconnect capacity to 1,690 MMCFD.

WBI Energy Transmission: Formerly known as Williston Basin Interstate Pipeline Co., WBI Energy Transmission operates more than 3,700 miles of natural gas transmission pipelines throughout North Dakota, Montana, Wyoming, and South Dakota. This network of pipelines plays a vital role in North Dakota's natural gas industry. It contains twelve interconnecting points with other regional pipelines and can also deliver natural gas to local distribution companies or natural gas storage fields. WBI continues to make system upgrades in western North Dakota in order to meet growing customer demand. In June 2016, WBI announced an open season to connect the eastern North Dakota portion of the system with the Viking Pipeline in western Minnesota. This expansion does not directly support North Dakota gas production volumes, but rather would serve to provide additional gas volumes to consuming markets in eastern North Dakota.

Aux Sable: In June 2011, Aux Sable announced the acquisition of the Prairie Rose Pipeline and condensate recovery facility near Stanley, ND. Originally constructed by Pecan Pipeline, the 75 mile, 12 inch system went into service February 2010 and has the capability to transport over 100 MMCFD of unprocessed natural gas from Mountrail County to an interconnect with the Alliance Pipeline near Bantry, ND.

Bison Pipeline: TransCanada placed the 302 mile, 30 inch Bison Pipeline into service in early 2011. The pipeline was built to connect natural gas production in the Powder River Basin of Wyoming to the Northern Border Pipeline in Morton County North Dakota. The pipeline has an initial capacity of 407 MMCFD and could be expanded to 1 BCFD.

Natural Gas Liquids Pipelines

ONEOK Bakken NGL Pipeline: On July 26, 2010, ONEOK Partners announced plans to construct a new 12 inch natural gas liquids pipeline capable of moving 60,000 BPD from existing and planned facilities in the Williston Basin to an interconnect with the Overland Pass Pipeline near Cheyenne, WY. The "Bakken NGL Pipeline" was built to address the high volumes of natural gas liquids that are extracted from the rich Bakken gas during processing. The pipeline operates as a Y-grade system, with product fractionation taking place in Bushton, KS. ONEOK announced completion of the pipeline in April 2013 and an expanded capacity of 135,000 BPD in September 2014.

Vantage Pipeline: On July 15, 2010, Mistral Energy announced a new 430 mile liquid ethane pipeline from Tioga, ND to Empress, AB. With an initial capacity of 40,000 BPD, the new "Vantage Pipeline" was built to address the high concentration of ethane found in North Dakota's natural gas. Placed into service Q2 2014 in conjunction with the Hess Tioga Gas Plant Expansion, the pipeline was constructed of 10 inch pipe. Other than this particular project, the majority of North Dakota's ethane is being left in the natural gas stream after it leaves the gas processing plant.

In September 2014, Pembina Pipeline Corporation purchased the Vantage Pipeline from Mistral Midstream.

On February 10, 2015, Pembina Pipeline announced that the Vantage ethane pipeline would expand to connect to ONEOK's Stateline plants with 50 miles of 8" pipeline. The $85 million system expansion also included taking the existing mainline capacity from 40,000 bpd to 65,000 bpd.

Carbon Dioxide Pipelines

North Dakota continues to have only one carbon dioxide pipeline in service. The Dakota Gasification Company's, 12-14 inch, 205 mile pipeline went into service in 2000 and transports roughly 150 MMCFD of carbon dioxide to oilfields near Weyburn, SK.

The Pipeline Authority continues to work with interested parties on the development of new carbon dioxide pipelines for capture and sequestration, as well as enhanced oil recovery operations. The Pipeline Authority is an active member of the Plains CO_2 Reduction Partnership through the Energy and Environmental Research Center in Grand Forks, ND.

Natural Gas Processing

For reference, a North Dakota Gas Processing and Transportation map can be found in Appendix E

New or Expanding Natural Gas Plants

Due to the vast footprint of the Bakken resource, natural gas gathering and processing operators in North Dakota have faced difficult challenges in the past to keep pace with faster, more efficient drilling and completion techniques. Despite the daunting task, industry is rising up to reap the great economic reward contained in the rich Bakken gas.

North Dakota currently has twenty-six natural gas processing/conditioning plants operating, with the capability to process roughly 1.86 BCFD. Two additional new plants are expected in 2016 and will add 160 MMCFD of processing capacity (Figure 7). Two gas plants have been suspended until market conditions justify their construction. A detailed breakdown of the existing and proposed facilities can be found on the Pipeline Authority website.

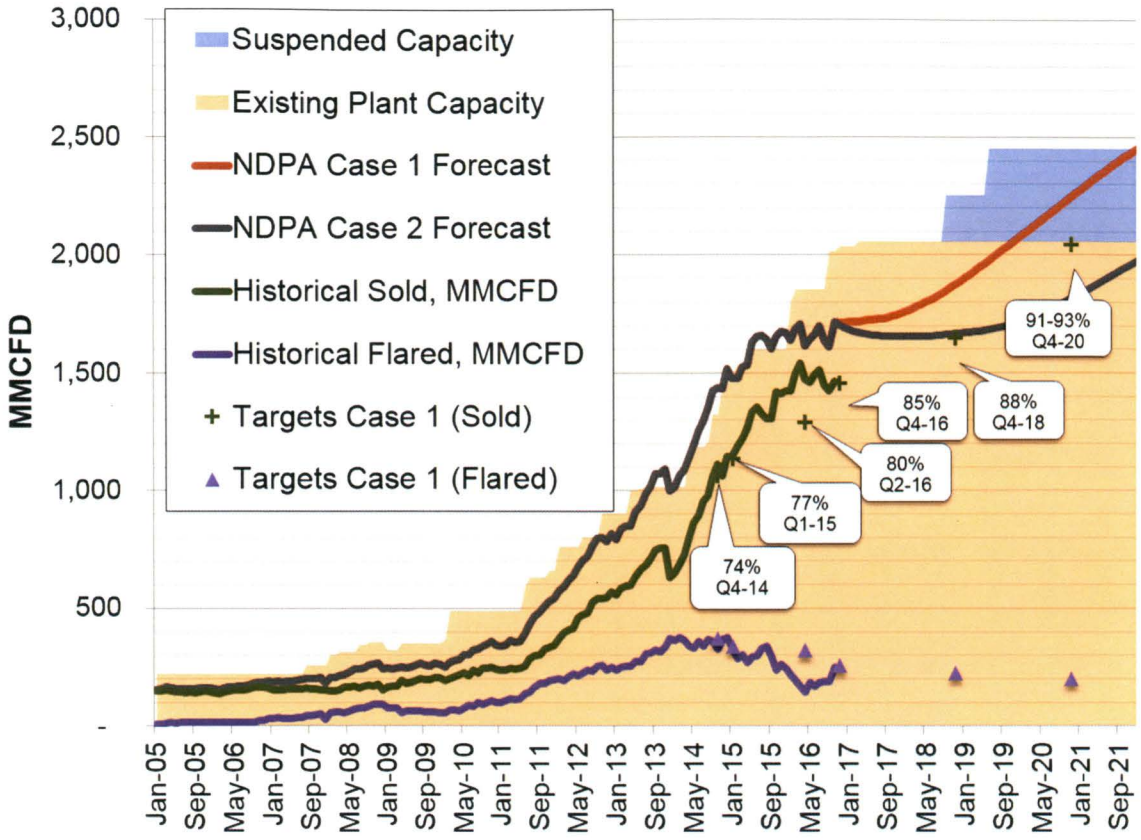


Figure 7. North Dakota natural gas processing plant intake capacity, gas production, gas forecast, and NDIC capture targets.

Planned Activities

Over the past year, the Pipeline Authority has continued to experience great success by working with industry to quantify future crude oil and natural gas production in order to provide the assurance needed to move forward with various expansion projects. The forecasted petroleum production levels have been modified to reflect the current low price environment and will require continuous updating and review over the next year as technology advances and market prices fluctuate. The Pipeline Authority will continue to utilize new and existing development information to gain a deeper understanding of the crude oil, natural gas, and carbon dioxide pipeline needs in Williston Basin.

Industry and public information distribution will continue with the use of newsletters, presentations, monthly updates, and agency websites. The Pipeline Authority will continue to conduct information presentations to public audiences, legislative groups, and industry representatives at various events throughout the coming year.

APPENDIX A

North Dakota Pipeline Authority's *Pipeline Publication* Newsletter

the PIPELINE publication

Volume 7 ❖ Issue 1
October 2015

INDUSTRIAL COMMISSION OF NORTH DAKOTA PIPELINE AUTHORITY

Governor
Jack Dalrymple

Attorney General
Wayne Stenehjem

Agriculture Commissioner
Doug Goehring

Director
Justin J. Kringstad

The first step in developing a new pipeline or processing project is to understand the current and future demand for such a system. In an effort to better understand where future oil and gas production levels may be headed in the current low price environment, the Pipeline Authority has recently published two new video presentations to inform interested parties about topics of drilling, production, and economics. Both videos are available for replay on the "Presentations" page at www.northdakotapipelines.com

UNDERSTANDING 2015 OIL PRODUCTION

Released on August 20, 2015, this 40 minute video presentation takes an in-depth view at the first half of 2015 and proposes why oil and natural gas production levels did not decrease, even during a time of significant drilling rig reductions. One key takeaway is an appreciation for the time between when a drill bit begins turning (spud) and when the oil and gas are brought to the surface for sale. Data revealed that on average, it took between 170-180 days to bring a well into production. There are many factors that could decrease or increase that time span, but it does help explain why production in early 2015 seemed immune to the decreasing drilling rig fleet.

Key points from the presentation:

- In the first half of 2015, production was largely impacted by ND winter/spring conditions and drilling decisions made in 2014 (due to lag between well spud and initial production).
- The second half of 2015 is when the production impact of the rig reduction will be noticed most.
- Producers will offset rig reduction with higher producing wells, but it is unclear if it will be enough to prevent a statewide oil production drop.
- Drilled but uncompleted wells are ideally positioned in the Bakken and act as a wild card that allows some flexibility to "cherry pick" the most attractive producing locations for completion.

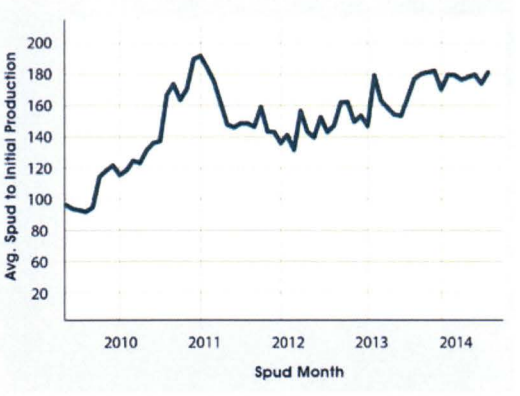


Chart showing how spud to initial production times have changed through time.

NORTH DAKOTA — Production Numbers

:: www.pipeline.nd.gov

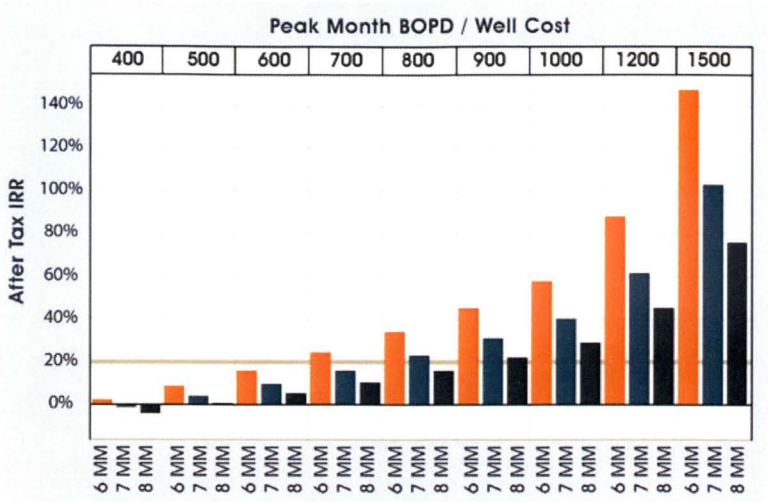
Average Daily Oil Production, BOPD			Average Daily Gas Production, MMCFD			Average Rig Count		
May 2015	Jun. 2015	Jul. 2015	May 2015	Jun. 2015	Jul. 2015	May 2015	Jun. 2015	Jul. 2015
1,202,714	1,211,330	1,201,920	1,630.3	1,652.0	1,657.4	83	78	73

As of September 29, 2015, there are 69 active rigs in North Dakota.

Header image courtesy of the North Dakota Department of Commerce.

REVISITING DRILLING ECONOMICS

Released on September 10, 2015, this 13 minute video updates previous Pipeline Authority research on the economics of drilling wells in the Bakken/ Three Forks. The work used existing well production data as an indicator to where drilling could remain economically attractive at low oil prices. Maps were created to separate the oilfield into several "baskets" based on well performance. Several different scenarios were examined to show how sensitive the economics are to changing drilling and completion costs.



Assuming $40/bbl at the wellhead, the chart above provides a summary of after tax rate of return for various drilling/completion costs and a well's peak daily oil production. Each company has its own threshold, but 20% was chosen as baseline to show where a company may consider it attractive to drill.

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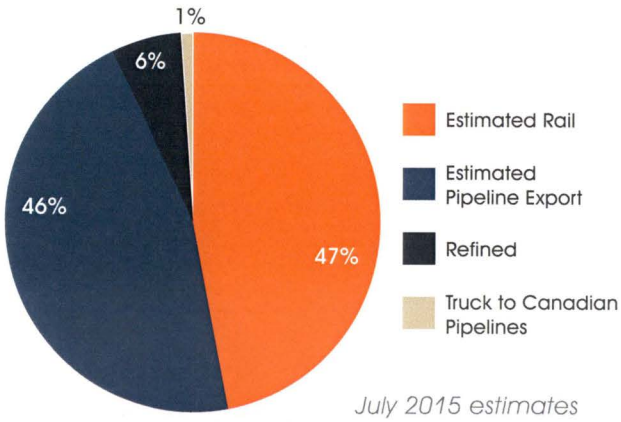
OILFIELD FACTOID

Drilling efficiency has continued to improve in North Dakota. Data now indicates that an average rig can spud 1.7 wells per month, up from 0.7 wells per month in 2011. Drilling efficiency is just one of the critical factors to consider when predicting North Dakota's future petroleum production and required pipeline infrastructure.

Estimated Williston Basin Oil Transportation



July 2015 estimates

the PIPELINE publication

Volume 7 ❖ Issue 2
February 2016

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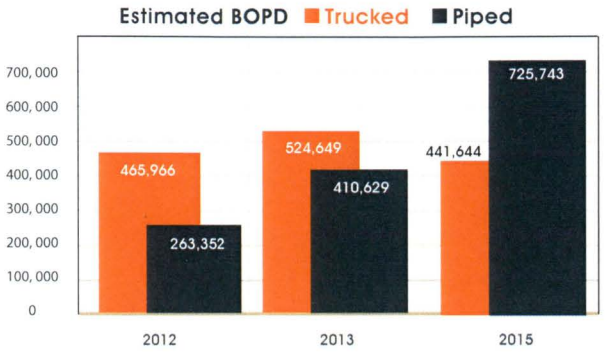


ND CRUDE OIL GATHERING

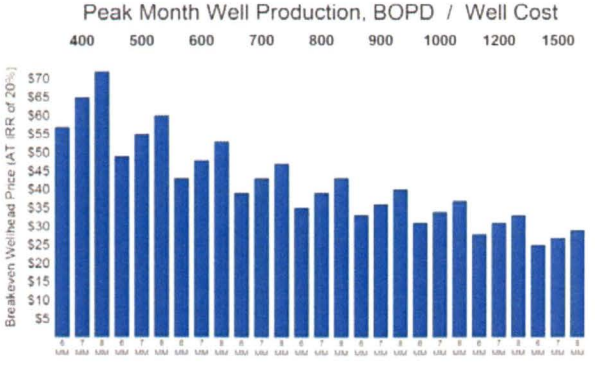
At the end of 2015, the Pipeline Authority published an updated analysis of crude oil gathering in Western North Dakota. The data indicated that crude oil gathering by pipeline had surpassed truck gathering for movement away from well locations. The amount of oil gathering by pipeline increased the most in McKenzie County, but significant increases were also seen in other producing counties. Interestingly, even though McKenzie County had the highest increase in oil pipeline gathering, the region did not see an overall decrease in trucking due to the significant rise in production that area had experienced.

Detailed video commentary and slides on the topic of oil gathering can be found on the "Presentations" page of www.northdakotapipelines.com

Bakken Drilling Economics

Drilling economics were revisited at the end of 2015 using a lower wellhead price of $30 per barrel. Since that work was published, prices have dropped, further impacting the economics of drilling and completing a Bakken/Three Forks well. Full video commentary and slides are available online and an estimated breakeven price chart is included in this newsletter.

Please note that the estimated breakeven prices are based on the cost to complete the well, the peak month average daily rate of oil from that well, and assumes an after-tax rate of return of 20%. Lowering costs, improving well performance, and lowering the expected after-tax rate of return would decrease the breakeven price per barrel beyond what is seen in the chart.



NORTH DAKOTA — Production Numbers

:: www.pipeline.nd.gov

Average Daily Oil Production, BOPD		
Oct. 2015	Nov. 2015	Dec. 2015
1,172,832	1,181,787	1,152,280

Average Daily Gas Production, MMCFD		
Oct. 2015	Nov. 2015	Dec. 2015
1,658	1,676	1,671

Average Rig Count		
Oct. 2015	Nov. 2015	Dec. 2015
68	65	64

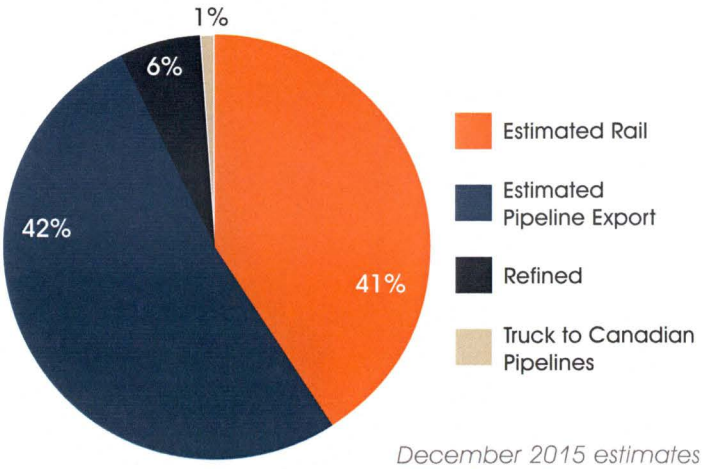
As of February 23, 2016, there are 39 active rigs in North Dakota.

Header image courtesy of the North Dakota Department of Commerce.

TRANSPORTATION AND PROCESSING UPDATES

- In December 2015, the ONEOK Lonesome Creek natural gas processing plant went into service. The 200 million cubic feet per day (MMCFD) plant is located in central McKenzie County.
- In January 2016, the North Dakota Public Service Commission approved the routing of the Dakota Access Pipeline in North Dakota. Iowa is the only state that has yet to make a route determination for the project.
- In February 2016, Enbridge made a decision to modify the anticipated startup time of the Sandpiper Pipeline from 2017 to early 2019. The decision does not have an impact on the system capacity of 225,000 barrels per day (BPD) out of North Dakota.

Estimated Williston Basin Oil Transportation



December 2015 estimates

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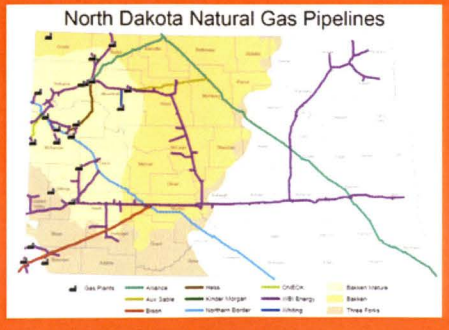
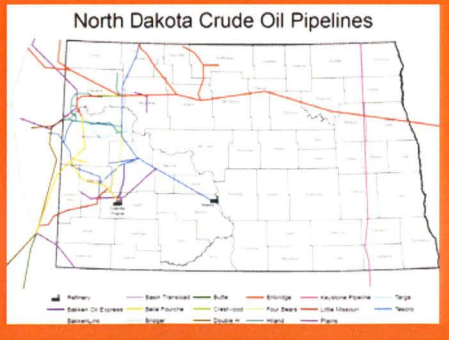
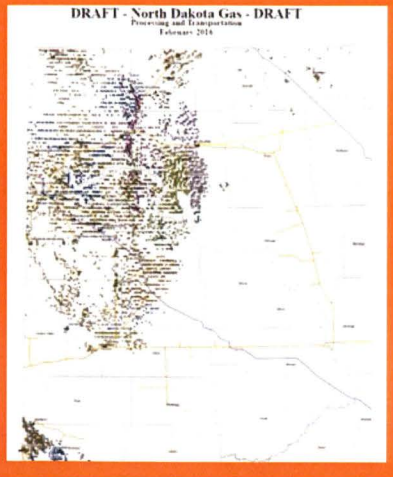
OILFIELD FACTOID

New crude oil and natural gas pipeline maps have been placed on the Pipeline Authority website. The maps are available for download in large format for high resolution printing.







the PIPELINE publication

Volume 7 ❖ Issue 3
June 2016

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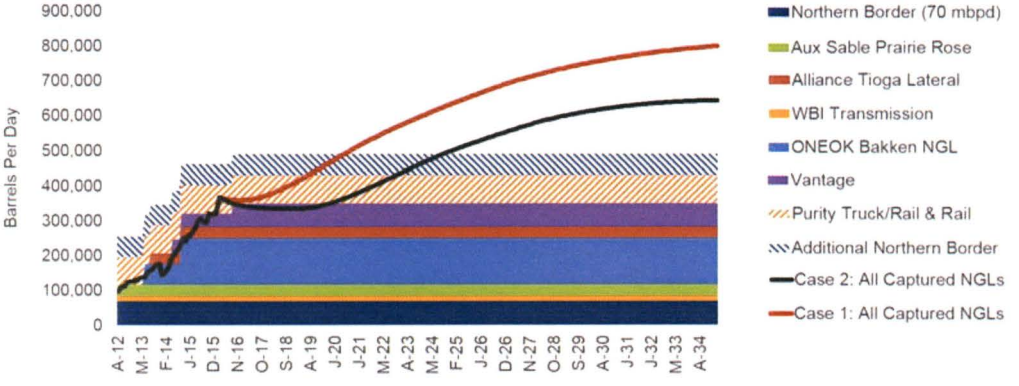
UNDERSTANDING NATURAL GAS LIQUIDS

Much attention has been focused on gathering natural gas produced in association with crude oil in western North Dakota. Receiving less attention is the unique quality of the natural gas stream being gathered to gas plants around North Dakota. Natural gas produced from the Bakken and Three Forks Formations is very high in natural gas liquids (NGLs) such as ethane, propane, and butane (see table on back page). While majority of the NGL's are removed at processing plants in the state to separate the liquids from the "dry" methane stream, a large percent of the ethane remains with the methane stream.

FORECASTED ND NGL PRODUCTION AND TAKEAWAY OPTIONS



NGLs gathered and processed in the region will ultimately need to be moved to consuming markets. A forecast of gathered NGLs in North Dakota was created to quantify the growing transportation needs from the region. The forecast in the chart shows two potential production cases based on different activity level assumptions. In either case, a significant shortfall of gross pipeline capacity occurs in the next 5-10 years. Further complicating the situation is the fact that not all NGL pipelines can handle the same types of NGL products and natural gas plants around the region produce either purity products or unfractionated product, known as Y-grade.

There are several options going forward to address the growing volume of NGLs in North Dakota. One option would be to build, expand, or repurpose existing pipeline systems. A second option could be the development of value added industries that would use NGL products as feedstock. One potential use of NGLs is for enhanced oil recovery (EOR) in the Williston Basin as fields continue to mature. The use of NGLs as a working EOR fluid is still in the research phase.

NORTH DAKOTA — Production Numbers

:: www.pipeline.nd.gov

Average Daily Oil Production, BOPD			Average Daily Gas Production, MMCFD			Average Rig Count		
Jan. 2016	Feb. 2016	Mar. 2016	Jan. 2016	Feb. 2016	Mar. 2016	Jan. 2016	Feb. 2016	Mar. 2016
1,122,462	1,119,092	1,109,246	1,641	1,689	1,710	52	40	32

As of May 20, 2016, there are 25 active rigs in North Dakota.

Header image courtesy of the North Dakota Department of Commerce.

NATURAL GAS STORAGE

One primary use of natural gas is heating residential and commercial buildings. Without the use of underground natural gas storage, the supply chain would be challenged to handle strong seasonal demand shifts. During the warm summer months, natural gas is stored in underground reservoirs and withdrawn during colder periods with higher demand. The reservoirs used for natural gas storage are typically depleted gas producing fields that are converted to serve a storage role. The nearest storage field is located near Baker, MT and is operated by WBI Transmission. Regional pipelines provide transportation service to and from the Baker storage field.

Generalized Bakken Gas Quality

Component	Gallons per MCF	% of Liquids
Nitrogen	NA	NA
Carbon Dioxide	NA	NA
Hydrogen Sulfide	NA	NA
Methane	NA	NA
Ethane	5.32	52.5%
Propane	3.11	30.7%
Isobutane	0.32	3.1%
Normal Butane	0.89	8.8%
Isopentane	0.14	1.4%
Normal Pentane	0.20	2.0%
Hexane+	0.16	1.5%
Totals	**10.14**	**100%**
Gas Stream BTU Value	**1,399**	

Mole % Source: Energy & Environmental Research Center (EERC)

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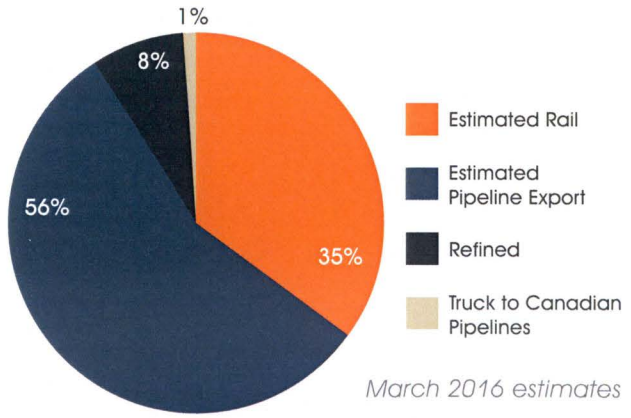
PIPELINE FACTOID

The largest natural gas storage field in the United States is located in the Williston Basin. WBI Transmission's Baker gas storage field has a working gas capacity of over 164 billion cubic feet. The storage field is located primarily in SE Montana in the Cedar Creek Anticline.

Estimated Williston Basin Oil Transportation



March 2016 estimates

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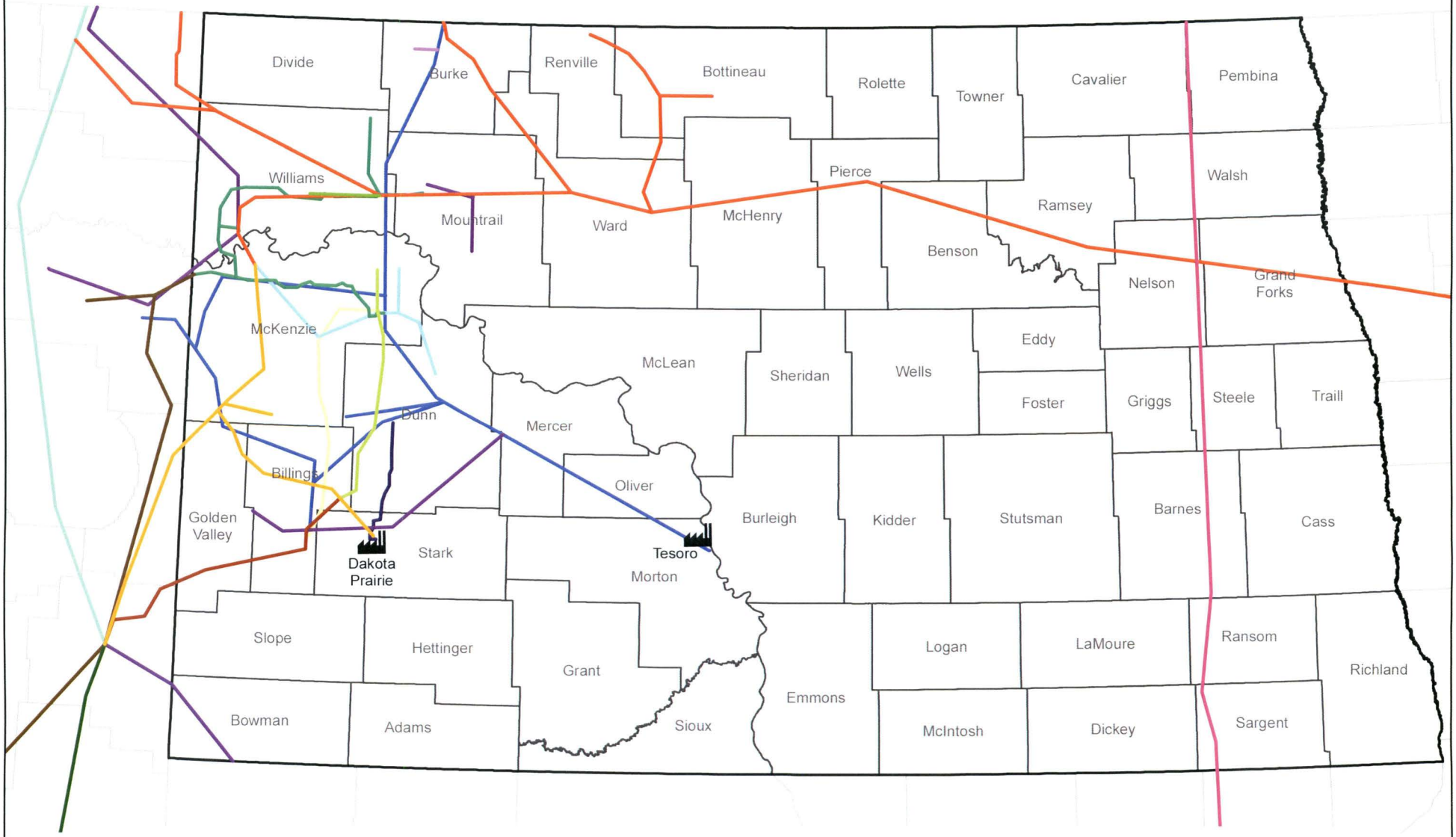
APPENDIX B

North Dakota Pipeline Maps

North Dakota Crude Oil Pipelines



Date: 2/22/2016

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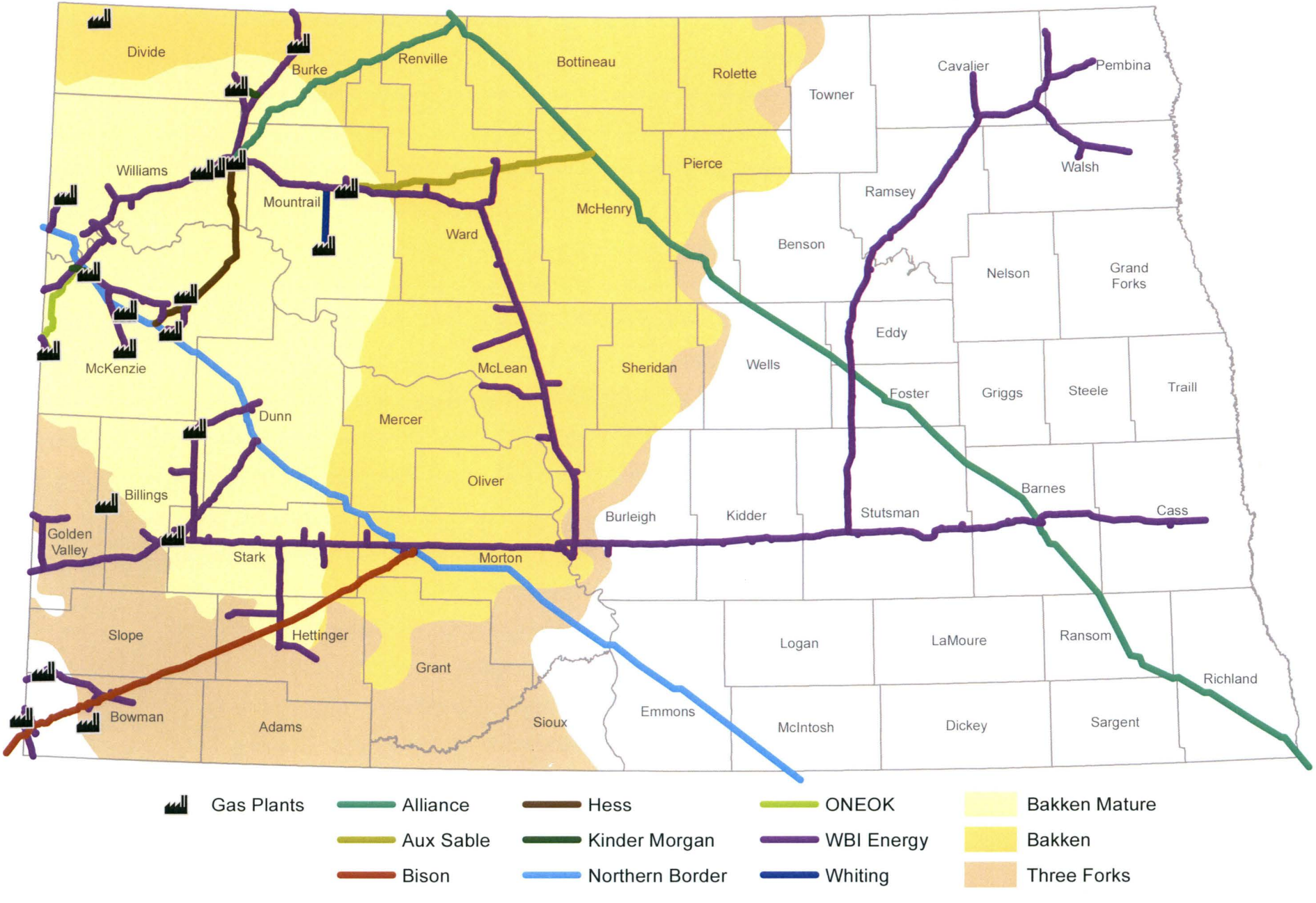
North Dakota Natural Gas Pipelines



Date: 2/23/2016

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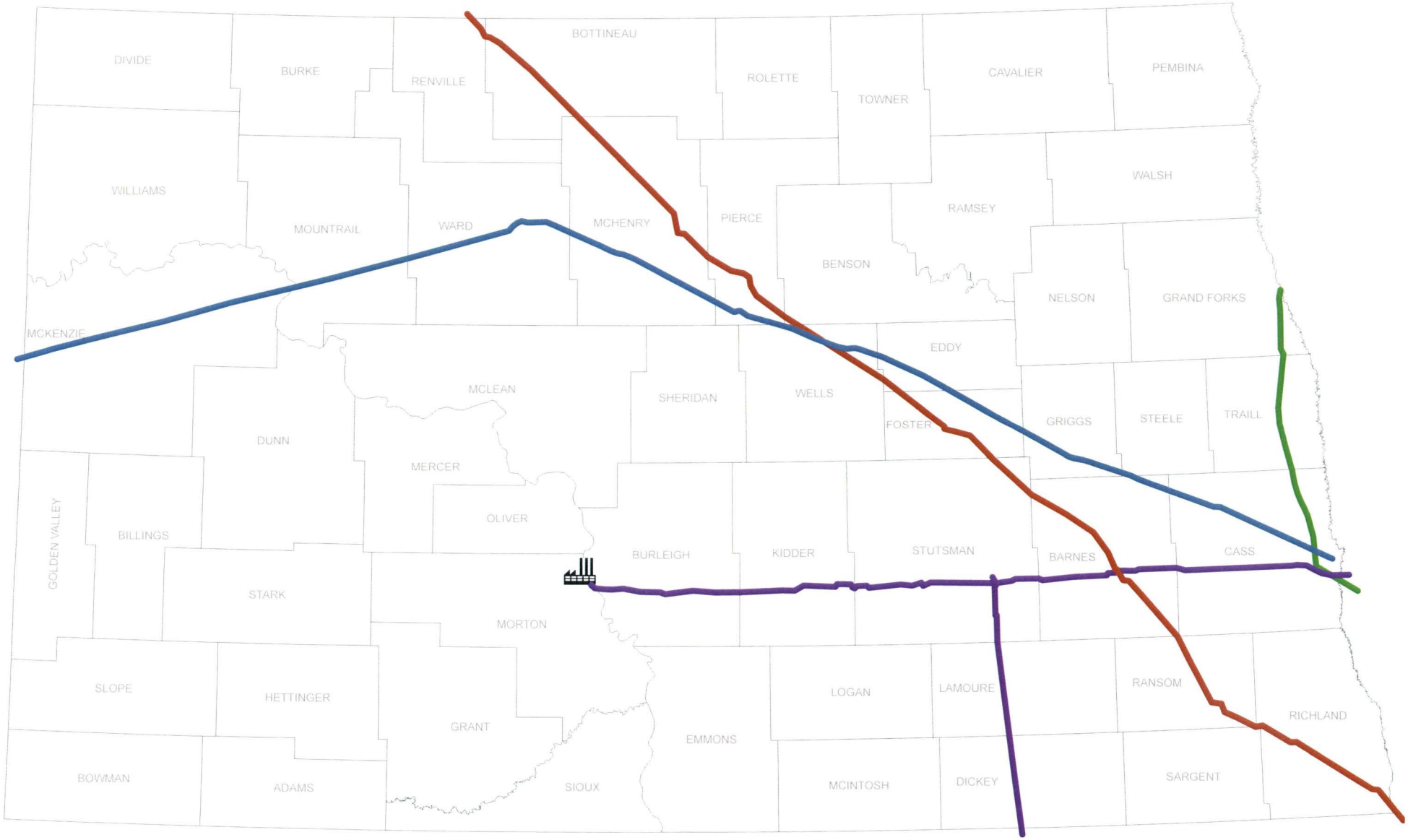
North Dakota Products Pipelines



Cenex Pipeline LLC - Refined Products

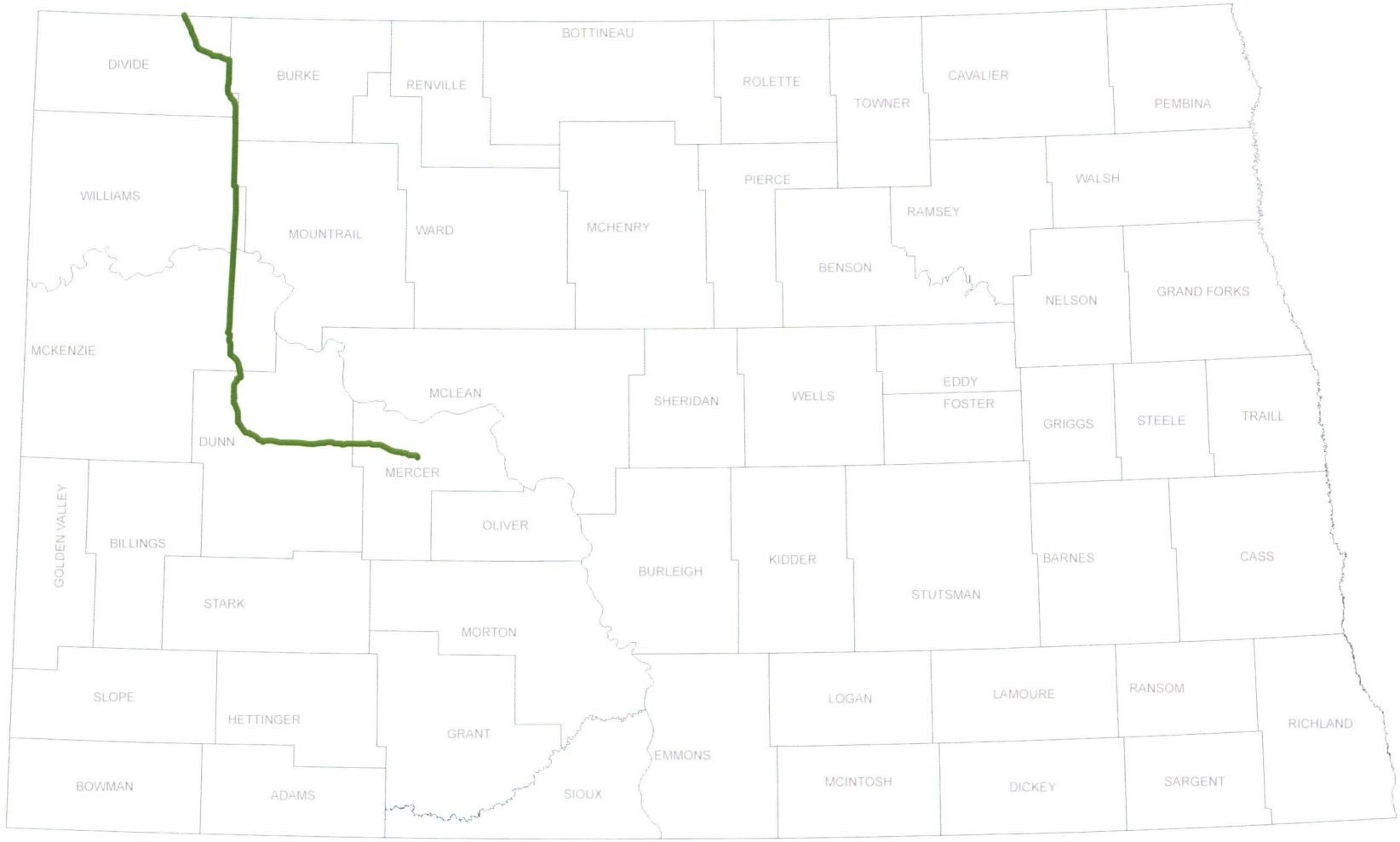
Magellan Midstream Partners LP - Refined Products

Tesoro Mandan Refinery

Kinder Morgan Cochin - Condensate

NuStar Energy - Refined Products

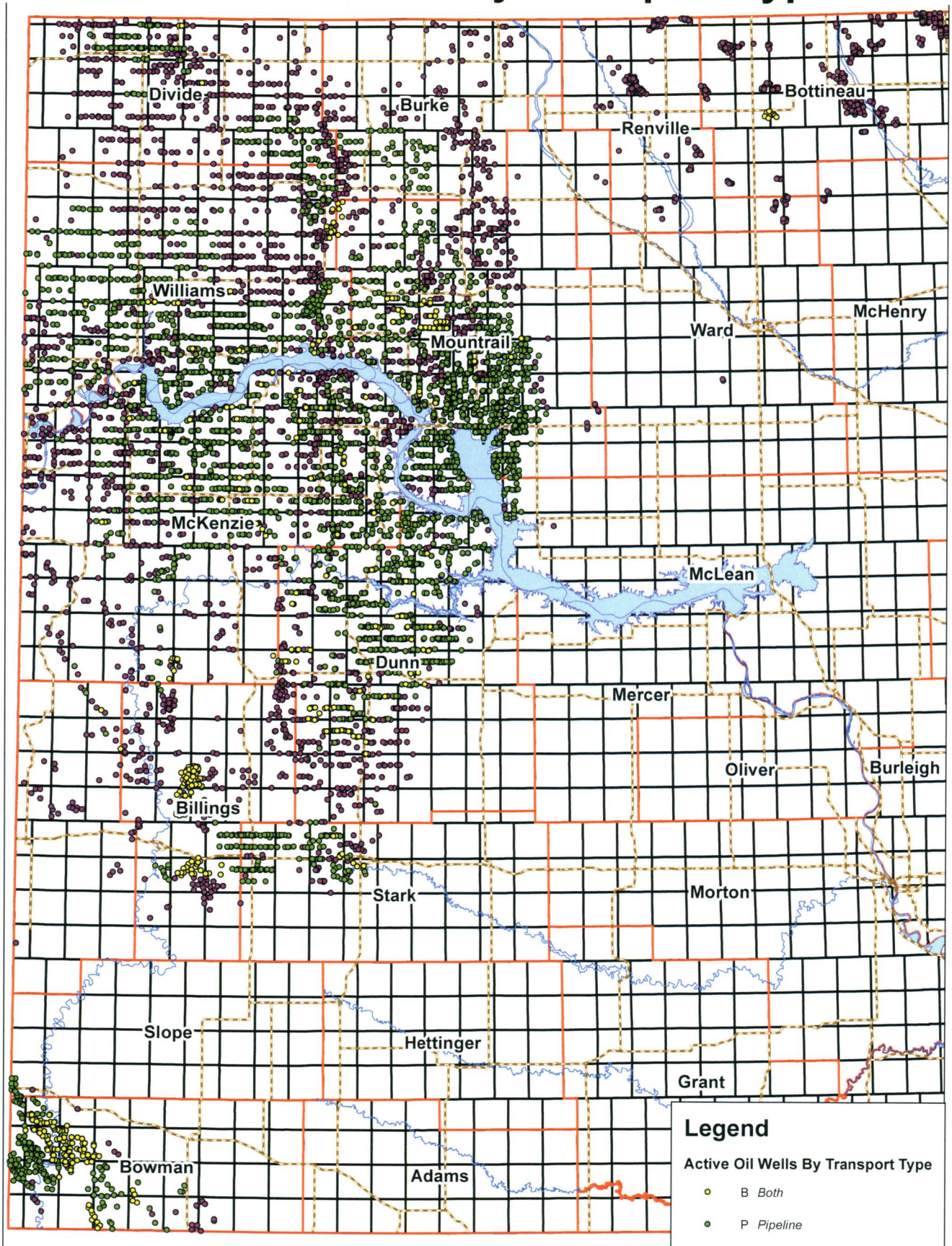
North Dakota CO_2 Pipeline



APPENDIX C

North Dakota Crude Oil Gathering Map

Active Oil Wells By Transport Type



Map Data Date : 7/1/2016
Map Update Date : 10/11/2016

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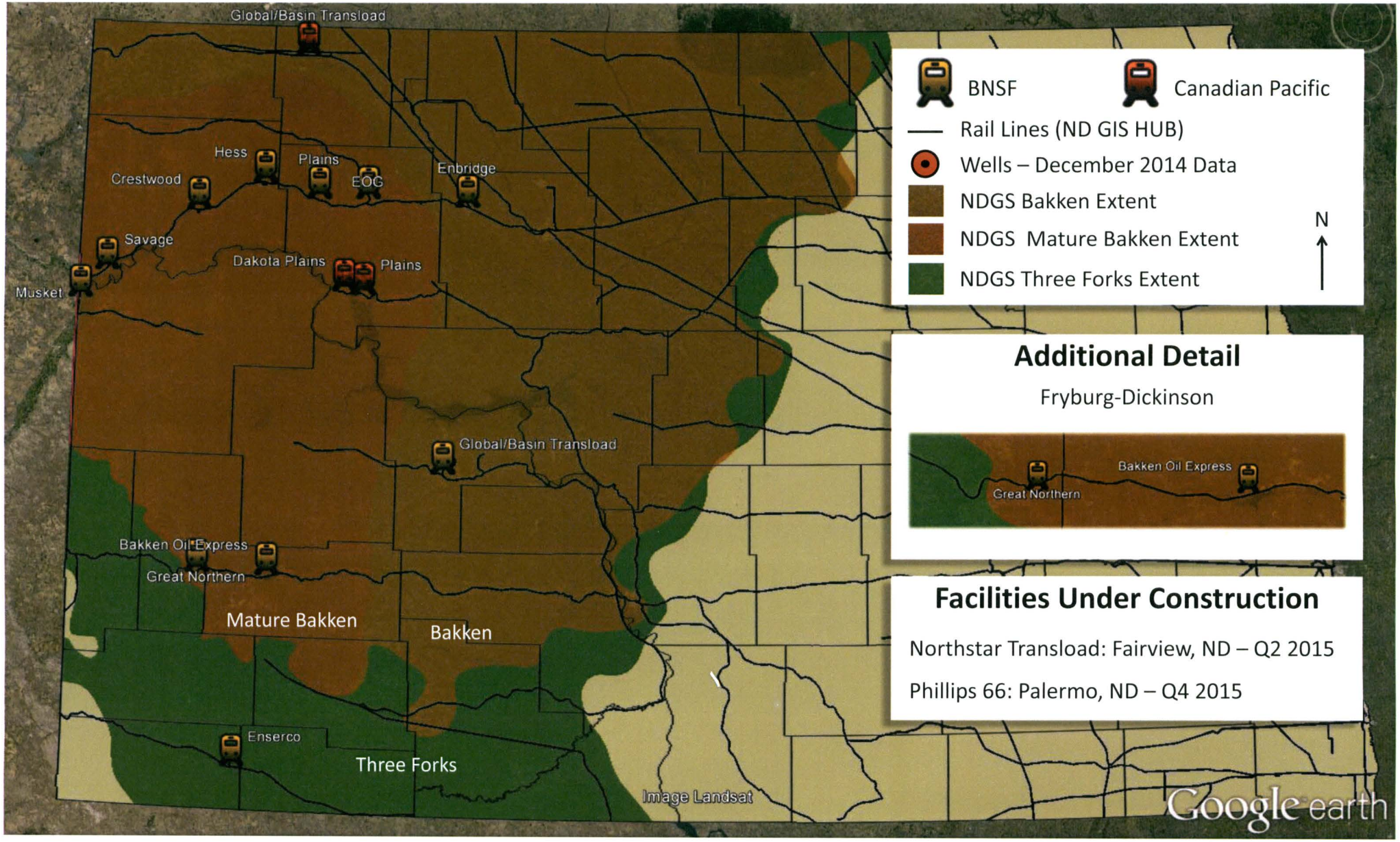
APPENDIX D

North Dakota Crude Oil Rail Loading Map

North Dakota Crude Oil Rail Loading Facilities In Service

North Dakota Pipeline Authority – February 2015



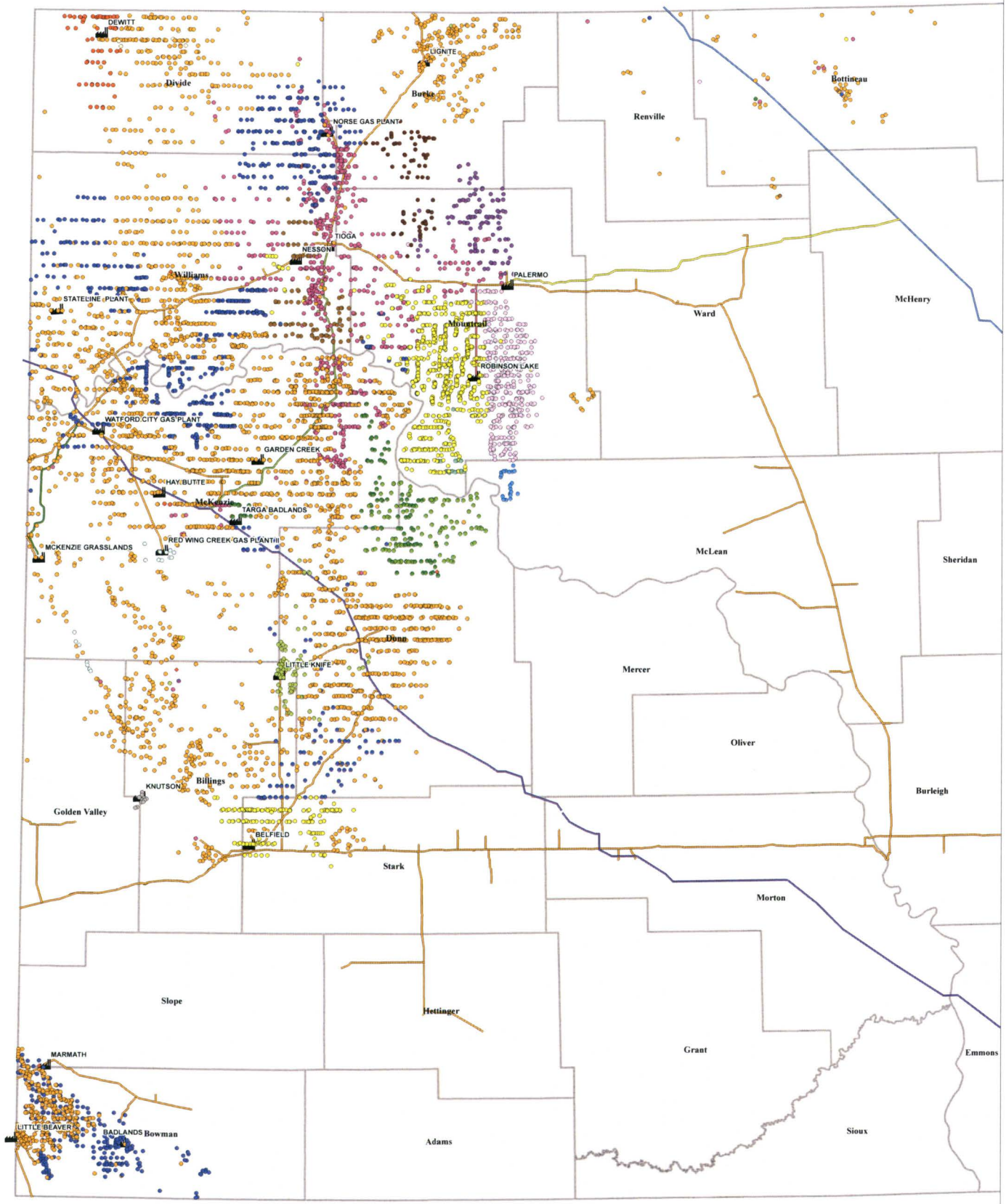
APPENDIX E

North Dakota Gas Processing and Transportation Map

DRAFT - North Dakota Gas - DRAFT

Processing and Transportation

February 2016



Gatherer							PIPELINE	
ARROW	KINDER MORGAN	OTHER	STERLING	WHITING	WPX	Alliance	Hess	Northern Border
BISON	KNUTSON	PECAN	TARGA	WPX	XTO	Aux Sable	Whiting	
HESS	OASIS	PETRO HUNT	TRUE OIL	XTO	Gas Plant	Bear Paw	WBIP	
	ONEOK	QEP	USG					

Date: 2/19/2016

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North Dakota Pipeline Authority
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March 1 2017

SB 2014

Attachment 1A-2

NORTH DAKOTA TRANSMISSION AUTHORITY

ANNUAL REPORT

July 1, 2015 - JUNE 30, 2016

OVERVIEW

The North Dakota Transmission Authority (Authority) was created by the North Dakota Legislative Assembly in 2005 at the request of the North Dakota Industrial Commission. The Authority's mission is to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business has the first opportunity to invest in and/or build needed transmission.

By statute the Authority membership is comprised of the members of the North Dakota Industrial Commission. Tyler Hamman was appointed Director of the Authority in July 2015. The Director works closely with the Executive Director of the NDIC, Ms. Karlene Fine. The Authority has no other staff, and receives no direct general fund appropriation.

SUMMARY OF ACTIVITIES

Whether the issue is project development or legislative initiatives, the Authority is actively engaged in seeking ways to improve North Dakota's energy export capabilities along with transmission capabilities within the state. To be successful Authority staff must have an understanding of the technical and political challenges associated with moving energy from generator to satisfied customer. Outreach to existing transmission system owners and operators and potential developers in order to understand the nuances of successful transmission infrastructure development is necessary. Another key element for success is working with officials at the state and federal levels to ensure that legislation and public policy are designed to support the movement of electricity generated from North Dakota's abundant energy resources to local, regional and national markets.

NORTH DAKOTA INDUSTRIAL COMMISSION

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

NORTH DAKOTA TRANSMISSION AUTHORITY

Tyler Hamman
Director

STATUTORY AUTHORITY

Statutory authority for the Transmission Authority is found in chapter 17-05 of the North Dakota Century Code. Section 17-05-05 N.D.C.C. delineates the powers of the Authority, including:

1) make grants or loans to borrow money;
2) issue up to $800 million in revenue bonds;
3) enter into lease-sale contracts;
4) own, lease, rent and dispose of transmission facilities;
5) enter into contracts to construct, maintain and operate transmission facilities;
6) investigate, plan, prioritize and propose transmission corridors; and
7) participate in regional transmission organizations.

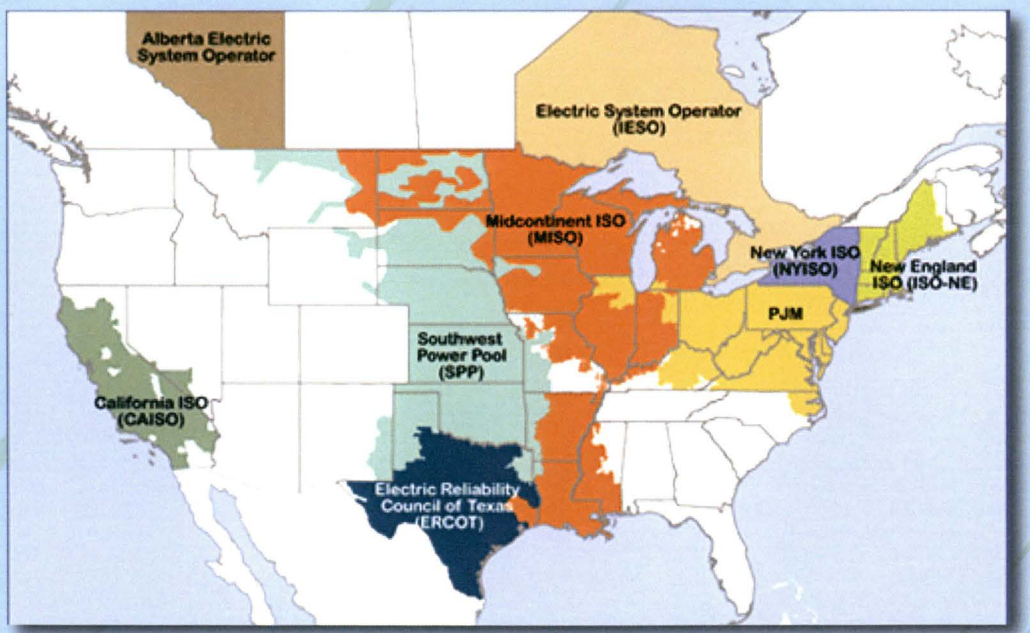
Before the Authority may exercise its power to construct transmission facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Authority must publish a notice describing the need for the transmission project. Entities interested in construction of the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Authority receives a notice of intent from an interested entity, it may not exercise its power to construct unless the Authority makes a finding that doing so would be in the public interest. In making such a finding, the Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

The Authority may finance approved projects through the issuance of bonds. Under current law up to 30 percent of the cost of a project may be financed by selling bonds that include the moral obligation of the State of North Dakota. In other words, up to $240 million of the Authority's $800 million total bonding authority may be sold with the moral obligation of the state. The moral obligation component enhances the marketability of the Authority's bonds.

KEY ELEMENT: PLANNING

A major portion of the Authority's workload includes observation and achieving a high level of understanding of regional transmission planning. To accomplish this task, the Authority closely monitors and participates in the efforts of regional transmission organizations (RTOs) that represent North Dakota transmission developers. Authorized and recognized by the Federal Energy Regulatory Commission (FERC), RTOs oversee the efficient and reliable operation of the transmission grid. While RTOs do not own any transmission assets, they do provide non-discriminatory access to the electric grid, manage congestion, provide billing and settlement services, and oversee planning, expansion, and interregional coordination of electric transmission.

Many North Dakota service providers have long been participants in the Midcontinent Independent System Operator (MISO). The MISO footprint covers the service territories of Otter Tail Power (OTP), Montana-Dakota Utilities (MDU), Great River Energy (GRE), Xcel, and Missouri River Energy Services (MRES). In October 2015, the Western Area Power Administration (Western) and Basin Electric Power Cooperative (BEPC) officially joined the Southwest Power Pool (SPP), bringing the entire state of North Dakota under the transmission planning of RTOs. Combined, North Dakota utilities and transmission developers are part of an extremely complex system that oversees the transmission of over 200,000 megawatts of electricity across 100,000 miles of transmission lines so that utilities can deliver power to homes and businesses in all or part of 20 states.



FERC-Recognized Regional Transmission Organizations and Independent System Operators (www.ferc.gov)

MISO TRANSMISSION EXPANSION PLANNING (MTEP)

Each year, MISO begins an extensive planning process to determine transmission infrastructure needs. MTEP runs on an 18-month cycle beginning in June with a final report released in December of the following year. Transmission infrastructure identified during MTEP is intended to meet local and regional reliability standards, enable competition among wholesale energy generators, and allow for competition among transmission developers. MTEP has resulted in $17.9 billion in transmission investments across the MISO footprint since 2003.

MTEP takes into account three specific categories of transmission projects:

1. Bottom-Up Projects – Generally not cost-shared and are developed by transmission owners, includes Baseline Reliability Projects (BRP) required to meet North American Electric Reliability Corporation (NERC) standards. Other projects can include meeting local reliability needs and other drivers that are not necessarily a part of the bulk electric system. MISO evaluates bottom-up projects submitted by transmission owners in order to validate that the project is a practical solution to the identified transmission issue.

2. Top-Down Projects – Includes Market Efficiency Projects (MEP) and Multi-Value Projects (MVP) at the regional or sub-regional level. These projects are generally developed by MISO working in conjunction with stakeholders. MEPs are intended to reduce market congestion across a given area, while MVPs provide policy, economic, and/or reliability benefits.

   Top-Down Projects that provide significant benefit to MISO customers are generally cost-shared across the MISO footprint. Projects of particular importance to North Dakota are the Big Stone South to Ellendale, the Big Stone to Brookings, and Brookings to Twin Cities MVP lines. The Brookings to Twin Cities line was energized in March of 2015, while the Big Stone South to Ellendale and Big Stone to Brookings lines remain under construction.

3. Externally Driven Projects – These projects are driven by customer-initiated needs and include Generation Interconnection Projects (GIP) to connect new generation to the grid, Transmission Delivery Service Projects, and Market Participant Funded Projects that provide benefit to one or more market participants but do not qualify as a BRP, MEP, or MVP.

MTEP15: The 12th edition of the MTEP recommended the approval of 345 new transmission projects totaling $2.75 billion to the MISO Board of Directors, including 90 BRPs. MTEP15 projects that 4,600 miles of transmission lines will be upgraded along existing corridors, and 3,100 miles of new transmission line will be constructed over the 10-year planning horizon.

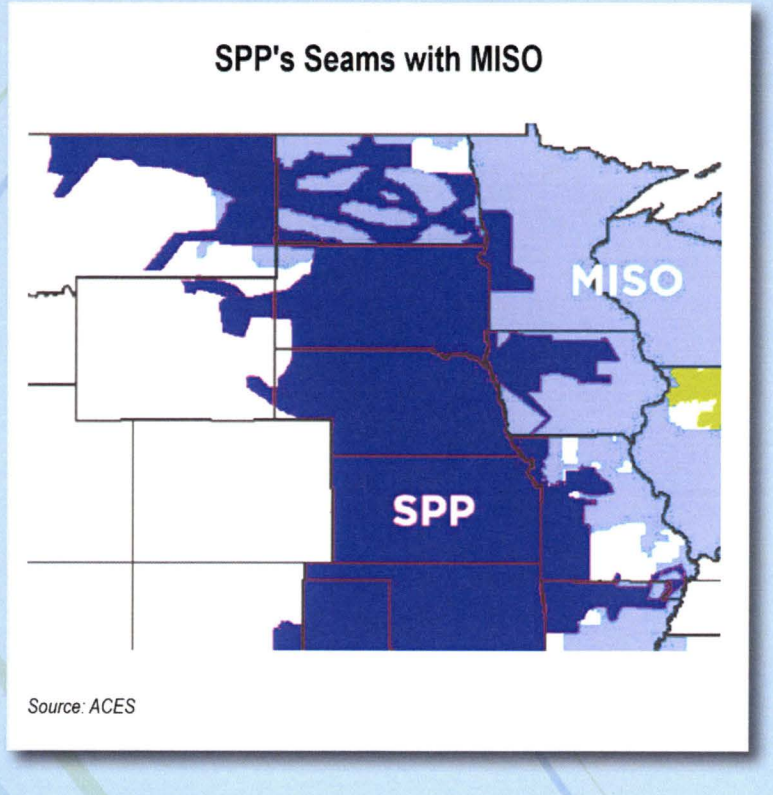
In North Dakota, MTEP15 recommended that MISO approve three GIPs, and two BRPs. These projects include upgrades to transformers, new substations, and rebuilt or new transmission. Of particular note, it is recommended that a new 230kV line be constructed in Ward County, between Minot to the McHenry Substation. At approximately $63.3 million, the joint project between BEPC and Xcel is among the top ten largest in the MTEP15 and is expected to be in-service by September 2018

Top 10 MTEP15 new Appendix A projects (www.misoenergy.org)

MTEP 16: With the next MTEP already underway, planners are considering approximately two dozen projects that have been submitted to improve transmission in North Dakota. It remains to be seen which projects will ultimately be recommended in MTEP16, or will be deferred for future MTEPs.

MISO-SPP JOINT TRANSMISSION STUDY

Following approval by the SPP Seams Steering Committee, and the MISO Interregional Planning Stakeholder Advisory Committee, it was agreed that the two RTOs would conduct a joint study to look at the newly created Integrated System "seam" between their markets in the Upper Midwest (primarily North Dakota, South Dakota, and Iowa). Seam issues are generally trading barriers that can arise when there are differences between market rules and designs that can affect the efficiency and reliability of transmission where two RTOs border each other. The Joint Planning Committee is currently determining the full scope and hope to conclude the study by the first quarter of 2017.



CLEAN POWER PLAN

As proposed in June 2014, the Environmental Protection Agency's Clean Power Plan mandated a 30 percent reduction in carbon dioxide levels from electric power generation by 2030, with an eleven percent reduction target for North Dakota. However, the final rule, released in August 2015, presented a dramatic departure from the draft rule. While it increased the target nationally from a 30 percent to a 32 percent reduction in carbon dioxide levels, it more than quadrupled its requirement for North Dakota by mandating a 45 percent reduction in carbon dioxide within the state by 2030. Although the Clean Power Plan does not affect transmission directly, it will significantly impact power generation in the state and how transmission is utilized to transfer energy across the grid.

North Dakota and 26 other states subsequently filed suit against the Clean Power Plan, and achieved the first-ever stay of an administrative rule from the U.S. Supreme Court. While the stay remains in effect until a decision from the D.C. Circuit Court of Appeals, and subsequent decision from the U.S. Supreme Court, MISO and many other entities are in the process of analyzing the rule's impact.

MISO's analysis since the release of the proposed rule and analysis of the final rule indicate that the Clean Power Plan will significantly increase congestion on the grid, and that multi-billion dollar transmission buildout will be necessary for compliance. New transmission investment will be driven by retirement of existing power generation facilities and the location and type (i.e., intermittent vs. baseload) of replacement capacity. Transmission expansion is particularly needed to mitigate reliability impacts of coal retirement.

Under MISO's mid-term analysis of the Clean Power Plan, released in March of 2016, it found that compliance could lead to the retirement of 23-30 percent of its coal-fired generation across the MISO footprint by 2030. The analysis further highlighted the challenge of balancing new renewable generation with the necessary transmission to deliver that energy across the system. Similarly, the SPP projects that up to 13.9 gigawatts of generation across its footprint could be at-risk for retirement due to compliance with the Clean Power Plan, representing approximately 50 percent of its coal-fired generation. Further, the SPP estimates compliance costs of approximately $2.9 billion per year before considering costs of new transmission or other infrastructure to facilitate generator interconnection or power delivery.

North Dakota, through the Public Service Commission, is also represented in the Organization of MISO States (OMS), as well as by MISO members who continue to review the final rule. The OMS is a not-for-profit association comprised of retail energy regulators within the MISO region, consumer advocates, energy planning offices, and agencies involved in energy related environmental issues. The purpose of the OMS is to coordinate regulatory oversight of wholesale matters by making recommendations to MISO management and staff, the MISO Board, FERC, other government entities and state commissions as appropriate, as well as intervene in proceedings before FERC and the courts as appropriate.

Pending the legal outcome on the Clean Power Plan, if the regulation goes into effect as-is, it will undoubtedly bring a need for new transmission depending on how North Dakota's existing generation plants are dispatched and new generation is developed to comply with the rule. The Transmission Authority continues to closely monitor this regulation with its state and regional partners.

Clean Power Plan Compliance Timeline
NOTE: This does not reflect U.S. Supreme Court Stay. Compliance deadlines may be pushed back by the amount of time the rule was under legal review.

KEY ELEMENT: OUTREACH

Outreach is another significant element of the Authority's mission. To accomplish this task, the Authority works with interested parties, either through one-one-contacts, or through participation with other organizations, agencies, and programs focused on transmission. These interactions are essential to identify issues and develop solutions to further improve and expand electric transmission in North Dakota.

As North Dakota approaches the 2017 legislative session, utilities and transmission stakeholders have identified an interest in streamlining Public Service Commission siting authorities. Currently, the North Dakota Energy Conversion and Transmission Facility Siting Act (Chapter 49-22 N.D.C.C.) applies to siting of both electric generation and transmission facilities, along with oil and gas processing and pipeline facilities. Stakeholders believe that the statute needs to be amended to, separate the rules regarding siting of electric facilities from oil and gas facilities to address different infrastructure and siting needs of the two industries, as well as avoid unintended consequences of cross-industry impacts.

Other issues identified through outreach include modification of rights-of-way tenure for utility infrastructure, and concerns about U.S. Fish and Wildlife Service guidelines pertaining to transmission lines within wildlife corridors. The Authority continues to gather additional information regarding potential legislative proposals for the 2017 session.

TRANSMISSION UPDATES

There are a number of projects underway to expand transmission available to North Dakota generators. These are summarized briefly below.

CapX2020 - CapX2020 is a Minnesota-based initiative of 11 utilities to upgrade and expand the transmission grid in the Upper Midwest. CapX2020 partners have worked together to plan and build nearly 800 miles of new high-voltage transmission lines across Minnesota, Wisconsin, North Dakota, and South Dakota, with a total investment of $2.1 billion. Planning studies indicated that Minnesota customer demand for electricity will increase 4,000 to 6,000 megawatts (MW) by 2020. In addition, Renewable Energy Standards (RES) require utilities to deliver 25 percent of their electricity from renewable generation by 2025 in Minnesota, and 10 percent by 2015 in Wisconsin. New transmission lines designed to serve this expected growth and meet regional RES requirements are being constructed in phases. The lines identified in the first phase of the effort include:

Bemidji-Grand Rapids, 68 miles, 230-kV
Fargo-St. Cloud-Monticello, 240 miles, 345-kV
Hampton-Rochester-La Crosse, 150 miles, 345-kV
Brookings County-Hampton, 200 miles, 345-kV
Big Stone South-Brookings County, 70 miles, 345-kV

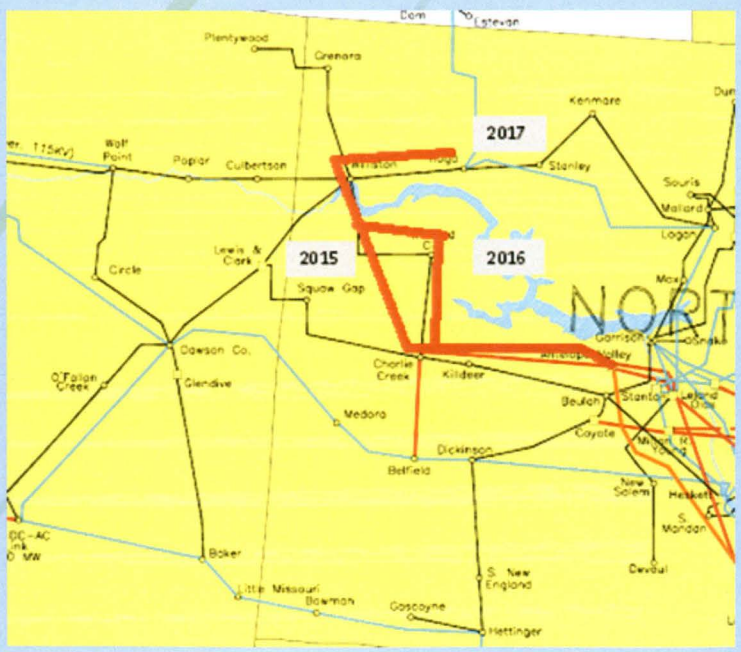
With the completion of the Fargo-St. Cloud-Monticello, and Brookings-County-Hampton line in 2015, all but two of the CapX2020 projects have been put into service. The Big Stone South-Brookings County line is targeted to be in-service in 2017, and the Hampton-Rochester-La Crosse line is expected to be completed in 2016.

Photo Courtesy of CapX2020

Minnkota Power Cooperative Project – In 2014, Minnkota saw the completion of its largest-ever capital investment in transmission facilities. The $353 million, 250-mile Center to Grand Forks (CGF) line transports energy from the Milton R. Young Station near Center, N.D., to Minnkota's service territory in eastern North Dakota and northwest Minnesota. The CGF line also enabled 500 MW of wind energy to be installed in central North Dakota and transmitted over an existing high-voltage DC line to northeastern Minnesota. This line is expected to satisfy Minnkota's obligation as a transmission services provider and meet long-term load growth needs. As such, Minnkota did not indicate the need to begin developing any large transmission projects in 2015.

Basin Electric Power Cooperative Western ND Project – In response to growth in western North Dakota related to oil and gas development, BEPC has undertaken the construction of a 200-mile 345kV line from the Antelope Valley Station (AVS) to the Neset Substation near Tioga, North Dakota. Construction of the line began in 2014, and the line has been completed and energized to the Judson Substation near Williston. The remaining segment to Neset is expected to be in-service by the end of 2017.

BEPC is also nearing completion of Phase I of the North Killdeer Loop. This portion consists of approximately 28-miles of 345kV line and two substations that tie into the AVS-Neset Line going west of Watford City. Phase I is expected to be energized by the end of August 2016 and will deliver power to the service territory of the McKenzie Electric Cooperative. BEPC is in the process of securing easements for Phase II of the North Killdeer Loop, which will be placed north of Killdeer, and is expected to be completed by the end of 2017.



AVS to Neset Line, including North Killdeer Loop

Big Stone South to Ellendale (BSSE) – Construction began in 2016 on the Big Stone South to Ellendale MVP line. BSSE is a 150-175 mile transmission line from the proposed Big Stone South substation to the proposed Ellendale substation near Ellendale, North Dakota. Montana-Dakota Utilities Co. and Otter Tail Power Company will jointly own the line. MISO has scheduled the line to be in service by 2019.

Great River Energy High Voltage Direct Current (HVDC) Refurbishment – In December 2015, GRE's Board of Directors approved the largest transmission refurbishment project in the organization's history. GRE's 436-mile HVDC line has provided 99 percent reliability since being put into service in 1978, transporting power from the Coal Creek Station in Underwood, N.D., to the Dickinson Converter Station in Buffalo, MN. There, electric power is converted to alternating current and distributed within GRE's service territory in Minnesota. GRE intends to invest approximately $200 million over the next decade to overhaul converter stations, replace valve electronics, and upgrade components to improve performance and extend the life of the HVDC line.

Montana-Dakota Utilities Subtransmission Improvements – MDU is currently focused on several projects to replace aging subtransmission infrastructure. Since 2015, MDU has replaced several miles of 115 kV line, including 35 miles from Kenmare to Lignite, N.D., as well as a 9-mile double-circuit line near Williston, N.D. In 2016, MDU began work on a 12-mile loop-feed line to increase reliability around Watford City, N.D. In addition to its subtransmission lines, MDU is also conducting work on substations near Williston, Kenmare, and Dickinson.

Great Northern Transmission Line Project - The Great Northern Transmission Line Project includes approximately 220 miles of new 500 kV transmission line connecting Manitoba to northeastern Minnesota's Iron Range. While not directly impacting North Dakota, the Great Northern Transmission Line is an integral component to realizing the regional benefits of synergies between flexible Canadian hydropower resources and intermittent wind resources in North Dakota and the rest of the Upper Midwest, as demonstrated in MISO's Manitoba Hydro Wind Synergy Study. Minnesota Power received approval from the Minnesota Public Utilities Commission in April 2016, and is awaiting issuance of a Federal Presidential Permit. Construction is expected to begin in 2017 in order to meet the required in-service date of June 1, 2020.

ALLETE Energy Corridor -ALLETE Clean Energy continues to develop the concept of a comprehensive energy corridor that would utilize existing pathways to efficiently move natural gas, petroleum products, water and wastewater, wind energy and potentially carbon dioxide captured from coal-fired power plants.

The backbone of the energy corridor would be an existing 465-mile path that contains a direct current transmission line running between Center, North Dakota, and Duluth, Minnesota. The energy corridor may parallel adjacent right of way along this existing path, as well as a potential addition that would extend some 60 miles west to the Bakken shale oil fields.

Xcel Energy Transmission Development Company - Xcel Energy Transmission Development Company, LLC (XETD) received conditional approval in November of 2014 for a transmission Formula Rate for inclusion in the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff. XETD is a transmission-only company established by Xcel Energy Inc. to, among other things, develop and own transmission projects in the MISO region. With development of the FERC Order 1000 competitive bid process now complete, XETD will be an active participant in transmission development in the MISO region.

KEY ELEMENT: GOVERMENT ACTION

Another function of the Authority staff is to act as a resource for elected officials and policymakers, and provide the necessary information to help make informed decisions. Whether the issue involves working on state energy policy regarding transmission development, or commenting on federal transmission legislation and regulations, the Authority serves as a resource for decision-makers. In the last year the Authority was involved on several fronts working with the following entities: the EmPower ND Commission, Governor's Office, Attorney General's Office, Department of Commerce, the ND Public Service Commission, and the ND Congressional Delegation.

- **EmPower ND Commission** – The Authority was an active participant in the EmPower ND Commission work. Authority activities included briefing the Commission on transmission issues in North Dakota and participating in development of Commission goals. The 2016 EmPower ND report highlighted transmission as a key infrastructure need in North Dakota, and expressed support for continued support of R&D funding to facilitate development of transformational energy technologies, as well as enhance understanding of integration between traditional and renewable electric generation sources.

- **Interagency Coordination** - As important as everything else discussed in this report, is the coordination of efforts among the various government entities with oversight, or interest in transmission development. In particular, regular meetings are held with the representatives from the Public Service Commission to discuss transmission issues and receive updates from RTOs. On occasion other offices request technical support and policy guidance from Authority staff.

- **Western North Dakota Energy Development Information Exchange Council** - At the request of the Governor, Basin Electric, MDU and the Transmission Authority serve on the Western North Dakota Energy Development Information Exchange Council. The purpose of this Council is to serve as a conduit for the exchange of future energy development plans in the Williston Basin. Other members of the Council include several oil and gas companies and representatives from the Department of Health, Department of Commerce, Department of Mineral Resources and State Water Commission.

CONCLUSION

The North Dakota legislature established the Authority over a decade ago to help facilitate the expansion of transmission capacity and take advantage of North Dakota's vast energy resources to serve the needs of North Dakota and the region. Since that time, the question of expanding and improving transmission has only grown increasingly more complex. As utilities seek to integrate more intermittent generation on the grid, changes to the transmission system must be made with great care to ensure the reliability of the existing system. Further, as the cadre of stakeholders expands and regulatory pressure intensifies, the roles of planning and outreach continue to grow to enable transmission development.

As depicted below, transmission lines in recent years must be constructed to satisfy multiple siting demands. Regulatory requirements, as well as right-of-way acquisition and landowner approval, have increased the length, and consequently, the cost of new transmission. Today the cost to construct a new high-voltage transmission line ranges approximately $1-1.5 million per mile.

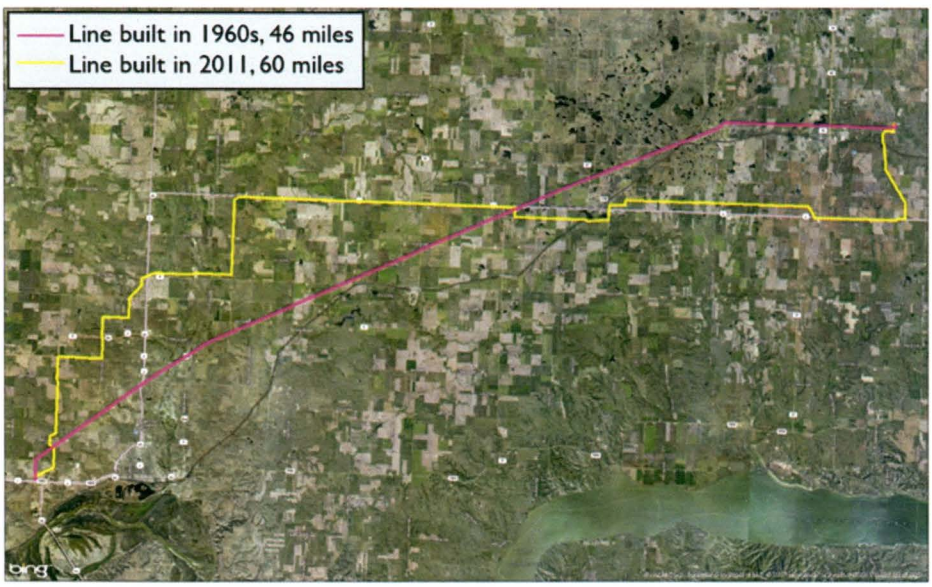


Image Courtesy of Basin Electric

The past decade also saw a significant increase in load growth both within the State of North Dakota and the surrounding region. A 2012 study commissioned by the Authority forecast an expected electrical load growth through 2032, in the study area spanning regions across North Dakota, South Dakota, and Montana. While that study did not project the recent reduction in commodity prices for energy and agriculture, and the associated slowdown in industrial activity, utilities continue to expect increased demand for electricity through this timeframe. As a result, new transmission will be needed to deliver that power.

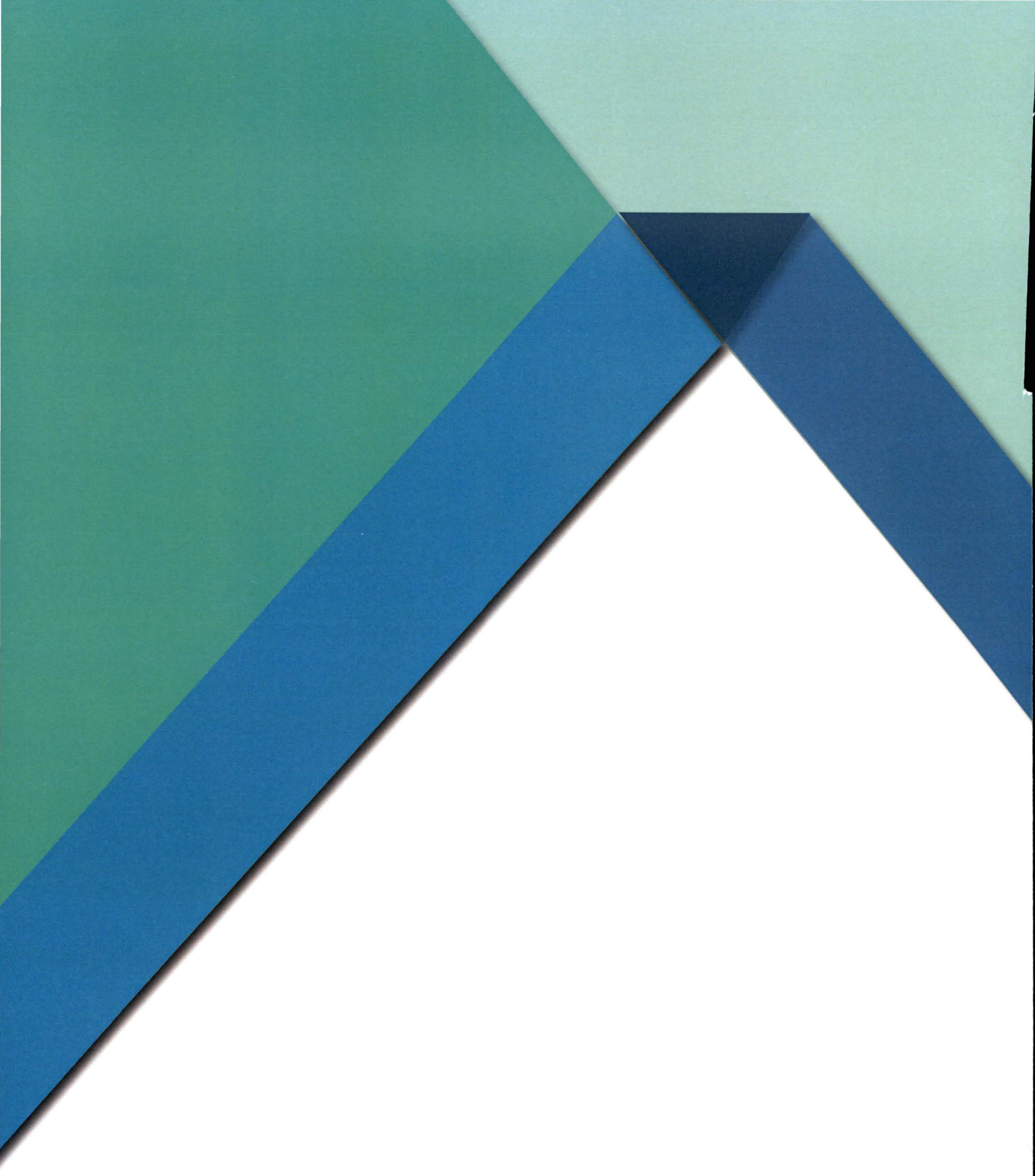
Given this outlook, the Authority continues its mission to identify regulatory changes that should be considered to ease and incentivize transmission development in the state. The past year has witnessed significant actions relating to federal regulations that will greatly impact transmission requirements and construction. The EPA's Waters of the U.S. rule, and Clean Power Plan were both stayed by the courts to prohibit their implementation until it can be determined whether these regulations are lawful. Whether the courts ultimately uphold these rules, overturn them in their entirety, or send them back to the EPA to make changes, they continue to weigh heavily on the future use and development of transmission.

In addition, the action taken by Congress last year to provide a multi-year extension of the wind energy Production Tax Credit continues to drive significant growth in wind production. North Dakota currently has over 2,100 MW of wind energy capacity installed, with several hundred more having been permitted to-date. As mentioned, the growing integration of intermittent electric resources onto the transmission grid creates many new challenges, as well as opportunities for innovation in grid management and new transmission technologies.

The Authority also continues to closely monitor the burgeoning issue of cybersecurity as both FERC and NERC discuss standards and practices to protect the electric grid from the threat of cyber-attacks. While not directly impacting the construction of new transmission lines, cybersecurity plays an integral role in grid operations and infrastructure necessary to maintain a secure, yet flexible transmission system.

While it remains to be seen exactly how these factors will impact the state and what response might be needed from policymakers, the Authority continues to participate with industry and other state partners to prepare the best possible environment for meeting the goals and energy needs of North Dakota.

Despite a litany of challenges and uncertainty, transmission continues to be built in new and innovative ways that improve efficiency and reduce environmental impacts. Several hundred miles of new transmission has been developed in North Dakota by private investors since the North Dakota Transmission Authority was established, and it will continue to serve its mission to facilitate development.

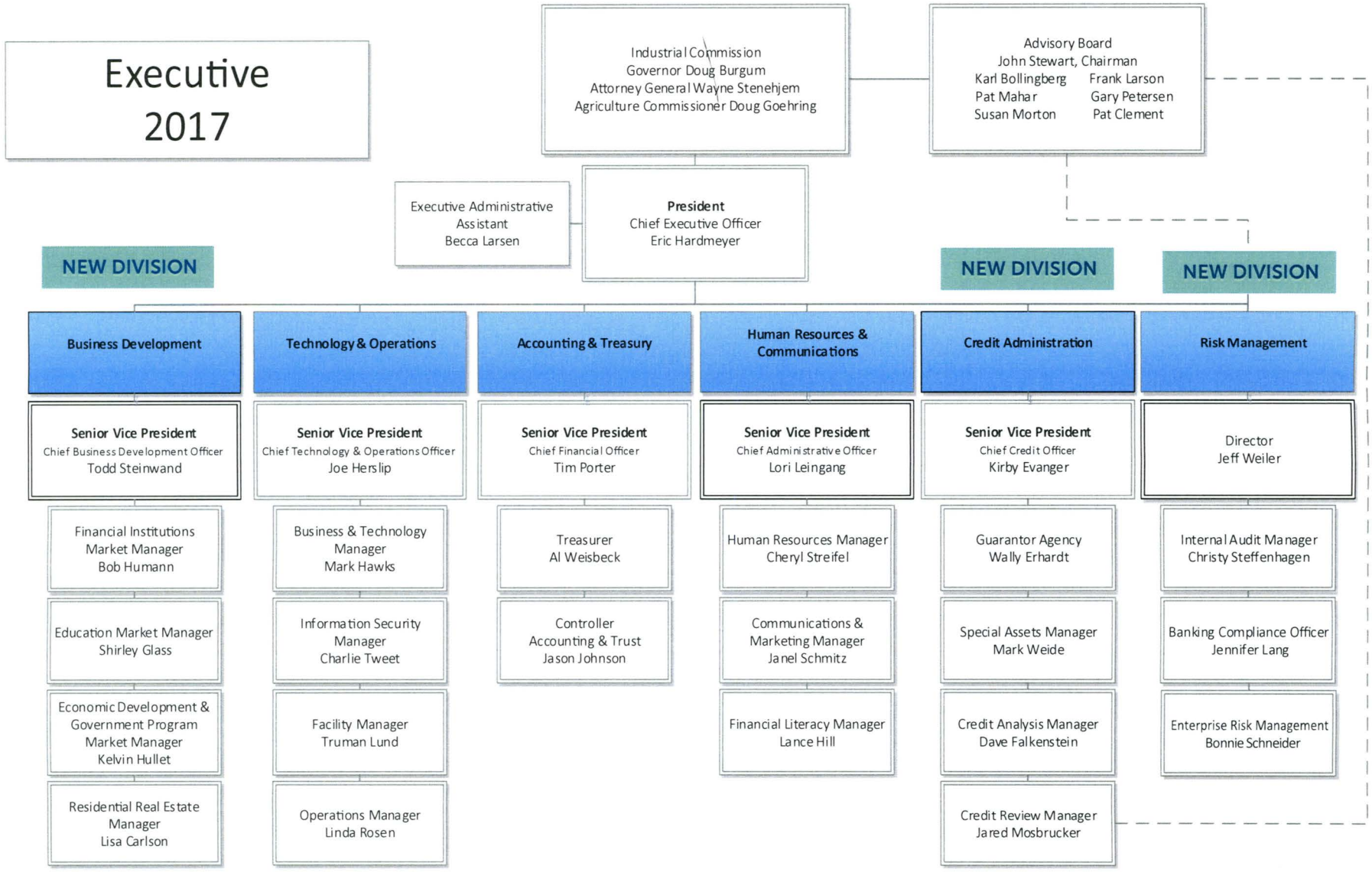


NORTH DAKOTA TRANSMISSION AUTHORITY
STATE CAPITAL, 14TH FLOOR
600 E. BOULEVARD AVE. DEPT. 405
BISMARCK, ND 58505-0840

PHONE: 701.355.2189

March 1, 2017 SB2014 Attachment B

BND Organizational Structure



March 1, 2017 SB2014 Attachment B

Testimony in Support of SB 2014
House Appropriations – Government Operations Division
Chairman: Representative Mike Brandenburg
March 01, 2017

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter Inc. (BSI), 701-730-2734, dmadler@beyondshelterinc.com, Lobbyist #29

Chairman Brandenburg and members of the Committee, thank you for the opportunity to be heard.

For the record, my name is Dan Madler and I am the CEO of Beyond Shelter, Inc. (BSI), a mission driven North Dakota nonprofit developer of affordable housing.

I have found the Housing Incentive Fund (HIF) to be a great tool for Community and Economic Development and its design to be very nimble. Since the inception of the HIF and through today, BSI has been able to leverage approximately $11M in HIF's to produce $62.3M in long-term quality affordable housing assets serving Elderly and Physically Disabled households, Law Enforcement, and Essential Service Workers living in the communities of Dickinson, Minot, Burlington, and Fargo. Essentially for every $1 of HIF investment, BSI has been able to produce $5.65 in long-term affordable housing assets.

In regards to SB 2014, I have 2 main topics that I would like to comment on.

The first comment relates to the impact of reauthorizing the HIF.

Because SB 2014 reauthorizes the HIF, funding commitments made to projects that are under development now, will be able to continue to move forward. For example, in the community of Fargo, where I live, there is a $2.2M HIF commitment to the Jeremiah Project, a 20-unit apartment campus for low-income single mothers and their children. The Jeremiah Project is close to securing all of the capital needed and is hoping to start construction of the 20-unit project in April 2017. With reauthorization of the HIF, the Jeremiah Project will be able to move forward without the risk of losing all HIF's not drawn by June 30, 2017.

The second comment that I have relates to the $5M funding that SB 2014 would provide to the HIF through June 30, 2019. Over the past few months I have heard and read comments like, "The HIF has outlived its usefulness," "The HIF has served its purpose," "The HIF is not needed now." Well I am here today to challenge that thinking. The HIF has not outlived its usefulness, its purpose and it is clearly needed to help finance quality, safe and affordable housing in North Dakota.

In support, I offer the following examples:

1) In the community of Fargo, on October 13, 2016, BSI received a certificate of occupancy for a 30-unit affordable housing project that serves low-income elderly households. The 30-unit project was fully leased in less than 45-days. Note, this 30-unit project is part of a larger 84-unit affordable housing senior project and the current wait list is at 131.

2) In the community of West Fargo, on January 16th, the City Commission of West Fargo unanimously approved the first funding for a proposed YWCA permanent supportive housing project that will serve women and children that have been victims of domestic abuse.

3) I have and/or will be having conversations with the communities of Bismarck, Minot, and Dickinson as it relates to developing permanent supportive housing for long-term homeless individuals and possibly homeless families.

4) Funding of the HIF could also serve as key gap financing for future Federal Low Income Tax Credits (LIHTC) projects. Since the presidential election, the private investment market for LIHTC's has been turned upside down. The LIHTC is currently the most powerful Federal tool used to produce affordable housing. It truly is a private-public partnership as private investors purchase federal tax credits and the capital raised from the sale of the tax credits is invested in an affordable housing project. Because of the possibility of Federal tax reform, the price that investors are willing to pay for LIHTC's has decreased in value by 10-12 cents on the dollar. What does that mean? Well, if BSI had a $500,000 LIHTC award 1 penny is worth $50,000. $50,000 times 10-12 cents equals a $500,000 - $600,000 loss in private capital and thus creating a $500,000 - $600,000 funding gap for an affordable housing project. The $5M in HIF's could be used to fill the funding gap and allow the affordable housing project to move forward.

5) Funding of the HIF could also help North Dakota's economic competitiveness as it relates to the workforce. Like many communities across the state, workforce has emerged as a key challenge as businesses struggle to find the talent they need to grow. This is especially true for businesses in low-skill industries such as retail, food service, manufacturing, childcare, health care, and hospitality. Many businesses in these industries are struggling to find and retain lower-skill workers essential to sustain core operations. This results in reduced operating hours, closures, relocations, and ultimately lost economic opportunity and negative impact on the livability of communities in the state. This workforce challenge has emerged as a key challenge in Fargo, the community where I live. According to the June 2015 Regional Workforce Study of the Greater Fargo/Moorhead Region, 45% or 13,500 of an

estimated 30,000 job opening through 2019 will be in low-skill positions paying less than$17/hour.

If Fargo and/or other communities across the state that are facing similar workforce challenges want to remain competitive, access to affordable housing, where households do not have to spend more than 30% of their income on housing costs, needs to increase. Funding the HIF will help increase that access.

I know you need to make tough and responsible appropriation decisions this legislative session. You need to spend and invest ND state tax dollars wisely by considering things like, return on investment, creation of jobs, financial leverage, forward thinking related to demographics/population growth, investments that would provide long-term benefits to the state and ND communities. With that said, I would say that investment in affordable housing is an efficient way to do all of these things.

In closing, I would say that housing is foundational to everything else (i.e. health, education, safety, quality of life) and I respectively request your support for SB 2014.

Thank you for your time and consideration and I stand for any questions that you may have.

Testimony in Support of SB 2014
House Appropriations – Government Operations Division
March 1, 2017

Chairman Brandenburg and members of the Committee,

Today you will hear testimony regarding the reauthorization and funding for the Housing Incentive Fund via discussion on Senate Bill 2014. I am writing to share with you one story about the significant impact this program has on the lives of people who need access to safe and affordable housing in the state of North Dakota.

Jeremiah Program is a non-profit that assists determined single mothers with very young children living in poverty, by providing them with wrap-around supports including affordable housing that includes an early childhood education center, and Empowerment and Life Skills training and career/coaching assistance. Their participation in our program is predicated on their pursuit of a two or four year college degree so they can obtain a career track job to lift their family out of poverty permanently.

In 2015, Jeremiah Program applied for a grant from the Housing Incentive Fund in order to raise the necessary capital to build our affordable apartment building in Fargo. We were awarded $2.2 million through this competitive process and *that award was the game changer for our ability to go out and raise the rest of the funds from other sources, both public and private*!

The Housing Incentive Fund is instrumental in assisting innovative affordable housing programs with the critical capital funding for a variety of critical housing programs that benefit low income families, seniors, children and native tribes in North Dakota. And it does this by soliciting support from businesses who contribute to the fund and give back to their communities and state. The Housing Incentive fund is a win/win/win!

Thank you for your previous support of this innovative program and I urge you to pass all necessary legislation to authorize and fund it to continue to serve more North Dakota families well into the future.

Sincerely,

Diane Solinger
Executive Director
Jeremiah Program Fargo-Moorhead
701-212-8849
dsolinger@jeremiahprogram.org

4

March 1, 2017 SB 2014 Attachment C

Testimony from Erin Prochnow, CEO, YWCA Cass Clay, 701-232-2547, Lobbyist #436
North Dakota House Appropriations – Government Operations Division
March 1, 2017
SB 2014

Introduction:

Good morning Chairman Brandenburg and members of the committee, my name is Erin Prochnow, the CEO of YWCA Cass Clay. Our agency offers the largest Emergency Shelter serving women and children in the state of North Dakota and northwestern Minnesota. We have been providing services in our community for over 110 years, spending the past 40 years providing emergency shelter and housing services to women and their children escaping domestic violence and abusive situations.

If SB 2014 is approved, the North Dakota Hosing Incentive Fund will help women and families served by YWCA escape abuse, move out of homelessness, and live independent lives.

Proposed Private - Public Partnership Project:

In early 2016 Pastor Joel Baranko from Lutheran Church of the Cross in West Fargo reached out to YWCA inquiring about areas of community need where vacant land owned by the church may be most useful. The most significant unmet need for women and children served at YWCA, as documented in the 2015 YWCA Cass Clay Strategic Plan is supportive affordable housing.

Together with Lutheran Church of the Cross, YWCA have developed a proposed project that includes 30 apartments ranging in size from one to four bedrooms; two office spaces for our support services staff, a community room, playground, and patio are included in the preliminary design concepts.

The demand for the YWCA Housing Program is significant. Last year alone, 147 women and children were eligible for the program, but only 51 women and children were able to be accepted (35% were able to be accepted). We simply don't have enough affordable homes to meet the growing need. Permanent supportive housing is a strategy that has proven successful and documented to be the most cost-effective prevention to chronic homelessness.

Changing the Course of Her Life: From Crisis to Independence:

When a woman arrives at the YWCA, she often lacks the building blocks to independence: a living wage, adequate credit, childcare and transportation. At the YWCA we provide comprehensive programs and services to help each woman to overcome these barriers.

In 2016, the average length of stay at our Emergency Shelter was 42 days. While women can make significant progress in just over a month, this is typically not enough time to gain lasting financial security and independence. Often a woman's road to independence is longer because she is recovering physically or mentally from abuse, has a disability, is going back to school, or working hard to regain her financial footing.

To help a woman move from crisis to independence and extend the amount of time she has to rebuild, the YWCA's Supportive Housing Program provides ongoing support and advocacy for women and their families. The reality is the women we serve are just like all of us – to live independently, and provide for their families.

On average, a woman stays in our Supportive Housing Program just 24 months. The YWCA Supportive Housing Program is a proven solution for helping families break the cycles of poverty and violence. A woman who participates in the program earns more money, is healthier, and is better equipped to live independently and create an environment for her children to thrive.

- 71% of women increase their education or income while in the program
- 78% of women improve their physical and/or mental health while in the program
- 92% of families secure independent, permanent homes within just two years of beginning the Supportive Housing Program.

Wherever a woman may be on her journey, together we must walk alongside her to ensure she has access to the tools and resources necessary to heal, reach her goals and ultimately, build a future free from violence for her family.

Thank you for your time and consideration.

March 1, 2017 SB2014 attachment 6

Michael Carbone CEO
Michael Carbone Consulting Services LLC
118 Broadway Suite 814
Fargo ND 58102
701-639-0817 Office
701-639-6200 Fax
218-287-2993 Cell
carbonem@csp.edu

Testimony in Support of SB 2014

Chairman Klein, committee members, thank you for the opportunity to testify in support of SB 2014. Section 19. AMENDMENT, reauthorizing the Housing Incentive Fund (HIF). I am Michael Carbone, and I provide consulting services to non-profit organizations which provide supportive housing programs for low income and formerly homeless clients. For the previous eight years I served as executive director to the North Dakota Coalition for Homeless People (NDCHP). This marks the fifth legislative session I have testified in support of the HIF. In 2009 we failed, but after some adjustments we succeeded in 2011, and the HIF has been an important tool in providing housing for low income people ever since. The need for the fund is well documented by the data, which I will not spend time on here except to refer you to the NDHFA housing need's assessment, especially the special needs section at https://www.ndhfa.org/Publications/Housing2016_Report_Component2_November26-2016_Final.pdf:; the NDCHP homeless Point in Time data available at http://www.ndhomelesscoalition.org/new-page-2/; and the affordable housing gaps data available from the National Low Income Housing Coalition that provides a breakdown of the affordability gap in US and ND available at http://nlihc.org/research/gap-report. These are rich data sources that well document the need. Additionally, I am confident other colleagues of mine will provide information specific to the fund and to specific projects. Instead, let me write a little about the history of the fund and the people those of us who conceptualized the fund intended it to serve.

Those of us who authored the first proposal originally intended a fund that would provide gap financing for projects serving people experiencing chronic homelessness, people with disabilities, seniors on fixed incomes, and other low income people who were unable to obtain housing in the regular marketplace. When the fund was finally passed in 2011, it was quickly coopted for essential service workers and workforce housing because of the stresses the oil boom was putting on the housing market. SB 2014 maintains the essential service worker priority, and while I recognize the importance of providing essential service workers, I believe the urgency has passed, and it is time to return the priority to those the HIF was originally intended to serve, North Dakota's most vulnerable citizens. From my perspective, low income should be the first priority, and not the second; or at least, the NDHFA should be able to establish the priority in their annual allocation plan based upon current needs data they may have or feedback from stakeholders.

Let us take a moment to consider one segment of the vulnerable populations I am concerned about, those who are homeless. Many who are homeless need a light touch and affordable housing; others require a greater level of intervention and supportive housing. The HIF is a tool for providing both housing types. I am most concerned with the challenges of providing supportive housing.

Supportive housing is the most difficult type of housing to fund and develop as it can carry no debt load and is difficult to cash flow. The people it serves are often written off by society as lost causes, or as people who have chosen homelessness. Nothing is further from the truth. Generally, people who have become chronically homeless and need supportive housing have not chosen homelessness, but have chosen to disengage from a system that has failed them in some respect. They may be a veteran with PTSD, a victim of domestic violence or sexual abuse, an individual struggling on the street with mental illness, or perhaps a youth aging out of foster care. Each of these has unique needs that can only be met in a stable, supportive environment—an environment that can be provided in a supportive housing setting. It is

important to not think of these people as data points, or as stereotypes, but as individuals with hopes and dreams, as well as challenges fears. Through my work over the years, I have had the great joy of knowing many of these people personally and in sharing many of their successes. Success stories can be great, including one young woman I worked with who went from being a victim of domestic violence and rape, to being an outreach worker to other women who experienced domestic violence and actually moderated a housing forum between Senator Tim Mathern and Lt Gov. Dalrymple at a Project Homeless Connect Event. Another domestic violence victim, once she got into supportive housing, finished school, got a job, and eventually became a home owner herself. Other success stories are smaller, like the mother who gets off drugs and reunites with her children, or the veteran who has slept outside for decades, coming in from the cold to finally have his own place, after serving so that we may safely have our own places, or the young man who trades suicide ideation for a GED, a job and some self respect. The HIF provides a roof for some. For others, it provides a place to thrive. For a few, it is the difference between life and death. For this reason I support SB 2014 Sec 19, and recommend that low income and homeless be made the priority of this legislation.

March 1, 2017 SB2014 Attachment E

NDAR
North Dakota Association of REALTORS®

To advocate for the success of our members in partnership with our local Associations and the National Association of REALTORS®

TESTIMONY IN FAVOR OF SB 2014

Chairman Brandenburg and members of the Government and Operations Division of the House Appropriations Committee:

The North Dakota Association of REALTORS® (NDAR) strongly supports adequate appropriations for the North Dakota Housing Finance Agency and its programs, especially the Housing Incentive Fund and the Helping Housing Across North Dakota (Helping Hand) program.

NDAR understands the need for an Essential Service Worker Homeownership Incentive Program and we support the concept; however, if such a program is to exist along with the new incentive fund tax credit to accompany this program, we want to ensure that it does not reduce contributions to or put at risk the Housing Incentive Fund and its tax credit.

We believe that programs that have been successful, as the Housing Incentive Fund has been, should be a priority over new programs that require additional appropriation or which may syphon resources from existing successful programs such as HIF.

We support both the reauthorization and the proposed provisions of the program. We understand the budget constraints being faced by the 2017 Legislature, but we must point out that $5 million in income tax credits is low compared to the $15-$30 million in tax credit authority in the past and certainly will limit the projects that are able to be funded.

We believe that the legislature will need to address housing, particularly affordable housing, as North Dakotans age. North Dakota citizens come from hardy stock and are long lived. Many prefer to remain in their homes and many cannot afford the expense of nursing home care. We cannot allow them to live out their lives in residences – single-family or multi-family -- that are falling apart.

We often hear stories from our REALTOR® members about properties that they list at the request of family members after an older relative dies, where the person before their death was using only a small portion of their home. Either because they no longer could go up and down steps or because the house had fallen into disrepair and they only could afford to fix the part where they were living.

Housing, especially affordable housing, is crucial for the continued wellbeing of North Dakota's economic climate, both for those aging in place and for those coming to North Dakota in search of jobs. The recently completed housing study should be taken into account when making appropriations and these important programs should be supported. Thank you.

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info@ndrealtors.com | www.ndrealtors.com

REALTOR

March 1, 2017 SB2014 Attachment F

Testimony in Support of SB 2014
House Appropriations – Government Operations Division
Chairman: Representative Brandenburg
February 28, 2017

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

Chairman Brandenburg and members of the Committee, thank you for your time and consideration in regards to what we can do for the Homeless, Veterans of our State, Elderly and Special Needs populations as it regards to affordable housing.

My name is Dwight Barden and I am the Executive Director of Burleigh County Housing.

I am also the CEO of a non-profit organization in Bismarck called Community Homes of Bismarck, Inc.. We were fortunate to be selected to receive Housing Incentive Funds for a four unit project in North Bismarck for the special needs population. 30 % of the cost of this project was provided by the HIF program. Without these funds this project would not have been built due to construction costs at the time. All four of the current tenants living in the units are all in wheelchairs and we continue to get additional requests for these types of units due to the fact the private sector does not build accessible units. We have a waiting list but we work with the agencies of HIT, Inc., Pride, Inc., Enable and Support Systems to monitor these populations. They also provide supportive services.

We have developed 45 similar type units in the past with other Federal funding sources. These funding sources are no longer sufficient and/or available to develop affordable housing on their own.

Due to the multiple programs we need to use to fund this type of project, we are restricted in the rents that can be charged. The restricted rents do not allow us to provide enough cash flow to support debt service on this type of project. With the limited amount of funding, such as the Federal Low Income Housing Tax Credit program, for this type of development it is important that we continue to fund the HIF program.

Our Voucher Program, where the tenants find a unit that qualifies in the Private Sector, currently has 860 on the waiting list. Our Contract with HUD states that we can work with 1117 families, veterans and homeless. Due to the current Federal Funding shortfalls and the rents in our community, we are only able to support 780 units. State wide we have about 4,500 on the waiting lists of the different housing authorities. As you can see, there is still a high demand for affordable housing in our state.

I am also on the board of Community Works of North Dakota. In partnering with Lutheran Social Services, we are pursuing the conversion of multiple USDA projects across the state that may be lost to these rural communities without the support of funding such as the HIF program.

The other issue is that the current units that have been developed for affordable housing are now getting on in age to where they need major renovation or replacement. We have a 96 unit Multi-Family project in the Non-Profit that is 45 years old and is in need of some modernization. Here again the low rents do not support sufficient debt service to do the modernization work without alternative funding sources such as the HIF program. Our Public Housing units are also in the 45 year range and HUD has cut back on their capital funding so we are not able to keep up with the modernization that is needed.

At some point we will need to look at alternative funding for our public housing units or we will be looking at losing them like Fargo Housing with their High-rise. Our communities do not have sufficient inventories of affordable units to begin with let alone loosing additional units that become substandard.

The other consideration in regards to the HIF program is that there are projects that have HIF money obligated but may not be able to get the funds spent by the time the sunset clause kicks in around June 30th. If the funds are not spent and the HIF program is not continued the funds left unspent will go back to the General Fund and the projects will not be started or completed depending on where they are with the construction.

As you can see, there is a continued need for affordable housing in our state. I respectfully request your support for the reauthorization of the HIF and your consideration in funding the HIF for the next biennium. In no means will this funding solve all the affordable housing needs but it will continue to be a sound investment in providing quality affordable housing for those with the most need in our state.

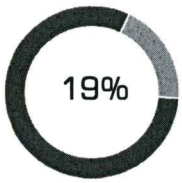
Thank you for your time and consideration and I would answer any questions that you may have.

march 1, 2017 SB2014 attachment C7

District 39 Affordable Housing Facts

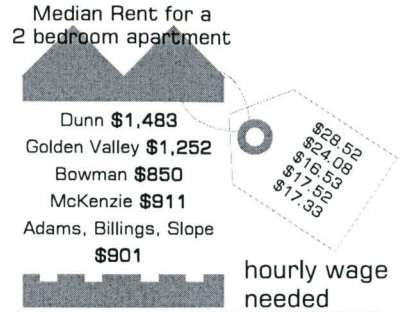
POPULATION
18,233
HOUSEHOLDS
7,238
MEDIAN HOUSEHOLD INCOME
$66,774

RENTER HOUSEHOLDS
2,081



are cost burdened

Median Rent for a 2 bedroom apartment



hourly wage needed

SENIOR HOUSEHOLDS
1,808
SENIOR HOUSEHOLDS WITH FOOD STAMPS
92
SENIORS WITH A DISABILITY
954

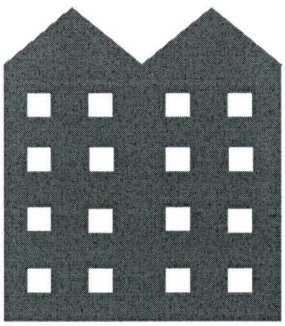
HOUSEHOLDS WITH AN INDIVIDUAL WITH A DISABILITY
1,588
WITH FOOD STAMPS
120

HOUSEHOLDS WITH FOOD STAMPS
245
MEDIAN INCOME OF A HOUSEHOLD WITH FOOD STAMPS
$15,313

affordable rent

HOUSEHOLDS WITH SOCIAL SECURITY INCOME
2,090
AVERAGE SOCIAL SECURITY INCOME PER YEAR
$16,265

affordable rent



EXTREMELY LOW- AND VERY LOW-INCOME HOUSEHOLD PROJECTIONS (2014-2029)

Adams	+25	Golden Valley	+34
Billings	+10	McKenzie	+1,502
Bowman	+55		
Dunn	+153		
Slope	+12		

HIF MAKES A DIFFERENCE

13 HIF projects for a total of **447 units**

- Arrowhead Estates, Arnegard
- The Landing, Bowman
- Courtside Village, Hettinger
- Killdeer ESW Housing
- Prairie Gold Apartments, Killdeer
- McKenzie Healthcare, Watford City
- McKenzie Park Apartments, Watford City
- Watford City Apartments
- Wolf Run Village I and II, Watford City
- Prairie Heights I and II, Watford City

$4.22
leveraged for each HIF dollar invested

2624 Vermont Ave • PO Box 1535 • Bismarck ND 58502-1535
701/328-8080 • 800/292-8621 • hfainfo@nd.gov • www.ndhfa.org

March 1, 2017 SB2014 attachment H

NDLA, H APP GO - Lewis, Sheri

[redacted]n: Don Sterhan <sterhan@mpequity.com>
Sent: Saturday, February 25, 2017 3:10 PM
To: Brandenburg, Michael D.; Boehning, Randy G.; Brabandt, Roger L.; Delmore, Lois M.; Kempenich, Keith A.; Nathe, Mike R.; Vigesaa, Donald W.; NDLA, H APP GO - Lewis, Sheri
Cc: Don Sterhan; Kris Tracy
Subject: Senate Bill 2014

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Feb 25, 2017

TO: **House Appropriations Committee, Government Operations Division**
Chairman, Rep. Mike Brandenburg
Vice Chairman, Rep. Randy Boehning
Rep. Roger Brabrandt
Rep. Lois Delmore
Rep. Keith Kempenich
Rep. Mike Nathe
Rep. Don Vigessa

[redacted]M: Don Sterhan, President
Mountain Plains Equity Group, Inc.
Billings, Montana

REF: **Senate Bill 2014**

Dear Legislators,

With respect to the above-referenced SB 2014, I am advised a hearing date has been set for this coming Wednesday, March 1st. Unfortunately, I am not able to attend in person on that day, so please accept this e-mail message as my sincere effort to commend you for hearing testimony on this bill, and I appreciate the opportunity to offer constructive comments for your consideration.

I stand in support of the provisions of SB 2014 that recognize and support the worthwhile and successful **Housing Incentive Fund (HIF)** as administered by the North Dakota Housing Finance Agency (NDHFA). Your utmost consideration and your support of this legislation will be well placed and greatly appreciated. Speaking from my direct experience with the HIF program, I can attest to the efficiency of this funding source and the incredible impact that it has had on the lives of so many.

Founded in 2003, our company specializes in the financing and development of low-income and affordable multifamily housing properties, including workforce housing for Essential Service Workers (ESW). We operate in a multi-state region that includes North Dakota, South Dakota, Montana, Wyoming and Colorado. Accordingly, I can speak with conviction [redacted]n I say that North Dakota has truly set itself apart with the HIF program. This is a program that was born out of [redacted]edible foresight – and it continues to represent one of the most innovative and practical solutions that I have witnessed throughout my career in affordable housing.

We've had the privilege of sponsoring three separate projects in North Dakota that have benefitted from the HIF program. In each case, this funding source allowed us the unique ability to establish a rent level that is affordable and [redacted]e justly suited to local residents with a limited income. I am particularly proud of our project in Williston, that being [redacted]*kRidge Townhomes*. Dedicated to the community's essential service workers, this 36-unit property opened its doors in the fall of 2015... offering a quality home to nurses, teachers, city/county workers, and law enforcement officers ... and at a price they can afford. As you know, rental rates in Williston have been a moving target, so this type of stable and reliable housing option is a big plus for ESW in the community.

I recognize the serious challenges you all are facing in trying to establish your State budget parameters ... no doubt a daunting task. So it is especially important at a time such as this, to carefully examine the past results and the ongoing opportunities that are grounded in this HIF program. This program is paying big dividends in North Dakota, and it will continue to do so for many years to come. When you have a "winner" on your hands, I would encourage you to do all you can to keep it alive and active.

Thank you for your attention and diligence in considering this request for support of **SB 2014.**

Respectfully,

Don Sterhan

Donald J. Sterhan

President & CEO
Mountain Plains Equity Group, Inc.
2825 3rd Avenue North, Suite 600
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March 1, 2017 SB2014 Attachment I

To: Chairman Brandenburg and members of the Government Operations Division of House Appropriations committee

Dear Representative,

We are writing to ask your support of **SB 2014** and, in particular, the reauthorization of the **Housing Incentive Fund (HIF) program**. As you may be aware, this program has helped to finance the creation or preservation of 2,324 units of affordable housing since 2011 - leveraging significant capital from private investors to meet community needs across the state.

The change in oil pricing and related decrease in the demand for market rate housing has not affected the need for subsidized affordable housing. That need continues to grow. The increasing need for affordable senior housing is of special concern – the number of residents over age 65 is expected to increase by 52% by 2029 (almost 55,000 persons). Too, it has been shown over and over that it is far more cost effective to provide supportive housing for the homeless than it is pay for law enforcement, emergency medical services, incarceration, detox and other costs communities incur working with the homeless population. The HIF program can provide essential gap financing for the provision of both needed new affordable and for supportive housing units.

The program can be particularly effective in the preservation of the existing stock of affordable housing, much of which is aged and under threat of being lost from inventory. Across the state we are losing Rural Development (Farmers Home) projects which serve primarily elder low income persons in smaller communities. Fargo is threatened with the loss of the 248 unit Lashkowitz Public Housing High-rise which has housed low income tenants since 1969. The building needs significant mechanical and other improvements at this time in order to remain open and livable. It essentially needs a gut rehab. It is far more cost effective and practical to preserve these buildings rather than to try and replace them. The HIF program could be a critical piece of gap financing to supplement other limited resources that will be needed to preserve this very important part of the state's infrastructure. Fargo can't afford to lose 248 units of needed housing, the

Fargo HRA's waiting list for housing assistance currently has over 2,000 households on it and, an up to two year wait for assistance.

Please support SB 2014 as a smart investment in the preservation of North Dakota's existing affordable housing stock and the creation of new units to help keep up with the statewide growing demand. Thank you.

Sincerely, Lynn Fundingsland, Executive Director – Fargo HRA

On Behalf of the FHRA board of Commissioners

Karen Moore	Thomas Jefferson
Ken Krajsa	Tonna Horsley
Bryce Alme Johnson	Michael Leier

And - on behalf of thousands of present and future lower income state residents and the communities they reside in.

March 1, 2017 SB 2014 Attachment J

Testimony in support of SB2014
John Phillips, Lutheran Social Services Housing

SENATE APPROPRIATIONS COMMITTEE

TESTIMONY IN SUPPORT OF SB 2014: "Housing Incentive Fund Tax Credit"

Representative Brandenburg and Committee Members. I am John Phillips Director of Real Estate Development for Lutheran Social Services Housing. We are a non-profit housing development organization that works across North Dakota to help communities address housing challenges they may be facing. We work primarily in rural North Dakota, with projects in almost every corner of the state.

Jolene has presented an excellent story of the people that live in the HIF project housing units that were constructed from previous legislative funding. She has also presented the Housing Needs Assessment Numbers that were developed by Nancy Hodur in the recent 2016 North Dakota Statewide Housing Needs Assessment and I won't repeat that. In our experience one of the most pressing questions of the Housing Study is whether or not we have addressed the housing need for the more vulnerable population statewide -- that being the low and very low income individuals and families. I wanted to focus my testimony on how the Housing Incentive Fund can be a tool that helps us preserve affordable rental housing where there is already a federal rent subsidy available to low income tenants.

I think we all recognize that the availability of affordable housing is a fundamental element that provides North Dakota communities the ability to sustain their economy, allowing individuals to stay in the community or relocate to a community if they wish, whether they choose to retire there or enter the workforce. Different communities have different needs.

In addition to communities where housing shortages are the primary challenge, there are many, many communities across North Dakota that are faced with the challenge of preserving and modernizing the affordable housing that already exists in their community as likely that will be the only practical option for the community to address its need. This

preservation of a critical housing resource is **more important** for those communities than new construction.

You are probably familiar with affordable housing that was developed in the 1970s and 1980s through USDA Rural Development or the Department of Housing and Urban Development. Thousands of housing units were built in both rural and urban communities across the state with the help of low interest loans made available by HUD and USDA. In addition, these properties often were able to offer a **rent subsidy** to the low income tenants who lived in the units. This subsidy comes from HUD or USDA, and pays the difference between what the low income tenant can afford and what the rent is at the property. It is a lifeline resource for many of the fixed income households who live in these units in our communities.

The challenge we are facing today is that this housing stock is aging and needs re-investment to remain viable. If we can identify resources to help preserve and renovate existing affordable housing we know it can be a cost effective and practical way for communities to make sure their housing needs are addressed. We are often able to renovate and preserve this affordable housing at a much lower cost than it would take to build new replacement units. And it is an existing housing stock that already is served with infrastructure and should be able to continue to meet the needs of those community residents with thoughtful re-investment.

As an example, over the last few years LSS Housing has taken on the renovation of projects in Northwood, Lakota, and Mayville as well as one that will start in Rolla this summer. It took many years to complete these small renovation projects as it was difficult to secure the funds needed for rehab. All of these units needed both a change in ownership and rehabilitation to remain viable as affordable units. Today they are newly renovated and occupied by income based tenants that chose to stay or relocate in those communities. We have also been asked by a number of other communities to assist them with the

preservation of their existing affordable housing as they know without preservation they will not have that affordable option for their residents.

To give you a sense of scale of the preservation need in our state I will provide you a snapshot of the USDA Rural Development portfolio in North Dakota. As of 2015 there were 146 properties in the North Dakota USDA RD portfolio; the average size of a property is 16 units. The majority of these properties are owned by the same entity that originally built them. 70% of current owners are the original community volunteer groups that built the property. Almost 30% of these properties are set to "expire" or exit the subsidy program over the next several years without an active preservation effort.

For preservation to be truly successful, many of these properties will require renovation to remain functional but funds for rehabbing subsidized properties is scarce. What we know is that the renovation of existing subsidized property can be a very cost effective way to ensure that good quality housing is available in rural communities to serve the lowest income residents of the community.

The Housing Incentive Fund is a highly effective, flexible tool designed to serve all North Dakota communities. We believe it could be a very powerful tool in helping to preserve North Dakota's valuable affordable housing stock, which once lost, can be very costly to replace.

If even half of the above-noted expiring portfolio could be affected, the Housing Incentive Fund would be able to preserve more than 300 units of much-needed affordable housing in some of the most isolated rural communities in North Dakota.

We believe that tools like the Housing Incentive Fund can make a significant impact on the very pressing need to preserve the state's affordable housing stock. These subsidized rental properties have been a backbone of our housing system in North Dakota for more than 40

years. We encourage you to support the Housing Incentive Fund as a way to help bring these community assets forward for the benefit of future generations.

As we talk with city leaders and others in the smaller communities, they talk about their need to figure out how to address the housing needs of seniors and households with limited incomes. They talk about how they have some housing units in their communities that "need work" to make them a desirable place to live again and they need to preserve them.

The Housing Incentive Fund can be an important and cost effective tool in facilitating the preservation of existing affordable housing properties across North Dakota. It has already helped many individuals and families find housing in our state but we know there is more work that needs to be done. The program needs to continue. We would encourage your support of SB 2014.

John Phillips, Director
Real Estate Development
Lutheran Social Services Housing (LSS Housing)

March 1

SB 2014

March 1, 2017

Attachment 4

NDEPA
NORTH DAKOTA ETHANOL PRODUCERS ASSOCIATION

Testimony of Randy Schneider
In Support of SB 2014
March 1, 2017

Chairman Brandenburg and members of the committee:

My name is Randy Schneider, and I am a member of the North Dakota Ethanol Producers Association (NDEPA) Board of Directors, which represents North Dakota's five ethanol plants and industry stakeholders. I am here today to voice support for SB 2014, specifically the North Dakota Renewable Energy Program.

North Dakota's ethanol industry contributes nearly $625 million annually to the state's economy and provides more than 1,100 direct and indirect jobs. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity has increased more than tenfold from 35 million gallons per year in 2005 to more than 450 million gallons per year currently.

The North Dakota ethanol industry greatly appreciates your support of the North Dakota Renewable Energy Council, whose mission is to promote the growth of North Dakota's renewable energy industries through research, development, marketing, and education, similar to the research councils of other energy-related industries. The projects funded through the Council have enabled commercial application of new or emerging technologies that are bringing revenue to the state and value-added markets to the agriculture industry.

Currently, the North Dakota ethanol industry produces 18 pounds of CO_2 for every bushel of corn processed. Industry recognizes an opportunity to find ways to capture that CO_2 and use it to generate additional revenue. The Renewable Energy Council, along with private industry dollars, is essential in helping our industry to commercialize emerging CO_2 capture technologies. These projects help generate additional revenue and additional tax dollars for the state of North Dakota. The 50 percent private industry match requirement ensures only relevant projects driven by the private sector are funded.

1

1605 E. Capitol Avenue
PO Box 1091 • Bismarck, ND 58502
701.355.4458 • 701.223.4645 (fax)

One example is a Carbon Capture and Storage project currently being funded by the Council. It has the promise of bringing significant impact to North Dakota and extending value to numerous industries. Red Trail Energy in Richardton, which is working in coordination with the Energy and Environmental Research Council (EERC) in Grand Forks on the project, estimates the economic impact of this project to be more than $11 million per year. It also is a tool to bring primacy back to North Dakota for class six wells. In addition, the project has generated national attention and sets the stage for a full-size commercial carbon capture and storage project in North Dakota while providing a footprint for other North Dakota industries.

We thank you for your support of the state's ethanol industry in the past and urge your favorable consideration of SB 2014, specifically in regard to the continued funding for the North Dakota Renewable Energy Program.

March 8, 2017 SB2014 Attachment A

Chairman Brandenburg and members of the Government Operations Division of House Appropriations committee - Thank you for the opportunity to speak with you today.

I am testifying in support of **SB 2014** and, in particular, the reauthorization of the **Housing Incentive Fund (HIF) program**. As you may be aware, this program has helped to finance the creation or preservation of 2,324 units of affordable housing since 2011- leveraging significant capital from private investors to meet community needs across the state.

The change in oil pricing and related slowdown in development has decreased the demand for market rate housing, particularly in the Bakken area but, that hasn't affected the need for subsidized affordable housing. That need continues to grow statewide. The increasing need for affordable senior housing is of special concern – the number of residents over age 65 is expected to increase by 52% in the next 12 years (almost 55,000 persons). Too, it has been shown over and over that it is far more cost effective to provide supportive housing for the homeless than it is pay for law enforcement, judicial, emergency medical services, incarceration, detox and other costs communities incur working with the homeless population. The HIF program can provide essential gap financing for the provision of both needed new affordable units and for cost saving supportive housing units.

The program can be particularly effective in the preservation of the existing stock of affordable housing, much of which is aged and under threat of being lost from inventory. Across the state we are losing Rural Development (Farmers Home) projects which serve primarily elder low income persons in our smaller communities. In Fargo we are threatened with the loss of the 248 unit Lashkowitz Public Housing High-rise which has provided housing and services to low income tenants since 1969. The building needs significant mechanical and other improvements at this time in order to remain open and livable. It essentially needs a gut rehab. It is far more cost effective and practical to preserve these properties rather than to try and replace them. The HIF program can be a critical piece of gap financing to supplement other limited resources that will be needed to preserve this very important part of the state's infrastructure.

The Fargo HRA's waiting list for housing assistance currently has over 2,000 households on it and, an up to two year wait for assistance. Across the state we see similar demand in proportion to service area populations

We ask that you please support SB 2014 as a smart investment in the preservation of North Dakota's existing affordable housing stock - and the creation of new units to help keep up with the statewide growing demand. Thank you.

Sincerely, Lynn Fundingsland, Executive Director – Fargo HRA

On Behalf of the FHRA board of Commissioners

Karen Moore	Thomas Jefferson
Ken Krajsa	Tonna Horsley
Bryce Alme Johnson	Michael Leier

And - on behalf of thousands of present and future lower income state residents and the communities they reside in.

March 8, 2017 SB2014 Attachment B

Testimony in Support of SB 2014
House Appropriations – Government Operations Division
Chairman: Representative Mike Brandenburg
March 08, 2017

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter Inc. (BSI), 701-730-2734, dmadler@beyondshelterinc.com, Lobbyist #29

Chairman Brandenburg and members of the Committee, thank you for the opportunity to be heard.

For the record, my name is Dan Madler and I am the CEO of Beyond Shelter, Inc. (BSI), a mission driven North Dakota nonprofit developer of affordable housing.

I have found the Housing Incentive Fund (HIF) to be a great tool for Community and Economic Development and its design to be very nimble. Since the inception of the HIF and through today, BSI has been able to leverage approximately $11M in HIF's to produce $62.3M in long-term quality affordable housing assets serving Elderly and Physically Disabled households, Law Enforcement, and Essential Service Workers living in the communities of Dickinson, Minot, Burlington, and Fargo. Essentially for every $1 of HIF investment, BSI has been able to produce $5.65 in long-term affordable housing assets.

In regards to SB 2014, I have 2 main topics that I would like to comment on.

The first comment relates to the impact of reauthorizing the HIF.

Because SB 2014 reauthorizes the HIF, funding commitments made to projects that are under development now, will be able to continue to move forward. For example, in the community of Fargo, where I live, there is a $2.2M HIF commitment to the Jeremiah Project, a 20-unit apartment campus for low-income single mothers and their children. The Jeremiah Project is close to securing all of the capital needed and is hoping to start construction of the 20-unit project in April 2017. With reauthorization of the HIF, the Jeremiah Project will be able to move forward without the risk of losing all HIF's not drawn by June 30, 2017.

The second comment that I have relates to the $5M funding that SB 2014 would provide to the HIF through June 30, 2019. Over the past few months I have heard and read comments like, "The HIF has outlived its usefulness," "The HIF has served its purpose," "The HIF is not needed now." Well I am here today to challenge that thinking. The HIF has not outlived its usefulness, its purpose and it is clearly needed to help finance quality, safe and affordable housing in North Dakota.

In support, I offer the following examples:

1) In the community of Fargo, on October 13, 2016, BSI received a certificate of occupancy for a 30-unit affordable housing project that serves low-income elderly households. The 30-unit project was fully leased in less than 45-days. Note, this 30-unit project is part of a larger 84-unit affordable housing senior project and the current wait list is at 131.

2) In the community of West Fargo, on January 16th, the City Commission of West Fargo unanimously approved the first funding for a proposed YWCA permanent supportive housing project that will serve women and children that have been victims of domestic abuse.

3) I have and/or will be having conversations with the communities of Bismarck, Minot, and Dickinson as it relates to developing permanent supportive housing for long-term homeless individuals and possibly homeless families.

4) Funding of the HIF could also serve as key gap financing for future Federal Low Income Tax Credits (LIHTC) projects. Since the presidential election, the private investment market for LIHTC's has been turned upside down. The LIHTC is currently the most powerful Federal tool used to produce affordable housing. It truly is a private-public partnership as private investors purchase federal tax credits and the capital raised from the sale of the tax credits is invested in an affordable housing project. Because of the possibility of Federal tax reform, the price that investors are willing to pay for LIHTC's has decreased in value by 10-12 cents on the dollar. What does that mean? Well, if BSI had a $500,000 LIHTC award 1 penny is worth $50,000. $50,000 times 10-12 cents equals a $500,000 - $600,000 loss in private capital and thus creating a $500,000 - $600,000 funding gap for an affordable housing project. The $5M in HIF's could be used to fill the funding gap and allow the affordable housing project to move forward.

5) Funding of the HIF could also help North Dakota's economic competitiveness as it relates to the workforce. Like many communities across the state, workforce has emerged as a key challenge as businesses struggle to find the talent they need to grow. This is especially true for businesses in low-skill industries such as retail, food service, manufacturing, childcare, health care, and hospitality. Many businesses in these industries are struggling to find and retain lower-skill workers essential to sustain core operations. This results in reduced operating hours, closures, relocations, and ultimately lost economic opportunity and negative impact on the livability of communities in the state. This workforce challenge has emerged as a key challenge in Fargo, the community where I live. According to the June 2015 Regional Workforce Study of the Greater Fargo/Moorhead Region, 45% or 13,500 of an

estimated 30,000 job opening through 2019 will be in low-skill positions paying less than$17/hour.

If Fargo and/or other communities across the state that are facing similar workforce challenges want to remain competitive, access to affordable housing, where households do not have to spend more than 30% of their income on housing costs, needs to increase. Funding the HIF will help increase that access.

I know you need to make tough and responsible appropriation decisions this legislative session. You need to spend and invest ND state tax dollars wisely by considering things like, return on investment, creation of jobs, financial leverage, forward thinking related to demographics/population growth, investments that would provide long-term benefits to the state and ND communities. With that said, I would say that investment in affordable housing is an efficient way to do all of these things.

In closing, I would say that housing is foundational to everything else (i.e. health, education, safety, quality of life) and I respectively request your support for SB 2014.

Thank you for your time and consideration and I stand for any questions that you may have.

March 8, 2017 SB 2014 Attachment C

Testimony in Support of SB 2014
House Appropriations – Government Operations Division
March 8, 2017

Chairman Brandenburg and members of the Committee,

Today you will hear testimony regarding the reauthorization and funding for the Housing Incentive Fund via discussion on Senate Bill 2014. I am writing to share with you one story about the significant impact this program has on the lives of people who need access to safe and affordable housing in the state of North Dakota.

Jeremiah Program is a non-profit that assists determined single mothers with very young children living in poverty, by providing them with wrap-around supports including affordable housing that includes an early childhood education center, and Empowerment and Life Skills training and career/coaching assistance. Their participation in our program is predicated on their pursuit of a two or four year college degree so they can obtain a career track job to lift their family out of poverty permanently.

In 2015, Jeremiah Program applied for a grant from the Housing Incentive Fund in order to raise the necessary capital to build our affordable apartment building in Fargo. We were awarded $2.2 million through this competitive process and *that award was the game changer for our ability to go out and raise the rest of the funds from other sources, both public and private*!

The Housing Incentive Fund is instrumental in assisting innovative affordable housing programs with the critical capital funding for a variety of critical housing programs that benefit low income families, seniors, children and native tribes in North Dakota. And it does this by soliciting support from businesses who contribute to the fund and give back to their communities and state. The Housing Incentive fund is a win/win/win!

Thank you for your previous support of this innovative program and I urge you to pass all necessary legislation to authorize and fund it to continue to serve more North Dakota families well into the future.

Sincerely,

Diane Solinger
Executive Director
Jeremiah Program Fargo-Moorhead
701-212-8849
dsolinger@jeremiahprogram.org

March 8, 2017 SB 2014 Attachment D

Testimony from Erin Prochnow, CEO, YWCA Cass Clay, 701-232-2547, Lobbyist #436
North Dakota House Appropriations – Government Operations Division
March 8, 2017
SB 2014

Introduction:

Good morning Chairman Brandenburg and members of the committee, my name is Erin Prochnow, the CEO of YWCA Cass Clay. Our agency offers the largest Emergency Shelter serving women and children in the state of North Dakota and northwestern Minnesota. We have been providing services in our community for over 110 years, spending the past 40 years providing emergency shelter and housing services to women and their children escaping domestic violence and abusive situations.

If SB 2014 is approved, the North Dakota Hosing Incentive Fund will help women and families served by YWCA escape abuse, move out of homelessness, and live independent lives.

Proposed Private - Public Partnership Project:

In early 2016 Pastor Joel Baranko from Lutheran Church of the Cross in West Fargo reached out to YWCA inquiring about areas of community need where vacant land owned by the church may be most useful. The most significant unmet need for women and children served at YWCA, as documented in the 2015 YWCA Cass Clay Strategic Plan is supportive affordable housing.

Together with Lutheran Church of the Cross, YWCA have developed a proposed project that includes 30 apartments ranging in size from one to four bedrooms; two office spaces for our support services staff, a community room, playground, and patio are included in the preliminary design concepts.

The demand for the YWCA Housing Program is significant. Last year alone, 147 women and children were eligible for the program, but only 51 women and children were able to be accepted (35% were able to be accepted). We simply don't have enough affordable homes to meet the growing need. Permanent supportive housing is a strategy that has proven successful and documented to be the most cost-effective prevention to chronic homelessness.

Changing the Course of Her Life: From Crisis to Independence:

When a woman arrives at the YWCA, she often lacks the building blocks to independence: a living wage, adequate credit, childcare and transportation. At the YWCA we provide comprehensive programs and services to help each woman to overcome these barriers.

In 2016, the average length of stay at our Emergency Shelter was 42 days. While women can make significant progress in just over a month, this is typically not enough time to gain lasting financial security and independence. Often a woman's road to independence is longer because she is recovering physically or mentally from abuse, has a disability, is going back to school, or working hard to regain her financial footing.

To help a woman move from crisis to independence and extend the amount of time she has to rebuild, the YWCA's Supportive Housing Program provides ongoing support and advocacy for women and their families. The reality is the women we serve are just like all of us – to live independently, and provide for their families.

On average, a woman stays in our Supportive Housing Program just 24 months. The YWCA Supportive Housing Program is a proven solution for helping families break the cycles of poverty and violence. A woman who participates in the program earns more money, is healthier, and is better equipped to live independently and create an environment for her children to thrive.

- 71% of women increase their education or income while in the program
- 78% of women improve their physical and/or mental health while in the program
- 92% of families secure independent, permanent homes within just two years of beginning the Supportive Housing Program.

Wherever a woman may be on her journey, together we must walk alongside her to ensure she has access to the tools and resources necessary to heal, reach her goals and ultimately, build a future free from violence for her family.

Thank you for your time and consideration.

March 8, 2017 SB2014 Attachment A

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA
EDND
PO BOX 1091 • BISMARCK, NORTH DAKOTA 58502

Testimony of Jennifer Greuel
Economic Development Association of North Dakota
In Support of SB 2014
March 8, 2017

Chairman Brandenburg and members of the House Appropriations Committee Government Operations Division:

I'm Jennifer Greuel and I am the executive director of the Economic Development Association of North Dakota (EDND) and would like to express our support for SB 2014, which includes the appropriation for the Bank of North Dakota and the North Dakota Housing Finance Agency.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Bank of North Dakota

The Bank of North Dakota programs are very important to and widely used by economic developers across North Dakota. PACE and Flex PACE provide flexibility for businesses and development agencies to support new and growing businesses in a fiscally safe manner. I am here today to support the recommendations for appropriating $31 million in BND capital to fund the PACE buy-down programs. As was noted in the BND testimony, these programs have generated substantial investment in North Dakota in a cost-effective way and support economic progress that creates attractive and viable communities. These programs increase property taxes, expand business capacity, create new and highly skilled jobs, and help entrepreneurs in communities throughout the state.

The downturn in oil and agriculture has stimulated considerable discussion regarding supporting entrepreneurs and start-up companies, expanding existing businesses, and attracting and retaining talent. The PACE programs of BND are essential to these efforts. In fact, skilled labor and technician jobs rose to the top as the kind of job creation most often facilitated by programs in the BND survey. In addition,

helping existing companies expand was the number one response in support of the PACE programs.

North Dakota Housing Finance Agency

Affordable housing also continues to be a priority for expansion of North Dakota's businesses and communities in all areas of North Dakota. The Housing Incentive Fund capitalizes contributions from state taxpayers to develop affordable multi-family housing for essential service workers, main street employees and fixed-income households. The lack of available affordable housing in North Dakota is often a stumbling block to people who might otherwise relocate and accept jobs that serve to form the state's infrastructure of basic services.

A recent high impact example of the housing incentive program's benefit is in the Beulah/Hazen area, where a housing study of the region identified a need for additional apartments. The community came together and utilized the fund to create new housing for a variety of its citizens. An abandoned piece of land where mobile homes stood in the 1980s is now home to New Energy Apartments. These one to three bedroom units are open to a range of families, including low-income and essential workers. This is one of the many examples where these funds return investment into rural and urban communities throughout North Dakota.

In order to diversify our economy, we need to partner with our communities to create livable spaces. A part of this formula is affordable housing, and this fund creates an economic 'win-win' for both the employees and the communities.

EDND understands the difficult position you have to determine the state's future, and we appreciate all the thoughtfulness you have put into managing this responsibility. Please consider how programs and resources support the communities in the entire state as you make these decisions.

I urge the committee's support of SB 2014.

March 8, 2017 SB 2014 Attachment B

AARP Real Possibilities in

North Dakota

SB 2014 – SUPPORT for HIF
March 8, 2017
House Appropriations Committee – Government Operations

Mike Chaussee- AARP-ND
mchaussee@aarp.org or (701) 390-0161

Chairman Brandenberg, members of the House Appropriations Committee, I am Mike Chaussee, representing AARP North Dakota.

There are some ideas that hit home with us at AARP more than others. The Housing Incentive Fund is one of them. Dr. Ethel Percy Andrus founded what would become AARP. The moment of awakening for Dr. Andrus happened when she found a retired former colleague living alone, in a chicken coop, because she had run out of options. From that moment on, she set out to help older Americans live safe, secure and dignified lives.

AARP has grown to a membership of 38 million people nationwide - 87,000 live in North Dakota. They all want to live fulfilling lives.

Programs like the Housing Incentive Fund help older North Dakotans, especially those with low or fixed incomes, live in safe, comfortable housing at an affordable price.

There is a short document attached to this testimony that provides information about the number of North Dakotans who live on fixed incomes. Nearly a quarter of them rely on Social Security for nearly every penny they get. And close to half (45.3%) rely on it for more than half of their income. That's more than six out of 10 older North Dakotans who rely heavily (or fully) on Social Security. A slightly older document also included shows the average wage is less than $1,200 a month. The most recent Social Security adjustment of 0.03% would provide recipients about enough money for a Happy Meal per month.

Providing incentives to developers to include low income set-aside units in their developments is creative and effective to promote affordable housing. AARP policy supports the tenants of the Housing Incentive Fund. Specifically, there are two AARP policy principles that call for a program like HIF:

*"**Promote affordable housing options.** Ensure that land use and other policies support the private and public sectors in providing a variety of housing sizes and types. Promote funding and policy for programs that lead to an adequate supply of affordable rental and ownership options integrated with the community to meet the needs of people of all ages, family compositions, and incomes."*

*"**Increase capacity for public-private partnerships.** Reauthorize or create programs and policies at the federal, state, and local levels to ensure that the private sector has the capacity and tools to effectively partner with governmental agencies to increase the range of housing choices available to older people."*

Additionally, we at AARP believe the priority of HIF should be focused on low-income people who desperately need affordable housing.

There are tough decisions ahead, but we know we can't leave the most vulnerable people out in the cold. The Housing Incentive Fund is one way private and public interests can work together to build homes – and help keep North Dakotans safe and secure.

Again, we support the North Dakota Housing Finance Agency's commitment to the Housing Incentive Fund. We urge you to keep the HIF authorization and funding included in this budget.

Thank you

AARP
Real Possibilities

AARP STATE FACT SHEET
NORTH DAKOTA

AARP has offices in all 50 states, Washington, DC, Puerto Rico and the US Virgin Islands.

Contact Information

North Dakota State Office
Josh Askvig
State Director
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701-355-3642

National Office
Beverly Gilyard
Director of Federal Strategy
bgilyard@aarp.org
202-434-3747

AARP is working to help Americans 50+ in North Dakota live life to the fullest. We advocate for our members on critical priorities, such as strengthening Social Security, protecting seniors' access to their doctors, and ensuring all Americans have independence and choice as they age.

AARP serves as a one-stop resource for information on the age 50+ population in North Dakota and public opinion research. In addition to serving as a clearinghouse for information about older Americans, we also offer programs and tools that help Americans age 50+ make the best decisions about their health and financial security. We hope the data below and the programs on the reverse side will be helpful to you and your constituents.

NORTH DAKOTA AT A GLANCE

AARP MEMBERS

Total number of AARP members in North Dakota: **85,624**

SOCIAL SECURITY

Social Security Beneficiaries: **125,786**
Retirees: **87,569**
Widow(er)s: **10,965**
Disabled Workers: **13,917**

Social Security recipients who rely on Social Security for 50% or more of their income: **45.3%**
Social Security recipients who rely on Social Security for 90% or more of their income: **23.1%**

MEDICARE

Total Medicare Beneficiaries: **~ 115,636**

HELPING PEOPLE LIVE INDEPENDENTLY

(Medicaid data for older adults and people with physical disabilities)

Percent of Medicaid long-term care spending for home and community-based services: **14.7%**
Percent of Medicaid long-term care spending for institutional care: **85.3%**

Estimated number of family caregivers during the year: **62,100**
Unpaid contributions of family caregivers annually are valued at: **$860 million**

Visit AARP North Dakota's website: http://states.aarp.org/region/north-dakota/

AARP: Helping Americans 50+ Live Their Best Lives

AARP is working to ensure Americans 50+ have choice, control and independence through every stage of their lives. Take advantage of these offerings that can enhance the lives of you, your family members and friends.

Getting Ready for Retirement

It's never too late to plan for retirement, and it doesn't have to be complicated. AARP offers award-winning, unbiased online tools and information that can help you make effective financial and health-related retirement decisions, such as determining how much money you will need, when to claim Social Security to maximize benefits, and how to navigate through and select Medicare choices. www.aarp.org/readyforretirement

Finding a Job or Starting a Business

Whether you're looking for a new job or thinking about starting your own business, AARP can help turn your goals and dreams into real possibilities. Check out www.aarp.org/work for tips, tools and other information on topics such as using social media to job hunt, finding a company that values your years of experience, and polishing your résumé. AARP is working with the Small Business Administration to provide mentoring and resources for people who want to start or grow a business; visit www.aarp.org/startabusiness. In addition, employers can find a variety of resources on recruiting and retaining experienced workers at www.aarp.org/employers.

Making Communities More Livable and Age-Friendly

AARP research shows that nearly 90 percent of people age 45 and older want to stay in their homes and communities for as long as possible. That's why AARP is helping cities, towns, counties and states become great places for people of all ages to live, work and play. Learn more about how communities are creating age-friendly housing and transportation options; safe, walkable streets; access to needed services; and opportunities for residents of all ages to participate in community activities. www.aarp.org/livable

Staying Ahead of the Curve with AARP Driver Safety

All drivers can sharpen their driving skills and refresh their knowledge of the rules of the road by taking the AARP Smart Driver Course, available in a classroom or online, in English or Spanish. In some states, participants may receive a multi-year auto insurance discount for completing the AARP Smart Driver Course (participants should consult their insurance agent for details). To learn more, visit www.aarp.org/drive or call 1-877-846-3299.

In addition, CarFit (www.aarp.org/carfit) can help you learn how your vehicle's design and operating features can better-fit your needs, and the We Need to Talk seminar(www.aarp.org/weneedtotalk) provide tips on how to recognize when it's time for family members to limit or stop driving, and how to discuss this topic with loved ones. Find state-specific driving information and enjoy personalized tools, games and programs at the AARP Driving Resource Center. www.aarp.org/drc

Staying Connected with Friends and Loved Ones by Sharpening Digital Skills

AARP TEK Academy can help you connect with friends, family and your passions through free, online courses on the topics of Intro to Smartphones and Tablets, Beyond the Basics with Smartphones and Tablets, Intro to Facebook and Other Social Networks, and Fraud Protection and Online Safety. In addition, AARPTEK and Kaplan University have partnered to offer LearningAdvisor, an online program offering over 33,000 courses from 20 different providers for free or at low-cost. Learn more at www.aarptek.org.

Caring for a Loved One

Caring for a family member or close friend is one of the most important —and complicated — roles you'll play. Find resources, tools, and support to help you manage the care of a loved one at www.aarp.org/caregiving or 877-333-5885.

Connect to Fun, Interactive Learning from AARP Community Programs In-Person or Online

Whether you're sharpening your skills to find a job, trying to connect with other family caregivers or want to learn how to use your mobile device, AARP Community Programs connects you to fun, interactive local events and e-learning – at no charge! Our in-person classes are offered in cities and towns nationwide, including in [insert city or state name]. You'll also find us at fairs, festivals and local events. And, you can learn online anytime through webinars, interactive videos, games, tools and online fairs. Find us in your community and access e-Learning at: www.aarp.org/academy.

AARP Real Possibilities

Social Security: 2014 North Dakota Quick Facts

North Dakota's 65+ population is 101,000.

In 2012, North Dakota's population was about 700,000, with 101,000 being age 65 and older residents.[1]

Social Security generates $2.5 billion in economic output for North Dakota.

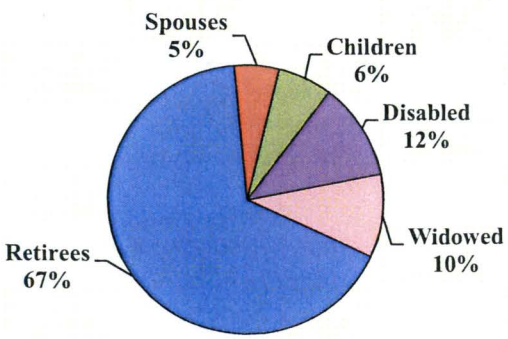
In 2012, North Dakota residents received $1.6 billion from Social Security.[4] Every $1 dollar of Social Security received in North Dakota generates $1.67 of economic output. Spending related to Social Security by beneficiaries, businesses and workers on goods and services generates $2.5 billion in economic output for North Dakota.[2]

One in six North Dakota residents receives Social Security.

The Social Security program not only provides monthly benefits to retired workers, but also to families when the worker retires, dies, or becomes disabled. In 2012, over 56 million Americans received Social Security benefits; of these, 122,104 lived in North Dakota.[3]

In 2012, one in six North Dakota residents received Social Security.[1] While 67% of beneficiaries are retirees, 33% are not: 12,270 are widows and widowers; 14,187 are people with disabilities; 6,402 are spouses; and 7,848 are children.[3]

North Dakota Social Security Beneficiaries



Nearly all North Dakota residents age 65 or older receive Social Security.

Over 18% of all people receive Social Security benefits; in North Dakota, 18% of residents also do. However, older people are more likely to receive the benefit, with 92% of those ages 65 and over receiving it nationwide, and 92% of older North Dakotans receiving it too.[1]

On average, North Dakotan retirees receive about $1,152 a month from Social Security.

The average yearly Social Security benefit for a North Dakota retiree in 2012 was $13,821.[5]

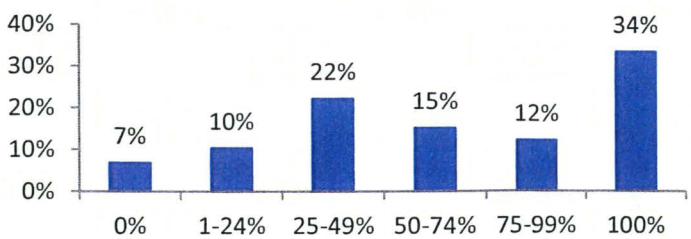
Social Security lifts 28,000 North Dakotan retirees from poverty.

About 44% of the nation's older population would be living in poverty if they were not receiving Social Security. In North Dakota, 42% of state's 65+ population would have incomes below the poverty line if they did not receive Social Security.[6]

Social Security is the only source of income for one in three North Dakotans age 65+.

Social Security makes up 50 percent or more of the income for 61 percent of North Dakotans age 65 and older. One in three older North Dakotans rely on Social Security as their only source of income.[7]

Income Percentage from Social Security for North Dakotans 65+



End Notes

[1] OASDI Beneficiaries by State and County, 2012. Social Security Administration: http://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2012/table01.html

[2] Social Security's Impact on the National Economy, AARP Public Policy Institute, 2013: http://www.aarp.org/work/social-security/info-09-2013/social-security-impact-on-the-national-economy-AARP-ppi-econ-sec.html

[3] OASDI Beneficiaries by State and County, 2012. Social Security Administration: http://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2012/table02.html

[4] OASDI Estimated Total Benefits Paid, 2013, Social Security Administration: http://www.ssa.gov/policy/docs/statcomps/supplement/2013/5j.html#table5.j1

[5] OASDI Number and Total Monthly Benefits for Beneficiaries, age 65 or older, 2013: http://www.ssa.gov/policy/docs/statcomps/supplement/2013/5j.html#table5.j3

[6] Effect of Social Security on Poverty Among the Elderly by State, 2009-2011: http://www.cbpp.org/cms/?fa=view&id=3851

[7] 2011 ACS Percent of Income from SS- SPSS calculation by AARP Research: http://www.census.gov/acs/www/data_documentation/data_main/

AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million, that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse. We advocate for individuals in the marketplace by selecting products and services of high quality and value to carry the AARP name as well as help our members obtain discounts on a wide range of products, travel, and services. A trusted source for lifestyle tips, news and educational information, AARP produces AARP The Magazine, the world's largest circulation magazine; AARP Bulletin; www.aarp.org; AARP TV & Radio; AARP Books; and AARP en Español, a Spanish-language website addressing the interests and needs of Hispanics. AARP does not endorse candidates for public office or make contributions to political campaigns or candidates. The AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Learn more at www.aarp.org.

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March 8, 2017 SB2014 Attachment C

SB 2014

House Appropriations – Government Operations Division

Chairman Brandenburg and members of the House Appropriations Committee, my name is Jaci Hall and I am the Executive Director of Ruth Meiers Hospitality House in Bismarck.

In 2013, Ruth Meiers was awarded a Housing Incentive Fund forgivable loan to assist with the construction of 85 affordable housing units in Bismarck ND. Our units were designated to support special populations 100%. By my unofficial count, 21 projects have been awarded to support special populations since 2011. Current populations considered under this category include:

1) Chronic or persistent mental illness
2) Drug dependency
3) Developmental disabilities
4) Physical disabilities (accessible units)
5) Homeless
6) Frail Elderly

In January of 2016, our units were completed. Since that time, 60% of our tenants have failed within 6 months of transitioning to one of our units. Those individuals received direct services and enhanced case management prior to transitioning to affordable housing and without applicable housing vouchers in place; they are transitioned without additional support. Many of these clients have prior addiction issues, behavioral health concerns or have felonies or other related charges on their record causing additional barriers for successful reentry.

When these clients come back to homelessness, they are more broken and need more time and additional services to transition them back physically and mentally towards self-sufficiency again. This time and additional costs are not needed, as they weigh heavily on federal and state funding that is already tapped so thin.

When the Housing Incentive Fund was created in 2011, it allowed for:

Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

Today, I am here to encourage the committee to support this component of the legislation with an appropriation to support targeted supportive services in awarded units.

I believe in the past the Housing Incentive Fund provided affordable and market level rental units in areas that were short of housing, assisted in gap financing and provided rehabilitation to existing units. As our economy has changed in the last few years, we need to focus on keeping these tenants in their units, reducing the cost of evictions on owners and enhance the skills of those who need support within these special populations.

At Ruth Meiers, our program accepts housing vouchers, but it is not a requirement. The tenant pays 30% of their salary towards an apartment. This may be $300 or as much as $700 dollars for a one bedroom unit. By providing funding to support enhanced case management, we can provide the tools needed for that tenant to retain their job, increase their wages through promotions and longevity and stay off of long term housing vouchers. These individuals will truly become self-sufficient, contributing to the communities across the state that they have grown to love.

As a funded partner in creating affordable housing, our clients continue to need support as they transition on their journey to self-sufficiency. Through the support of this committee in enhancing supportive services, we can truly impact them into the future.

This ends my testimony. I will stand for questions.

March 8, 2017 SB2014 Attachment A

To: Eric Hardmeyer

From: Joe Herslip

Date: March 6, 2017

Subject: Fees Charged for Merchant Card Services

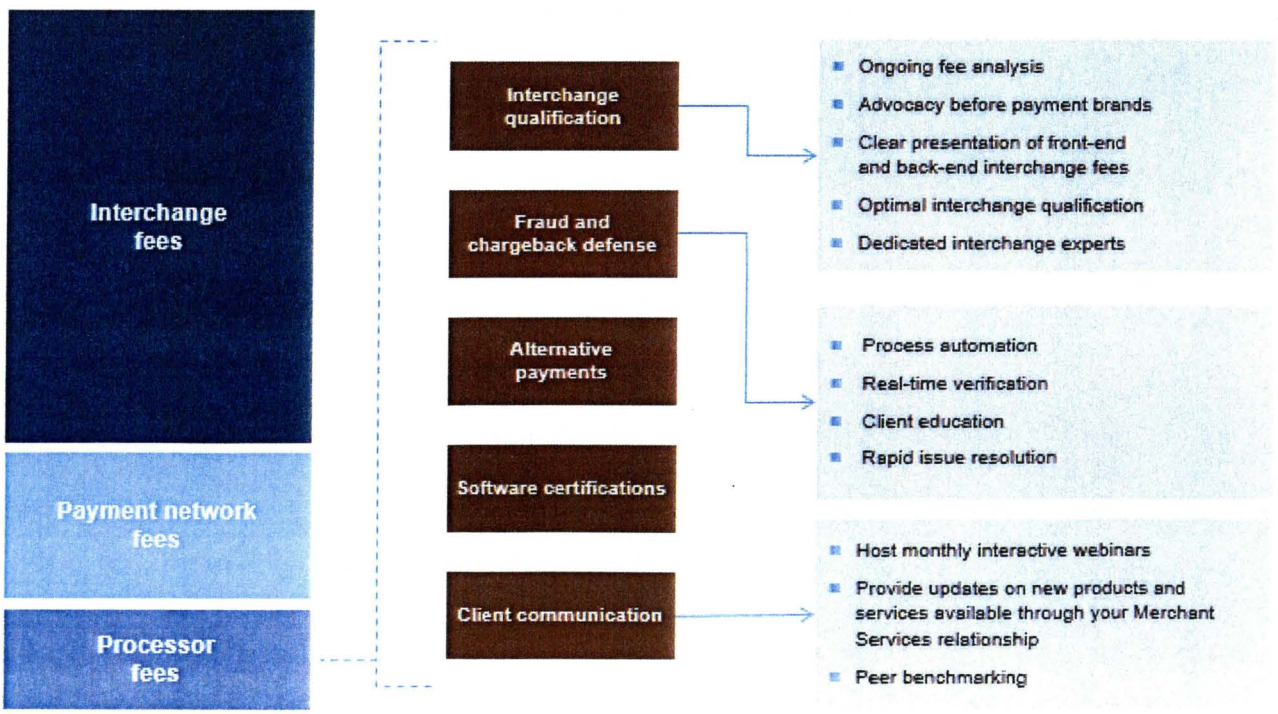
Background

The Bank of North Dakota is the state credit card administrator for state agencies, boards, and commissions as required by NDCC 54-06-08.2. This credit card administration is known internally at the Bank as merchant card services. These merchant card services allow state agencies to accept credit and debit cards for payment of services.

Within the merchant card services program, the Bank selects and approves the processors used by state agencies, boards, and commissions. The Bank negotiates and executes the contract with JP Morgan Chase, the primary processor for the State of North Dakota. The contract with JP Morgan Chase establishes the fees that will be charged for each credit or debit card transaction.

Transaction Fees

The transaction fees charged to state agencies are comprised of interchange fees, payment assessment/access fees, and processor fees. An estimated 90% of the transaction fees are comprised of the interchange and payment assessment fees and these fees are mandatory. The remaining 10% of transaction fees consist of the charges from JP Morgan Chase for processing the transaction and the Bank of North Dakota to cover the cost of administering the program. The following diagram details some of the benefits that JP Morgan Chase provides through the processor fees:



The Bank provides direction to state agencies when they want to sign-up to accept credit and debit cards as well as when additional terminals or online services are needed. The Bank coordinates the charge back process for when customers dispute credit transactions. Distribution of program and card network updates and training opportunities are provided to state agencies. The Bank also ensures that state agencies complete the payment card industry (PCI) questionnaires and system scans.

Attachment A details the total transactions fees charged to each state agency through January 2017 for the 2015-2017 Biennium.

Potential for Reductions in Transaction Fees

Since 90% of the transaction fees charged to state agencies are set by the card issuing banks and payment networks, there are few opportunities for the Bank to assist in reducing the fees. Some options include:

1. **Business Reviews** - JP Morgan Chase has offered to perform a business review of our portfolio to determine if there are methods to obtain better interchange pricing. An example of this would be to always include the address verification and ensure the batch is closed out within 24 hours.
2. **Convenience/Service Fees** – North Dakota state agencies can charge convenience or service fees in some instances in accordance with the card brand regulations. Agencies in the Executive branch were not allowed to pursue charging these fees under the previous governor. BND would assist any state agency in pursuing the ability to charge these fees if the fees are allowable under the card brand regulations.

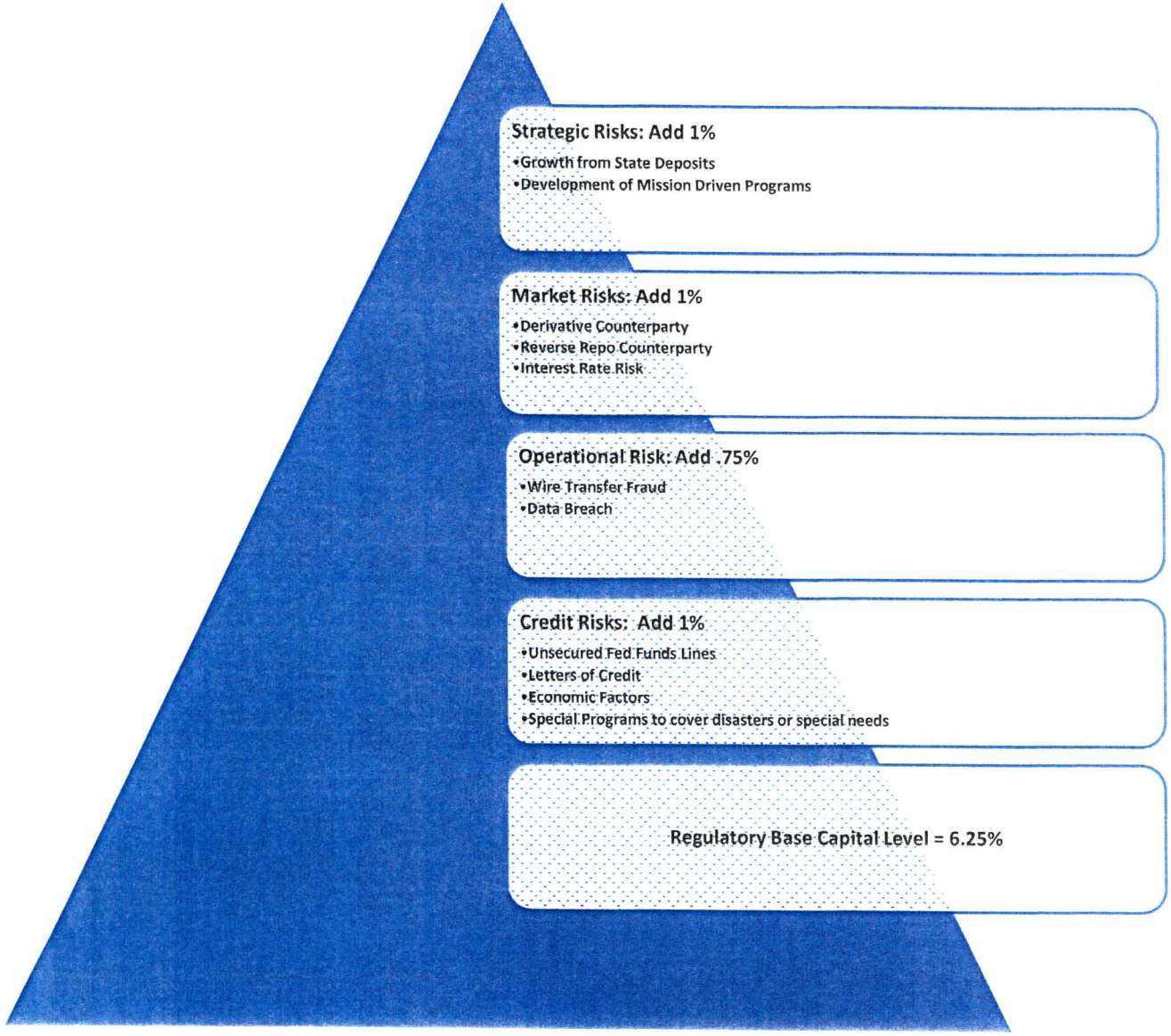
Attachment A

2015-2017 BIENNIUM MERCHANT CARD SERVICES FEES	July-December 2015	January-December 2016	January 2017
BISMARCK STATE COLLEGE	$78,329.63	$150,522.25	$30,534.87
DAKOTA COLLEGE AT BOTTINEAU	$7,325.94	$14,396.24	$3,050.32
DAKOTA COLLEGE AT BOTTINEAU-FOUNDATION	$103.49	$233.97	$22.90
DICKINSON STATE COLLEGE	$19,912.67	$46,187.11	$12,939.13
LAKE REGION STATE COLLEGE	$16,134.52	$33,765.10	$5,480.43
MAYVILLE STATE UNIVERSITY	$16,433.16	$32,652.33	$5,958.07
MINOT STATE UNIVERSITY	$63,894.37	$140,592.24	$37,429.74
ND STATE COLLEGE OF SCIENCE	$39,070.18	$77,484.51	$13,833.90
NORTH DAKOTA STATE UNIVERSITY	$202,948.76	$452,640.98	$33,010.34
UNIVERSITY OF NORTH DAKOTA	$115,516.71	$243,845.58	$19,476.99
VALLEY CITY STATE UNIVERSITY	$19,770.20	$42,414.06	$10,850.81
WILLISON STATE COLLEGE	$19,532.28	$35,244.86	$5,324.12
ND 4-H FOUNDATIONS	$247.45	$207.65	$17.00
ND AERONAUTICS COMMISSION	$141.90	$479.73	$88.45
ND BODP	$257.35	$402.67	$17.00
ND BOARD OF NURSING	$15,811.06	$18,280.31	$452.25
NDBVME	$0.00	$395.93	$17.02
ND DEPT OF AG	$1,022.58	$3,087.93	$7.86
ND DOCR	$133.90	$0.00	$0.00
ND DEPT OF EMERGENCY SERVICES	$0.00	$0.00	$17.00
ND DEPT OF HEALTH	$10,181.58	$17,842.23	$1,517.04
ND HIGHWAY PATROL	$158,606.30	$328,425.59	$24,787.73
ND MILL & ELEVATOR	$199.75	$277.12	$27.27
ND STATE BOARD OF ACCOUNTANCY	$1,862.40	$3,956.54	$17.00
ND STATE ELECTRICAL BOARD	$963.98	$5,002.00	$526.44
ND SURPLUS PROPERTY	$1,784.55	$3,454.83	$163.43
ND UNIVERSITY SYSTEM	$388.77	$1,596.96	$57.86
ND WORKFORCE SAFETY & INSURANCE	$250,137.06	$466,754.78	$17,826.78
ROUGH RIDER INDUSTRIES	$1,509.73	$4,402.61	$239.73
STATE HISTORICAL SOCIETY OF ND	$7,444.18	$12,320.96	$476.27
THE DAKOTA MEP	$416.74	$1,313.19	$34.00
ND CENTER FOR DISTANCE ED	$4,345.41	$11,153.09	$2,240.49
ND DEPT OF CAREER & TECHNOLOGY	$1,244.67	$1,507.57	$17.00
ND DEPT OF TOURISM/COMMERCE	$1,310.75	$2,098.56	$187.30
NDDOT	$432,748.62	$855,234.97	$64,695.24
ND DEPT OF GAME & FISH	$159,090.63	$291,046.74	$10,120.29
ND INDUSTRIAL COMMISSION - DMR	$6,495.53	$11,332.77	$966.07
ND INSURANCE DEPT	$1,995.95	$3,526.16	$152.44
ND PARKS & REC	$26,394.08	$72,070.28	$1,072.79
ND SECRETARY OF STATE	$25,181.54	$80,281.95	$6,958.12
ND STATE FAIR ASSOCIATION	$25,486.82	$56,625.14	$41.81
ND STATE WATER COMMISSION	$724.25	$1,537.27	$197.49
TOTAL FEES BILLED TO AGENCIES	**$1,735,099.44**	**$3,524,594.76**	**$310,850.79**

March 8, 2017 SB2014 Attachment A

BND Capital Benchmark

10%



BANK OF NORTH DAKOTA ENDING BALANCE SHEET DECEMBER 31, 2016 - UNAUDITED			
ASSETS:			
	Cash	424,877	
	Investments	2,068,327	
	Net Loans	4,710,806	
	Other Assets	91,258	
	Total Assets		7,295,268
LIABILITIES:			
	Deposits	4,887,192	
	Funding	1,523,018	
	Other Liabilities	9,325	
	Total Liabilities		6,419,535
EQUITY:			
	Tier One Capital	863,496	
	Other Equity	12,237	
	Total Equity		875,733
	Total Liab. + Equity		7,295,268

BND Capital Analysis

			Tier One Ratio
Beginning Capital 12-31-16	$	863,496,000	12.00%
Remaining 2015-2017 Buydowns		(21,250,000)	
Special Session Appropriation		(100,000,000)	
Earnings for 6 months		68,750,000	
Expected Capital 6-30-17	$	810,996,000	11.50%
Infrastructure Program		(100,000,000)	
2017-2019 Buydown Programs		(31,000,000)	
2017-2019 Appropriation		(140,000,000)	
Earnings 2015-2017		260,000,000	
Ending Capital 6-30-2019	$	799,996,000	10.74%

Growth and Revenue Projections 2017-2019 Biennium								
	31-Dec 2012	31-Dec 2013	31-Dec 2014	31-Dec 2015	31-Dec 2016	30-Jun 2017	30-Jun 2018	30-Jun 2019
Total Assets	**6,155,201**	**6,873,409**	**7,215,687**	**7,407,942**	7,295,268	7,033,434	7,059,000	7,500,000
Change from prior year	14.51%	11.67%	4.98%	2.66%	-1.52%	-3.59%	0.36%	6.25%
Net Income	**81,594**	**94,215**	**110,959**	**130,654**	136,155	68,750	130,000	130,000
Change from prior year	16.01%	15.47%	17.77%	17.75%	N/A	N/A	89.09%	0.00%
Appropriation - Other Funds	**28,957**	**19,356**	**17,345**	**28,645**	19,989	121,250	186,000	85,000
Tier 1 Capital	**446,846**	**551,705**	**645,276**	**747,330**	863,496	810,996	754,996	799,996
Change fom prior year	13.34%	23.47%	16.96%	15.82%	15.54%	-6.08%	-6.91%	5.96%
Tier 1 Capital Ratio	7.59%	8.42%	8.76%	10.02%	12.01%	11.50%	10.71%	10.74%
Total Loans	**3,279,778**	**3,476,946**	**3,852,155**	**4,339,618**	4,789,553	4,904,818	5,001,415	5,195,656
Change fom prior year	9.50%	6.01%	10.79%	12.65%	10.37%	2.41%	1.97%	3.88%
Deposits	**5,003,562**	**5,601,127**	**5,730,611**	**5,802,142**	4,887,192	4,699,000	4,486,570	4,808,143
Change from prior year	19.71%	11.94%	2.31%	1.25%	-15.77%	-3.85%	-4.52%	7.17%
Loan/Deposit Ratio	66%	62%	67%	75%	98%	104%	111%	108%
Average Assets	5,884,258	6,554,245	7,362,086	7,458,021	7,192,000	7,050,000	7,050,000	7,450,000
Alternative Funding Source Borrowings	406,252	465,961	645,126	727,322	1,280,538	1,547,084	2,209,975	2,374,285

Impact to Earnings:

For every $100 million draw on capital, the impact to earnings over the next biennium is approximately $2.50 million. This assumes an average short-term funding cost of 1.25%.

Impact to Liquidity:

Over the next biennium, BND anticipates additional alternative funding needs while the loan portfolio continues to grow and deposits remain flat. Reductions in capital require BND to lean more heavily on alternative funding sources.

Impact to S&P Rating:

One of S&P's greatest concerns when analyzing the financial strength of BND is the limited capital flexibility associated with being a state-owned bank. We need a strong rating to establish and/or retain sufficient alternative funding sources.

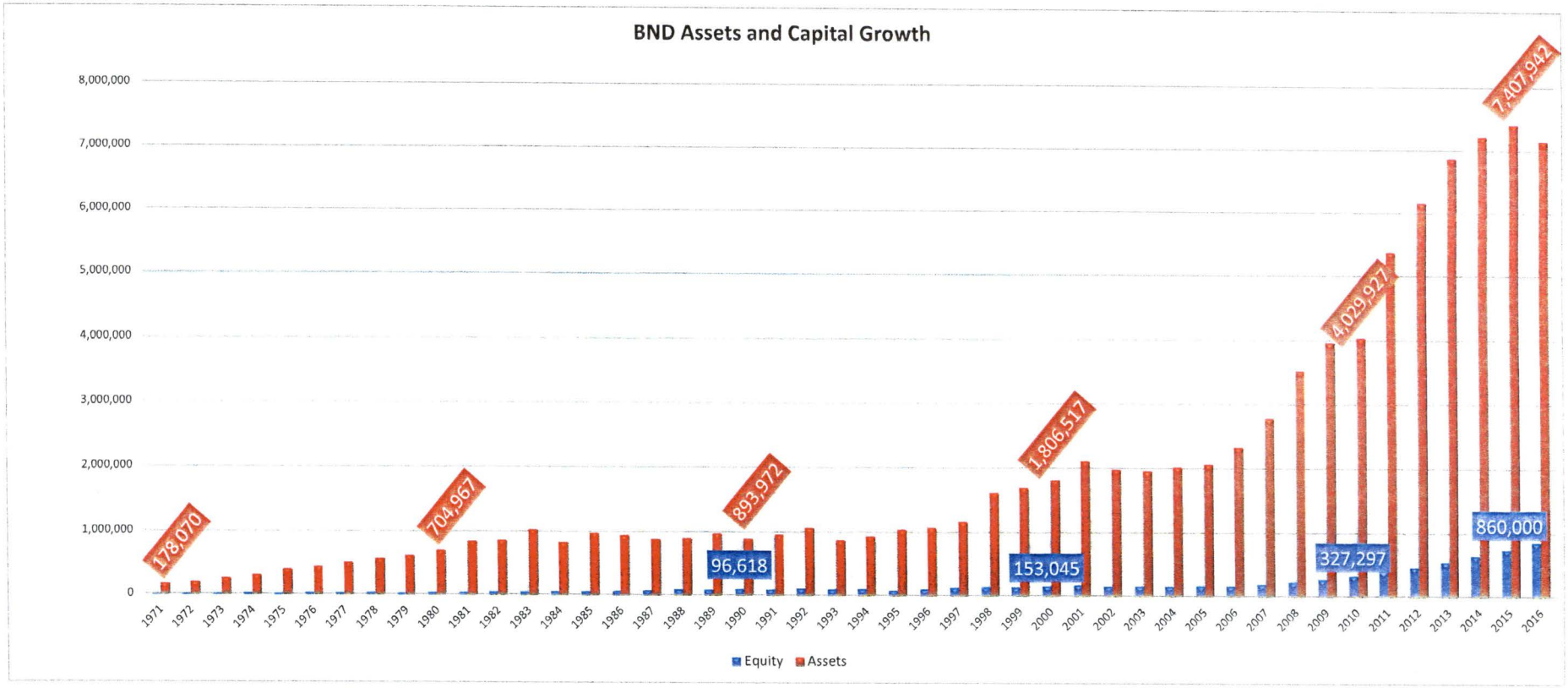
Impact to Capital Ratio:

BND's current benchmark for Tier One Capital is 10%.

Since 2010, BND has recorded total profits of $549,607 and has contributed $102,246 (18.6%) of those profits back to the State. If you add our expected profits for 2016 ($136 million) the total profits through 2016 will be $685,607. The current contingencies from the 2015 session and the 2016 special session total $220,000. With those contingencies, the total contributed to the State will be $322,246, or 47%.

Remaining 2015-2017 Draws:

Infrastructure Loan Fund	**$ 100,000,000**
2016 Special Session Shortfall	**$ 100,000,000**
Remaining Appropriation Buydown Programs	**$ 20,000,000**
Total	**$ 220,000,000**


BND Assets and Capital Growth
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178,070
704,967
893,972
1,806,517
4,029,927
7,407,942
96,618
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860,000
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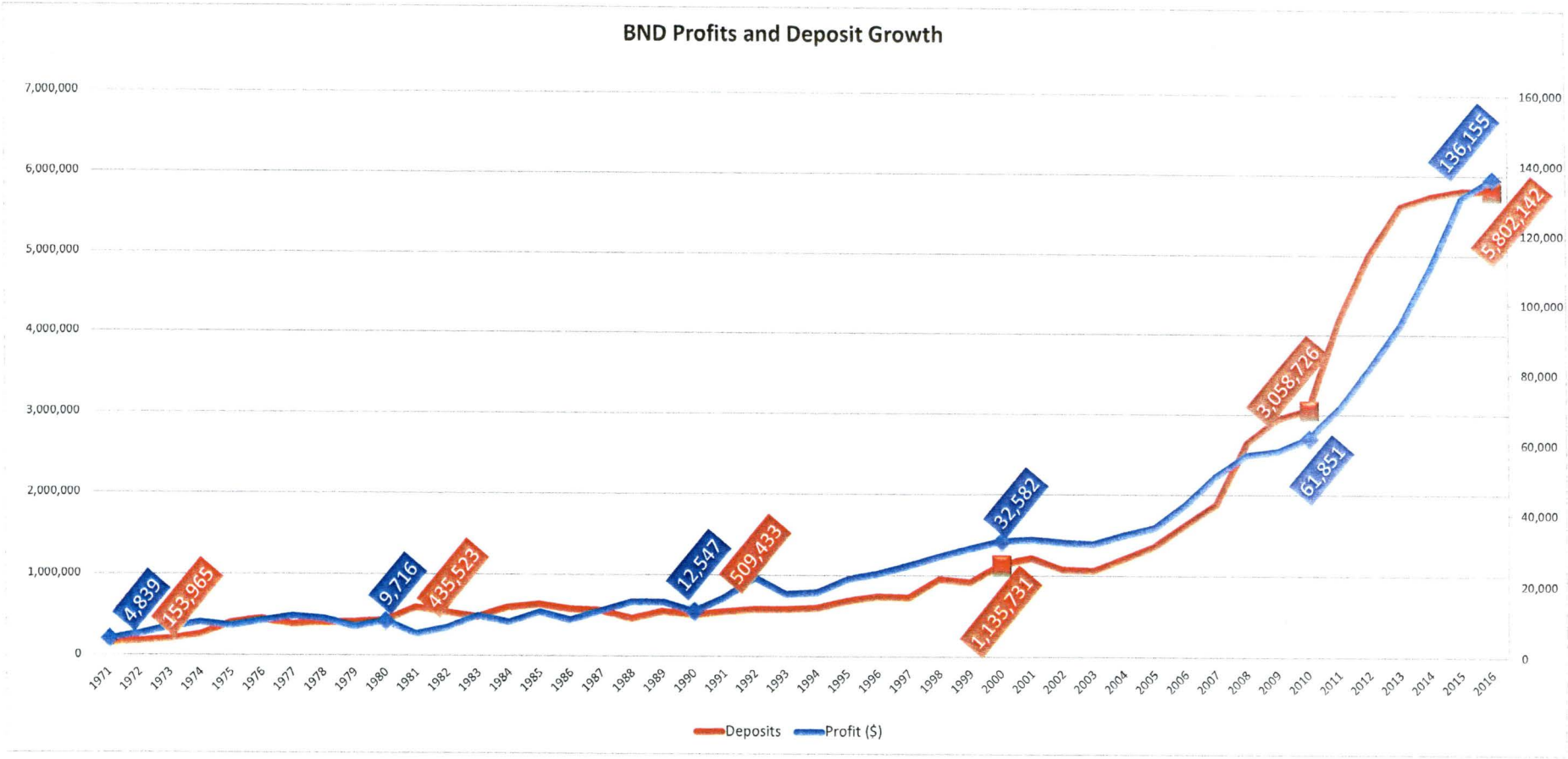
Equity
Assets


BND Profits and Deposit Growth
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80,000
60,000
40,000
20,000
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4,839
153,965
9,716
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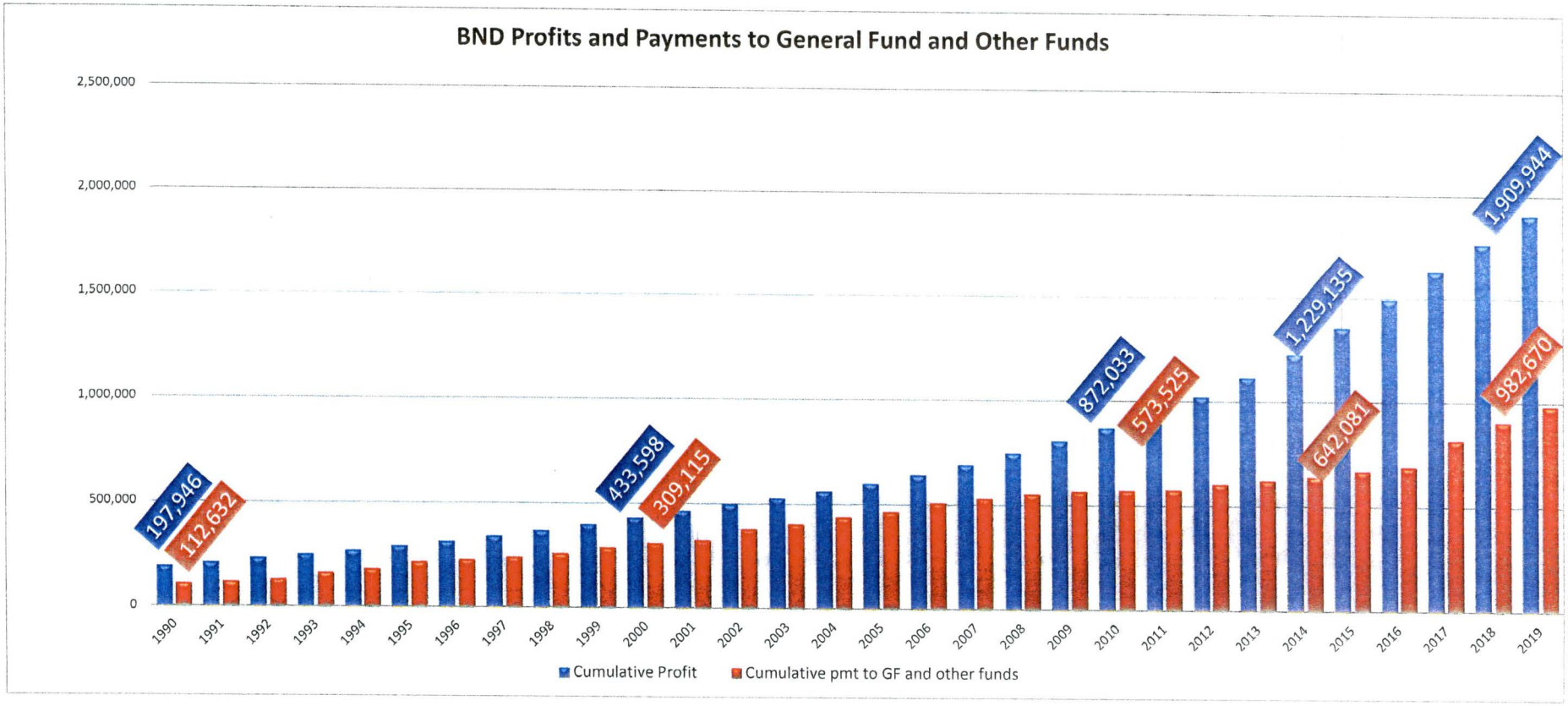
12,547
509,433
32,582
1,135,731
3,058,726
61,851
136,155
5,802,142
1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
Deposits
Profit ($)


BND Profits and Payments to General Fund and Other Funds
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500,000
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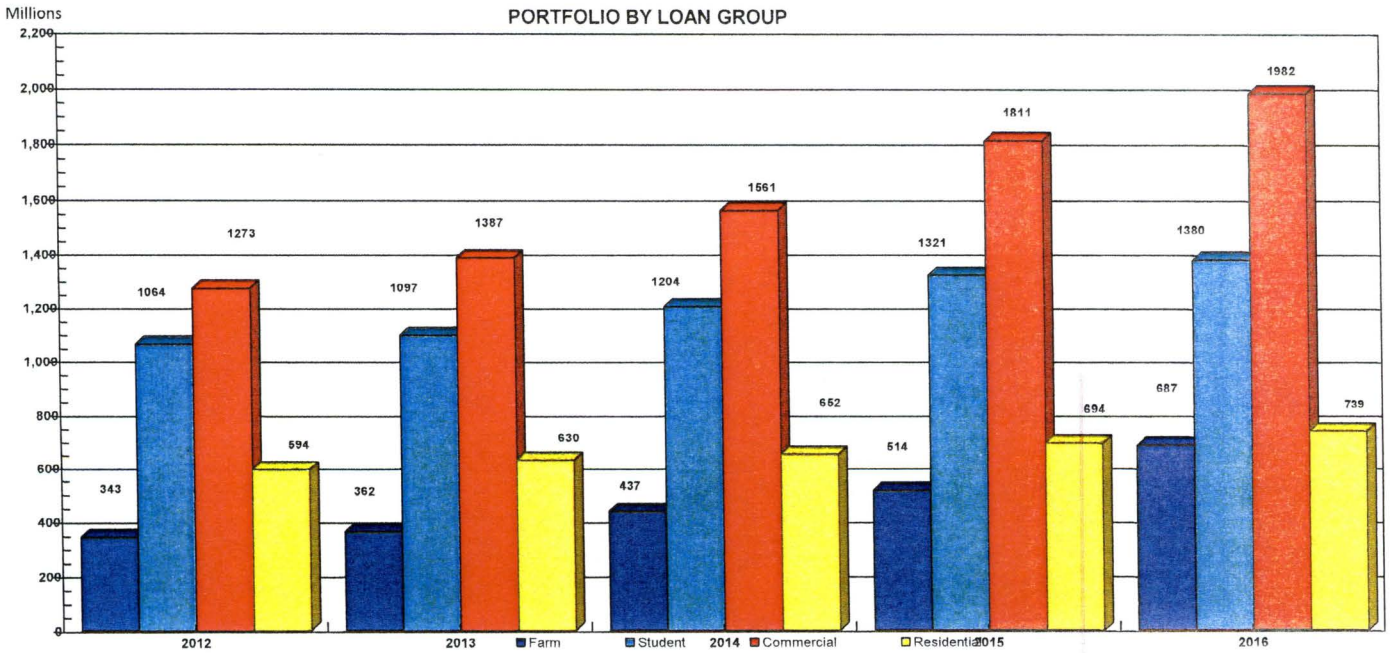
Cumulative Profit
Cumulative pmt to GF and other funds


PORTFOLIO BY LOAN GROUP
Millions
2,200
2,000
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1,600
1,400
1,200
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800
600
400
200
0
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1064
1273
594
362
1097
1387
630
437
1204
1561
652
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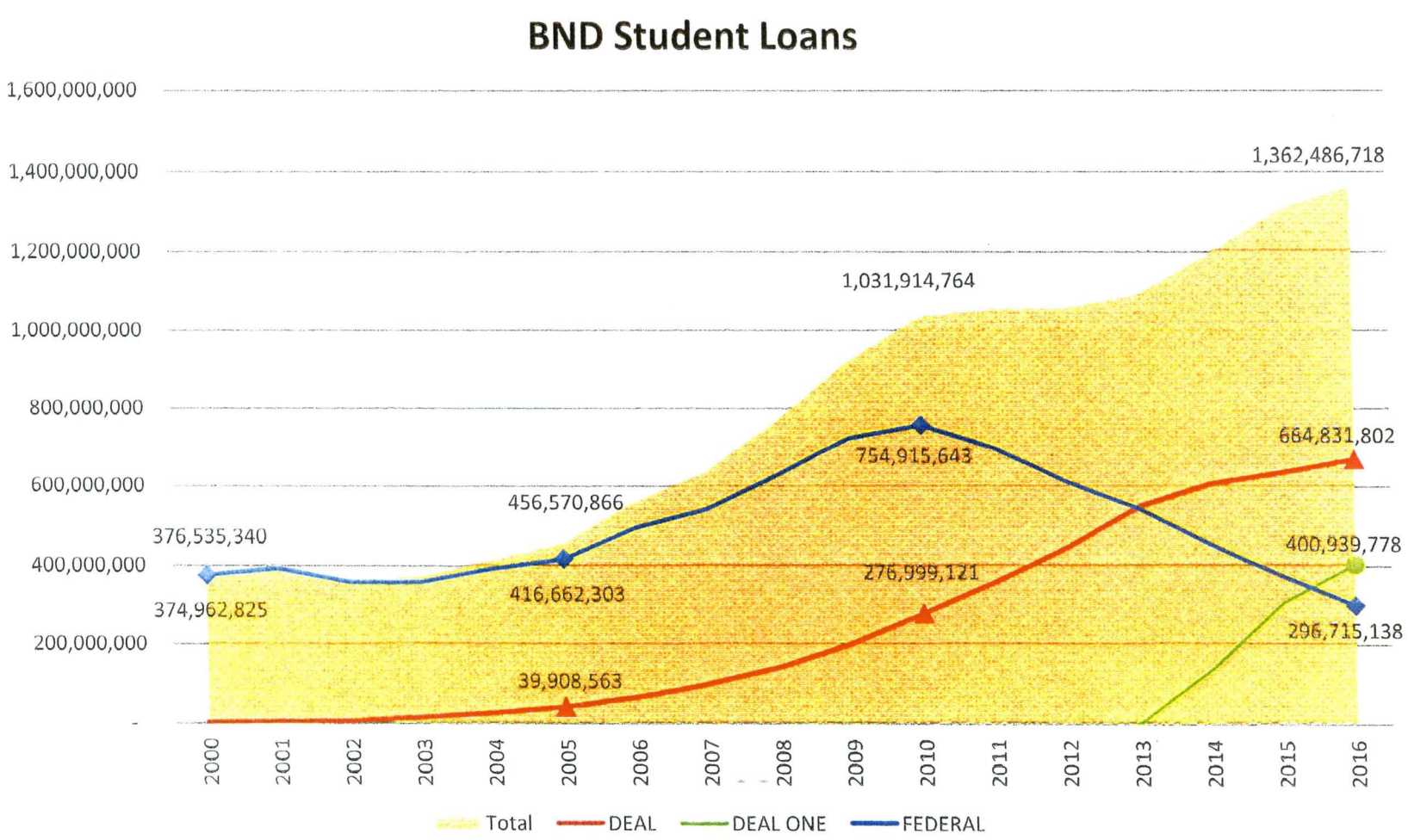
2016
Farm
Student
Commercial
Residential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1,000,000,000
800,000,000
600,000,000
400,000,000
200,000,000
-
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664,831,802
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456,570,866
376,535,340
400,939,778
276,999,121
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374,962,825
296,715,138
39,908,563
2000
2001
2002
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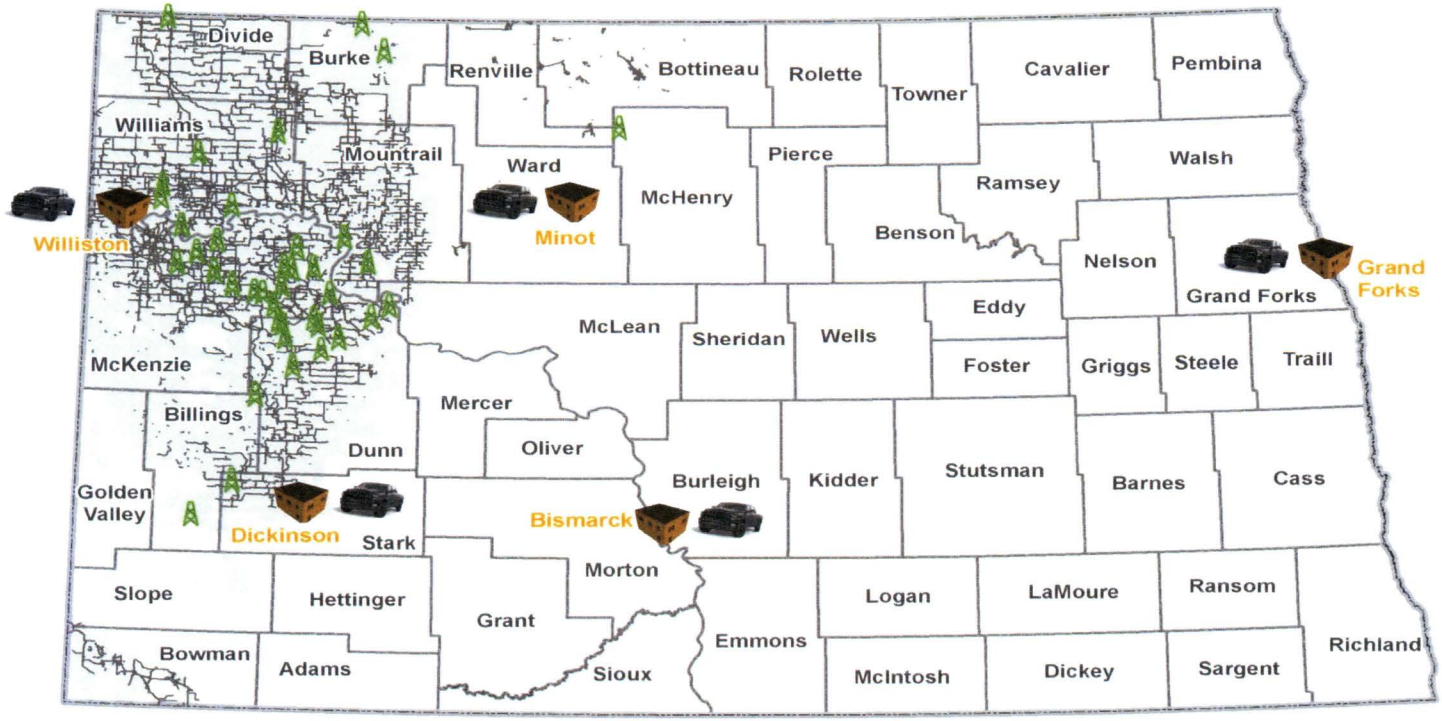
2012
2013
2014
2015
2016
Total
DEAL
DEAL ONE
FEDERAL

March 9, 2017 SB2014 Attachment A

Caught /Corrected

- Witness all MIT's.
  - 10% require remedial work.
- Review of down hole geophysical logs.
  - 14% require correction.
- Discovery of defective equipment before it results in a spill or release.
  - Faulty Gaskets.
- Missing back pressure valve on a Truck LACT.

Department of Mineral Resources Staffing

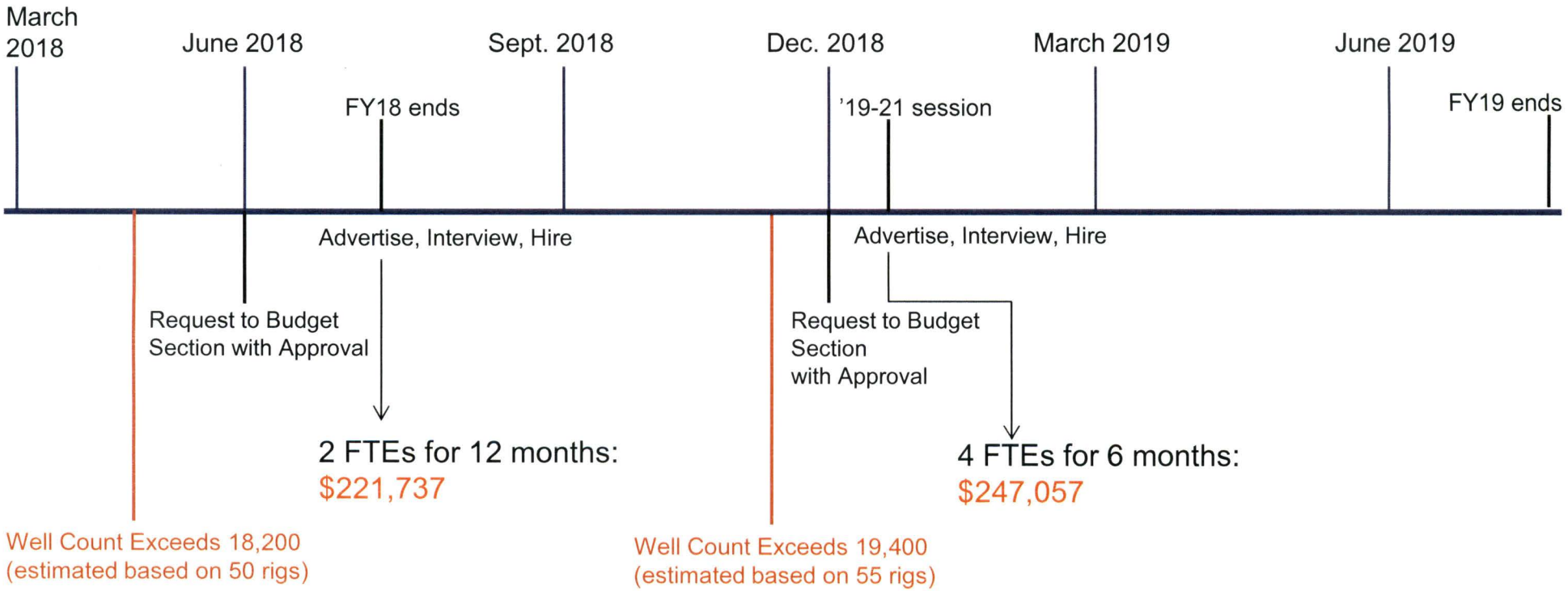


DMR EMPLOYEES LEAVING SERVICE DURING 2015-2017 BIENNIUM							
0-3 Yrs of Service	**3-5 Yrs of Service**	**5-10 Yrs of Service**	**10-15 Yrs of Service**	**15-20 Yrs of Service**	**20-25 Yrs of Service**	**25-30 Yrs of Service**	**30+ Yrs of Service**
8 FTEs leaving	2 FTEs leaving	0 FTEs	0 FTEs	1 FTE leaving	0 FTEs	0 FTEs	1 FTE leaving
36 FTEs total	21 FTEs total	18 FTEs total	8 FTEs total	7 FTEs total	1 FTEs total	3 FTEs total	14 FTEs total
22% turnover	10% turnover	0% turnover	0% turnover	14% turnover	0% turnover	0% turnover	7% turnover

Contingent Spending

SECTION 6. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.
The amount of $1,254,462 from the general fund and six full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds the thresholds identified in this section. Of the $1,254,462 and the six full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. Subject to budget section approval, $418,154 from the contingencies line item and two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.
2. In addition to the funding and full-time equivalent positions authorized in subsection 1 and subject to budget section approval, $836,308 from the contingencies line item and four full-time equivalent positions if the total number of wells capable of production and injection exceeds nineteen thousand four hundred wells.



- With rig and well counts rising, DMR will once again be competing with industry to fill positions with qualified candidates. This is similar to the 13-15 biennium hiring process.
- Federal Government signaling a shift to a state's first approach to regulation. This will place a greater emphasis on the need for continuing a high level of oversight.

March 15, 2017 SB2014 Attachment A

TESTIMONY
HOUSE GOVERNMENT OPERATIONS DIVISION
March 15, 2017
ENGROSSED SENATE BILL 2014

JOE HERSLIP – SENIOR VICE PRESIDENT
BANK OF NORTH DAKOTA

Credit Card Transaction Fees

The Bank of North Dakota (BND) administers a merchant card services program allowing state agencies, boards, and commissions to accept payment by credit card. This service allows for credit card payments online, in-person, and through integration with state agency business applications. A concern brought forth by the North Dakota House Appropriations – Government Operations Division is the lost revenue to state agencies because of the credit card transaction fees. The revenue lost in calendar year 2016 was approximately $3.5 million.

To address this concern, BND engaged in multiple conversations with J.P. Morgan Chase, the approved credit card processor, to research options related to reducing credit card transaction fees. While credit card transaction fees cannot be reduced or eliminated, options were identified to shift the payment of the fees from the state agencies (merchant) to the customer.

The following information is important to note regarding transaction fees:

- Network rules define how a fee may be added to a credit card transaction
    - State agencies cannot directly add a fee as this is a violation of card network rules which can result in fines and suspension from the credit card network
        - For example, a state agency cannot simply add $5 to the total to cover the transaction fees
    - In those instances where charging of a fee is allowed, a merchant must notify the card network of the intention to apply a fee to transactions at least 30 days in advance
    - State agencies must use a certified payment system to properly access and display the fee to customers as well as to detail the fee on customer receipts

- Network rules allow two types of fees for online and face-to-face transactions with certified payment platforms. Registration with the card networks is required before a merchant can charge these fees.
    1. **Service Fee** - Allowable only for select government and higher education merchant category codes (MCCs)
        a. Can be a percentage or flat fee

b. Allowable for tax payments, fines, court costs, miscellaneous government services, and college tuition (fees cannot be charged in categories such as dining or bookstore)

c. Must be disclosed prior to completion of transactions and the customer must be given the option to cancel

2. **Surcharge** - Allowable for transactions not eligible for the government service fees

   a. Cannot exceed the cost of acceptance for the credit card and capped at 4%

   b. Cannot surcharge debit or prepaid cards (even if run as a credit card)

   c. Currently illegal in 10 states and Puerto Rico

   d. Merchants must display their surcharge policy at point of entry and at point of sale

SUMMARY - FEE COMPARISON

VISA

	Service Fee	Surcharge
Eligible MCCs	Select Government and Higher Ed MCCs	All
Fee Amount Type	Fixed or Variable	Fixed or Variable
Eligible Products	Credit and Debit	Credit
Channels	All channels where payments are accepted	All
Other Forms of Tender (Amount)	Can vary by form of payment and brand	Credit only--See settlement agreement requirements
# of Transactions	Two – payment and service fee	One - surcharge amount shown on the receipt
Merchant of Record	Merchant for payment and/or service fee; Processor only for service fee	Merchant
Recurring Transactions	All transactions eligible	All credit transactions eligible
Registration Required	Yes	Yes
Special Notes of Interest	• Acquirer handles merchant registration • Disclosed prior to completion of transaction	• Prohibited in eleven states • Cannot exceed cost of acceptance for the credit card; capped at 4% • Disclosed prior to completion of the transaction

Solution

There are two possible solutions to cover the transaction fees: increase the fees, fines, or cost of government services or start charging a service fee/surcharge. Both methods shift the cost of the credit card transaction fee from the state agency to the customer. The charging of a service fee or surcharge is the most transparent as it is disclosed to the customer upfront and on receipts. The difference between a service fee and a surcharge is discussed below:

1. **Service Fee** – State agencies can utilize Chase's solution, Pay Connexion, to collect the fees on behalf of state agencies
    - Service fees are automatically applied to each payment and paid by the cardholder (both credit and debit cards)
        - Two transactions appear on the customer's statement – payment and service fee
    - Chase collects the service fees and pays the associated card organization and merchant processing fees
    - State agencies receive the full payment amount and are not burdened with the interchange fees
    - Customer also has the choice to submit an electronic check (eCheck) payment
    - Customer must have the option to cancel the transaction and pay by other means such as check or cash
2. **Surcharge** - State agencies that cannot charge service fees can apply a surcharge
    - Allowable for credit cards only (debit and prepaid cards not eligible)
    - Surcharge cannot exceed the cost of accepting the card and is capped at 4%

Other Considerations

Service fees appear to be a straightforward solution but some items need to be considered:

- Charging of service fees will not recoup all the transaction fees in total. A portion of the $3.5 million of fees in 2016 do not qualify for the service fee program (university dining halls and bookstores for example).
- State agencies will need to modify their websites or business applications to accommodate a new payment process
    - The checkout process must be changed on websites to utilize the new payment process that collects the service fee
    - Business applications that integrate with payment terminals must be updated to connect with the new terminals
    - ITD estimates a range of $21,000-$36,000 per agency application for ITD developed applications

- State agencies will need to acquire new credit card terminals that support collection of service fees
- Service fees may result in lower usage rates of credit cards
    - Customers may refuse to pay service fees and instead utilize cash or check
    - Cash and checks are more labor intensive and introduce higher levels of fraud

Implementation

A move to Chase's Pay Connexion platform would be coordinated and handled by BND and Chase. State agencies would have additional work to make the new payment solution function with their existing infrastructure.

- Authority to charge service fees exists in NDCC 54-06-08.2 and NDAC 12.5-03
- Chase will work with BND to convert agencies eligible to charge service fees from the current Paymentech platform to the Pay Connexion platform
- Conversion to Pay Connexion can take 12-14 weeks for each agency
- Multiple state agencies can be working in parallel to transition to Pay Connexion
- BND and Chase will work with state agencies that do not qualify for the service fee program to review options and ability to apply a surcharge

Merchant Surcharging Considerations and Requirements

Should I add a surcharge to my credit card transactions?

Before you decide, consider the following:

What will ...

- *... my customers think?*
- *... I need to disclose to my customers?*
- *... my competitors do?*

NO

I don't want to surcharge.

YES

Is surcharging permitted in my state?

STATES PROHIBITING surcharge now

- California
- Colorado
- Connecticut
- Florida
- Kansas
- Maine
- Massachusetts
- New York
- Oklahoma
- Texas

When can I begin?

JANUARY 27, 2013

- Merchants cannot surcharge before Jan. 27, 2013.
- Merchants are required to notify Visa and their acquirer 30 days prior to surcharging.

What can I surcharge?

CREDIT TRANSACTIONS in the U.S.

- Surcharging applies only to credit transactions in the U.S. and U.S. territories. Debit and prepaid cannot be surcharged.

How much can I surcharge?

< COST of ACCEPTANCE

- The surcharge must not exceed your cost of acceptance for the credit card.[1]

What must I disclose to my customers?

SIGNS at POE, POS and on RECEIPTS

- Disclosures must be provided at the point of entry and point of sale (view examples at the link to the left).
- Itemization of the final surcharge amount must be identified separately on the transaction receipt.

More information on surcharging guidelines and requirements can be found at www.visa.com/merchantsurcharging

[1] In cases where the merchant's cost of acceptance exceeds 4% of the underlying transaction amount, in no event can the merchant assess a surcharge above 4%.

Comprehensive electronic payment solution

- Pay Connexion: Bank-hosted e-payment collection platform, processing over $70 billion annually
- Feature-rich, highly-configurable and modularly-expandable to support multiple departments / LOBs

Data / Bill Presentment

Configurable data element parameters

Bill notification e-mail

Bill data only or with image

Multiple or single bill(s)

Paperless preferences

Registration Options

Preregistration (by Client)

Self-registration (by Payer)

Unregistered payments

Payment Channels

Web

IVR

Mobile

CSR

Client Interface/ API

Payment Methods

Credit/Debit Cards

ACH

Payment Timing

Immediate

Scheduled

Recurring: Installment or Variable/Auto

Remittance Data

Real-time payment confirmation

or

End-of-day remittance file

Admin Site

Research, reconcile and reports

- Manage PCI-DSS and NACHA compliance
- Accelerate cash flow and processes
- Reduce costs and inefficiencies of paper
- Automate acceptance and posting
- Support payer convenience and preferences
- Consolidate platforms
- Drive adoption
- Focus on core competencies

STRICTLY PRIVATE AND CONFIDENTIAL

54-06-06. Salaries of state officers and employees - Periodic payment.

Unless otherwise provided by law, the office of management and budget shall prepare warrants for the salaries of state officers and employees not less frequently than monthly as the same become due.

54-06-07. Salaries full compensation - Fees paid over to state treasurer.

All salaries of elective and appointive state officers shall be full compensation for all official services. All fees, which are not otherwise by the laws of this state directed to be deposited in a special fund or disbursed for a special purpose, received or charged by any elective or appointive officer or deputy state officer for any act or service rendered in the officer's official capacity must be accounted for and paid over by the officer monthly to the state treasurer and must be credited to the general fund of the state.

54-06-08. Record of fees kept by state officers - Report to state treasurer.

Every state officer or deputy state officer required by the Constitution of North Dakota, or by any provision of the laws of this state, to pay into the state treasury all fees and profits arising from such office, shall keep a record of all such fees or profits in a book kept for that purpose. Such book is the property of the state. Each officer shall report to the state treasurer monthly the amount of fees or profits received, verified by oath, and at the same time shall pay the amount of such fees or profits to the treasurer, taking duplicate receipts therefor. One of the receipts must be filed with the office of management and budget forthwith. The office of management and budget shall charge the state treasurer with the amount thereof.

54-06-08.1. Clearing accounts and cash balances maintained by state agencies.

All departments, institutions, or agencies of the state may maintain, subject to approval of the state auditor and the state treasurer, in the Bank of North Dakota, or, if the state entity is located outside Bismarck, in another state or federally chartered financial institution, an account for clearing or cashing of checks and making change. To accommodate peak processing periods, the balance in an account at a financial institution other than the Bank of North Dakota may exceed the maximum amount of federal insurance coverage available if the excess in the account is secured by another form of security or security deposit; however, the balance may exceed the maximum amount of federal insurance coverage available only for the time it takes to clear the checks. Any check written on the account may be used only to transfer funds to the Bank of North Dakota or the state treasurer. A financial institution shall report to the state auditor in writing within thirty days after opening or closing an account for a state entity under this section. Subject to the approval of the state auditor, a state entity may maintain a cash balance reasonable for the conduct of business at the location of the entity.

54-06-08.2. Payment by credit or debit card or by electronic fund transfer - State credit card processor - Fees.

1. A state agency, board, or commission, the judicial branch, or any political subdivision may accept payment by credit or debit card or by electronic fund transfer of any fee, interest, penalty, tax, or other payment that is due or collectible by the agency, board, or commission. The judicial branch may accept payment by credit or debit card or by electronic fund transfer for any fees, costs, or other assessments required or imposed under state law or court rule.
2. The Bank of North Dakota is the state credit card administrator for credit card transactions of state agencies, boards, or commissions. The Bank of North Dakota shall select a credit card processor or processors to provide credit card services to state agencies, boards, and commissions. All funds from credit card transactions must be deposited in the respective entity's account in the Bank of North Dakota.
3. Except as otherwise provided under section 20.1-03-32, an executive branch agency may charge a fee to be added to a payment as a service charge for the acceptance of a payment made by a credit or debit card or an electronic fund transfer. The Bank of North Dakota shall adopt rules establishing the terms under which executive agencies

may charge a service fee under this subsection to be in compliance with a credit card company's rules and shall approve the amount that may be charged by an executive agency.

54-06-09. Mileage and travel expense of state officers and employees.

1. State officials, whether elective or appointive, and their deputies, assistants, and clerks, or other state employees, entitled by law to be reimbursed for mileage or travel expense, must be allowed and paid for mileage and travel expense.
   a. For each mile [1.61 kilometers] actually and necessarily traveled in the performance of official duty when the travel is by private airplane, the individual is entitled to a sum equal to one and one-half times the mileage reimbursement amount established under subdivision c for travel by motor vehicle. Mileage by private aircraft must be computed by actual air mileage when only one state employee or official is traveling; if two or more state employees or officials are traveling by private aircraft, the actual mileage must be based on the road mileage between the geographical points. Reimbursement for private airplane travel must be calculated as follows:
      (1) If reimbursement is for one properly authorized and reimbursable passenger, reimbursement must be paid on a per mile basis as provided in this subsection.
      (2) If reimbursement is claimed for a chartered private aircraft, reimbursement may not exceed the cost of regular coach fare on a commercial flight, if one is scheduled between the point of departure, point of destination, and return, for each properly authorized and reimbursable passenger on the charter flight; or, where there is no such regularly scheduled commercial flight, the actual cost of the charter.
   b. Except as provided in subdivision a, when travel is by rail or certificated air taxi commercial operator or other common carrier, including regularly scheduled flights by airlines, the individual is entitled to reimbursement for the amount actually and necessarily expended therefor in the performance of official duties.
   c. The director of the office of management and budget shall adopt policies establishing mileage reimbursement for actual and necessary travel in the performance of official duty when the travel is by motor vehicle, the use of which is required by the employing entity. The director shall amend the policies when necessary to set reimbursement at the same rate as established by the United States general services administration for privately owned vehicles.
2. No reimbursement may be paid for leased private aircraft, except for leased or rented private aircraft from a recognized fixed base aviation operator who is in the business of leasing and renting private aircraft and is located on an airport open for public use.
3. If only one person engages in such travel in a motor vehicle exceeding at any geographical point three hundred miles [482.80 kilometers] beyond the borders of this state, reimbursement is limited to eighteen cents per mile [1.61 kilometers] for miles driven in excess of six hundred miles [965.60 kilometers] of round trip out-of-state travel.
4. An official, deputy, assistant, clerk, or other employee, when required to travel by motor vehicle or truck in the performance of official duty, shall use a state-owned vehicle whenever possible unless exempted under section 24-02-03.3. However, an agency, institution, department, board, bureau, or commission may allow use of an official's, deputy's, or employee's personal motor vehicle in circumstances authorized by the official, deputy, or the employee's supervisor. If personal motor vehicle use is authorized under this subsection, the agency may also allow mileage reimbursement at a rate less than that otherwise provided in this section. When official travel is by motor vehicle or airplane owned by the state or by any department or political subdivision of the state, no allowance may be made or paid for such mileage, except that governmental entities may share expenses when officials or employees of those entities travel in the same motor vehicle or aircraft.

ARTICLE 12.5-03
STATE CREDIT CARD ADMINISTRATION

Chapter
12.5-03-01 Service Fees

CHAPTER 12.5-03-01
SERVICE FEES

Section
12.5-03-01-01 Statutory Authority
12.5-03-01-02 Definitions
12.5-03-01-03 Implementation and Administration
12.5-03-01-04 Network Regulations
12.5-03-01-05 Rules Amendment Procedure

12.5-03-01-01. Statutory authority.

North Dakota Century Code section 54-06-08.2 requires the Bank of North Dakota to adopt rules establishing the terms under which executive branch agencies may charge a service fee for the acceptance of a payment made by a credit card or debit card or an electronic fund transfer in compliance with a credit card company's rules and to approve the amount that may be charged by an executive agency.

History: Effective April 1, 2013.
General Authority: NDCC 54-06-08.2
Law Implemented: NDCC 54-06-08.2

12.5-03-01-02. Definitions.

As used in this chapter, unless the context requires otherwise:

1. "Bank" means the state doing business as the Bank of North Dakota and also includes the executive committee of the Bank acting on behalf of the Bank. The Bank is the state credit card administrator for credit card transactions of state agencies, boards, and commissions.

2. "Discover acquirer operating regulations" means regulations adopted by the Discover network as they pertain to merchant acceptance of a card issued under license from the Discover network.

3. "MasterCard merchant rules" means rules adopted by MasterCard international incorporated as they pertain to merchant acceptance of a card issued under license from MasterCard international.

4. "Merchant agreement" means an agreement entered between the Bank and merchants to govern the acceptance of credit cards by the merchant.

5. "Network regulations" means the rules and regulations adopted by MasterCard, Visa, and Discover.

6. "Rules" means this chapter, as amended and supplemented from time to time.

7. "Service fee" means a fee to be added to a payment as a service charge for the acceptance of a payment made by a credit or debit card or an electronic fund transfer and is referred to by credit card companies as a "convenience fee" or "surcharge".

8. "State" means the state of North Dakota, acting through its executive, legislative, and judicial branches.

9. "Visa international operating regulations or card acceptance guidelines" means regulations adopted by Visa U.S.A. as they pertain to merchant acceptance of a card issued under license from Visa.

History: Effective April 1, 2013.
General Authority: NDCC 54-06-08.2
Law Implemented: NDCC 54-06-08.2

12.5-03-01-03. Implementation and administration.

1. The Bank is authorized to execute all necessary or desirable documents with an executive branch agency, including a merchant agreement.

2. An executive branch agency that accepts any payment by credit or debit card or by electronic fund transfer must enter a merchant agreement with the Bank that creates and governs the relationship between the executive branch agency and the Bank.

3. An executive branch agency must adhere to and comply strictly with all network regulations that govern service fees, including the amount that may be charged as a convenience fee or surcharge.

4. The Bank and state's designated processor are not able to charge a service fee to cardholders on behalf of the executive branch agency.

5. In order to charge a service fee, an executive branch agency's approved payment application must process the service fee on behalf of the executive branch agency.

History: Effective April 1, 2013.
General Authority: NDCC 54-06-08.2
Law Implemented: NDCC 54-06-08.2

12.5-03-01-04. Network regulations.

The network regulations may be obtained by executive branch agencies as follows:

1. MasterCard rules at www.mastercard.com.

2. Visa operating regulations at www.visa.com.

3. Discover merchant operating regulations at www.discovernetwork.com.

History: Effective April 1, 2013.
General Authority: NDCC 54-06-08.2
Law Implemented: NDCC 54-06-08.2

12.5-03-01-05. Rules amendment procedure.

These rules may be amended at any time and from time to time by the industrial commission.

History: Effective April 1, 2013.
General Authority: NDCC 54-06-08.2
Law Implemented: NDCC 54-06-08.2

March 15, 2017 SB2014 Attachment B

Attachment A

2015-2017 BIENNIUM MERCHANT CARD SERVICES FEES	July-December 2015	January-December 2016	January 2017
BISMARCK STATE COLLEGE	$78,329.63	$150,522.25	$30,534.87
DAKOTA COLLEGE AT BOTTINEAU	$7,325.94	$14,396.24	$3,050.32
DAKOTA COLLEGE AT BOTTINEAU-FOUNDATION	$103.49	$233.97	$22.90
DICKINSON STATE COLLEGE	$19,912.67	$46,187.11	$12,939.13
LAKE REGION STATE COLLEGE	$16,134.52	$33,765.10	$5,480.43
MAYVILLE STATE UNIVERSITY	$16,433.16	$32,652.33	$5,958.07
MINOT STATE UNIVERSITY	$63,894.37	$140,592.24	$37,429.74
ND STATE COLLEGE OF SCIENCE	$39,070.18	$77,484.51	$13,833.90
NORTH DAKOTA STATE UNIVERSITY	$202,948.76	$452,640.98	$33,010.34
UNIVERSITY OF NORTH DAKOTA	$115,516.71	$243,845.58	$19,476.99
VALLEY CITY STATE UNIVERSITY	$19,770.20	$42,414.06	$10,850.81
WILLISON STATE COLLEGE	$19,532.28	$35,244.86	$5,324.12
ND 4-H FOUNDATIONS	$247.45	$207.65	$17.00
ND AERONAUTICS COMMISSION	$141.90	$479.73	$88.45
ND BODP	$257.35	$402.67	$17.00
ND BOARD OF NURSING	$15,811.06	$18,280.31	$452.25
NDBVME	$0.00	$395.93	$17.02
ND DEPT OF AG	$1,022.58	$3,087.93	$7.86
ND DOCR	$133.90	$0.00	$0.00
ND DEPT OF EMERGENCY SERVICES	$0.00	$0.00	$17.00
ND DEPT OF HEALTH	$10,181.58	$17,842.23	$1,517.04
ND HIGHWAY PATROL	$158,606.30	$328,425.59	$24,787.73
ND MILL & ELEVATOR	$199.75	$277.12	$27.27
ND STATE BOARD OF ACCOUNTANCY	$1,862.40	$3,956.54	$17.00
ND STATE ELECTRICAL BOARD	$963.98	$5,002.00	$526.44
ND SURPLUS PROPERTY	$1,784.55	$3,454.83	$163.43
ND UNIVERSITY SYSTEM	$388.77	$1,596.96	$57.86
ND WORKFORCE SAFETY & INSURANCE	$250,137.06	$466,754.78	$17,826.78
ROUGH RIDER INDUSTRIES	$1,509.73	$4,402.61	$239.73
STATE HISTORICAL SOCIETY OF ND	$7,444.18	$12,320.96	$476.27
THE DAKOTA MEP	$416.74	$1,313.19	$34.00
ND CENTER FOR DISTANCE ED	$4,345.41	$11,153.09	$2,240.49
ND DEPT OF CAREER & TECHNOLOGY	$1,244.67	$1,507.57	$17.00
ND DEPT OF TOURISM/COMMERCE	$1,310.75	$2,098.56	$187.30
NDDOT	$432,748.62	$855,234.97	$64,695.24
ND DEPT OF GAME & FISH	$159,090.63	$291,046.74	$10,120.29
ND INDUSTRIAL COMMISSION - DMR	$6,495.53	$11,332.77	$966.07
ND INSURANCE DEPT	$1,995.95	$3,526.16	$152.44
ND PARKS & REC	$26,394.08	$72,070.28	$1,072.79
ND SECRETARY OF STATE	$25,181.54	$80,281.95	$6,958.12
ND STATE FAIR ASSOCIATION	$25,486.82	$56,625.14	$41.81
ND STATE WATER COMMISSION	$724.25	$1,537.27	$197.49
TOTAL FEES BILLED TO AGENCIES	**$1,735,099.44**	**$3,524,594.76**	**$310,850.79**

March 15, 2017 SB2014 Attachment A

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~ may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter. ~~and such fees~~. The agency may charge ~~least of actual collection costs, up to twenty-five~~ up to ~~thirteen~~ thirty percent of accumulated principal and interest, ~~whichever is less, or two thousand dollars per borrower to borrowers and cosigners whose~~ if loans are in default under section 15-62.1-06. The fees collected under this section must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the reserve fund. The authority of the agency to charge reasonable fees under this section applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

28-25-11. Property applied - Wages exempt -- Suspension of recreational license for nonpayment of defaulted state guaranteed student loans, ~~Suspension of occupational or professional license for nonpayment of defaulted state guaranteed student loans.~~

2. The court may withhold or suspend any certificate, permit or license issued by lottery, ~~or~~ by tag, on-line, or over the counter by the director of the game and fish department, which the judgement debtor is required to obtain prior to engaging in a recreational activity. Following a decision to withhold or suspend a judgement debtor's certificate, permit or license for failure to repay a state guaranteed student loan, the court shall notify the judgement debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to suspend a debtor's certificate, license or permit. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit or license suspended under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department.
~~2. If the debt for which a judgment is entered is for a guaranteed student loan, the court, after considering the factors in subsection 1, shall address and make specific findings on the issue of whether the judgment debtor has an occupational or a professional certificate license or permit issued by or on behalf of the state or any occupational or professional boards, which the judgment debtor is required to obtain before engaging in the judgment debtor's occupation or profession. The court, based on principles of fairness, including consideration of whether the~~

~~judgment debtor has been unjustly enriched, may suspend a judgment debtor's certificate, license, or permit. Following a decision to suspend a judgment debtor's certificate, license, or permit, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the proper licensing authority of the court's decision to suspend a judgment debtor's certificate, license, or permit. A certificate, license, or permit suspended by an order issued under this section may be reissued only by order of the court. An appeal by a judgment debtor who has had a certificate, license, or permit suspended under this section is an appeal from the court's order and may not be appealed to the licensing authority.~~

March 15, 2017 SB2014 Attachment B

Bank of North Dakota 2017 N.D. Legislation
Capital, Loan Programs/State Agency Borrowing Authority, ND Student Loan Trust
As of: 3/14/2017

2017 Legislation Impacting BND Capital					
House/Senate Bill No.	**Status**	**Agency/Borrower**	**Transfer Amount**	**Purpose**	**Repayment**
SB 2014	**Passed Senate. House Appropriations Govt. Ops.Hearings In Progress**	ND Industrial Commission	$171,000,000	BND capital transfer of $140 million & $31 million for various buydown loan programs. House Amendments pending regarding both collection costs and the authority to suspend certain recreational licenses for defaulted student loans.	N/A
		TOTAL	$171,000,000		

2017 Legislation Impacting BND Loan Programs & State Agency Borrowing Authority					
House/Senate Bill No.	**Status**	**Agency/Borrower**	**Amount**	**Purpose**	**Repayment**
HB 1008	**Passed House-Senate Hearing Held**	Public Service Commission	$900,000	Section 4 - PSC rail rate complaint case. BND transfer from Beginning Farmer Revolving Loan Fund.	No Repayment
HB1020-Sections 11&12	**Passed House-Senate Hearing Scheduled**	Western Area Water Supply (WAWS)	$83,000,000	Refinance existing WAWS debt of $63.5 million assuming an additional $19.5 million.	Primary: Industrial Water Sales & Royalty Payments. Secondary: Water Resources Trust Fund.
HB1020 - Section 9	**Passed House-Senate Hearing Scheduled**	ND State Water Commission	$110,000,000	Minot Flood Control Project Loan Authorization	Water Resources Trust Fund.
HB1020 - Section 17	**Passed House-Senate Hearing Scheduled**	ND State Water Commission	$25,000,000	Infrastructure Revolving Loan Fund administered by BND continued with $25 million cap to provide cost shares for local community projects.	Water Resources Trust Fund.
HB1020-Sections 8&18	**Passed House-Senate Hearing Scheduled**	ND State Water Commission	$75,000,000	$50 million Line of Credit for existing water projects. $25 million Line of Credit for new water supply projects.	Primary: Resources Trust Fund. Secondary: Water Development Trust Fund or other funds appropriated by Legislature.
HB1020	**Passed House-Senate Hearing Scheduled**	ND State Water Commission	$7,500,000	$7.5 million from Water Resources Trust Fund and Water Development Trust Fund for State Water Commission loan payment to BND on bonds refinanced during 2015-17 biennium.	See Purpose
HB 1024. Also See SB2174	**Passed House-Emergency. Senate Hearing Held**	Adjutant General	$17,000,000	House removed 2017 legislative deficiency repayment for 2016 borrowings from BND for $17 million in loans authorized by Emergency Commission for resources needed in response to DAPL.	2017 Legislative deficiency repayment removed by House Appropriations. Senate amendment has been introduced to strengthen and restore repayment source.
HB 1024	**Passed House-Emergency-Senate Hearing Held**	Legal Council for Indigents & Judicial Branch	$2,359,000	BND borrowings for court and legal costs related to activity associated with DAPL. Legal Council-$859,000, Judicial-$1,500,000.	Federal or Other Sources. Senate amendment has been introduced to strengthen repayment source.
SB 2124	**Passed Senate-House Hearing Recommends**	BND Sponsored Legislation	N/A	ND ABLE Plan - amendment protects eligibility for state means-tested aid programs.	N/A
SB 2174 Also See HB1024	**Signed by Governor. Effective 1.25.17**	ND Adjutant General	$11,000,000	BND Borrowing Authority for DAPL support costs and for grants to counties not eligible for state or federal reimbursement.	2019-21 Legislative deficiency repayment.
SB 2178	**Passed Senate-House Hearing Recommends**	Administered by BND	$150,000,000	Relates to BND's existing Infrastructure Revolving Loan Fund including repair and replacement projects. **BND-$100 million - SIIF-$50 million.**	N/A
SB 2272	**Passed Senate - Emergency-House Hearing Held**	Administered by BND	$348,000,000	Relates to new School Construction Revolving Loan Fund including consolidation of existing programs administered by ND School Land Trust.**BND-$123 million-SIIF-$150 million-Foundation Aid Stabilization Fund-$75 million**	N/A
SB2196	**Passed Senate - Emergency-House Hearing Held**	Valley City State University	$22,500,000	Relates to issuance of $22.5 million in revenue bonds for integrated carbon plant at VCSU. Monitor for possible BND financing.	TBD
HB1436-Delayed Bill	**House IBL Hearing Held**	NDPERS Board	$50,000,000	State of ND self-insurance plan for hospital, medical, and prescription drug. $50 million LOC from BND to provide adequate reserve funds, stop loss coverage.	Health insurance premium revenue or other funds, as appropriated by the Legislative Assembly.
SB2044	**Passed Senate-House Committee Recommends**	BND	$165,000	Dynamic Fiscal Impact Software revenue analysis	BND Expenditure
		TOTAL	**$902,424,000**		

Bank of North Dakota 2017 N.D. Legislation
Capital, Loan Programs/State Agency Bo ing Authority, ND Student Loan Trust
As of: 3/14/2017

Legislation Impacting ND Student Loan Trust 2017-19 Biennium		
House/Senate Bill No.	**Bill Description**	**Appropriation Amount from NDSLT**
SB 2003-**Passed Senate. House Hearings in Progress**	NDUS Appropriation includes Section 6 transfer of $1,504,744 from NDSLT made up of $465,307 for Professional Student Exchange, $500,000 for grants to tribally controlled community colleges, and $539,437 for connect ND campus solution positions. Subdivision 13 from Section 1 includes transfer from NDSLT in the amount of $15.2 million for residency positions at UND School of Medicine & Health Sciences.	$16,704,744
SB 2004-**Passed Senate-House Hearings in Progress**	ND Health Department Appropriation Section 6 transfer of $360,000 from NDSLT for dental loan repayment program grants.	$360,000
SB 2243-**Passed Senate-House Hearing Held**	Teacher loan forgiveness program includes Section 2 appropriation transfer from NDSLT to Department of Public Instruction.	$2,000,000
SB 2244-**Passed Senate-House Hearing Held**	State Board of Higher Education appropriation includes Section 2 transfer from NDSLT for dual-credit courses pilot program.	$200,000
	TOTAL: Estimated NDSLT fund balance for next biennium is $17,706,512.	**$19,264,744**

March 15, 2017 SB2014 Attachment C

Month-Year	Active Producing Wells	Form 5 & 5B Amended	% Amended	Staff Called	Staff Emailed	Staff Initiated Amendments
January-17	13,333	6,711	25.2%	292	493	2.9%
December-16	13,337	5,044	18.9%	258	515	2.9%

- Form letter requests to email purchaser and transporter reports
- Completion date/reported days doesn't match
- Gas plant doesn't balance
- Missing monthly gas plant reports
- Missing purchaser and transporter reports
- CTB number incorrect
- Purchaser and transporter audit
- Missing monthly oil production requests
- Missing monthly gas production requests
- Negative production reported
- No days reported
- Wrong month/year reported
- Oil production doesn't balance
- Wrong reported days produced
- Bakken oil reported and no gas reported
- No water produced reported
- Oil inventory doesn't balance
- Large water volume reported
- Gas totals don't balance
- Wells in CTB

Initial Report = first month that oil and gas is reported by operators. It is clearly labeled (preliminary) because there are typically a large number of amendments.
Final Report = second month after oil and gas production is reported by operators. It is labeled final because it includes operator and staff initiated amendements.
The oil production in these two reports contains all oil produced in North Dakota.
Includes non-confidential producing wells, confidential producing wells, oil skimmed from salt water disposal wells, treating plants, and gas plant condensate.

Well file or Well report on website contains only oil and gas production reported by operators on non-confidential active producing wells.
Well file or Well report on website contains all oil and gas sold reported by operators on active producing wells.

March 15, 2017 SB2014 Attachment B

State Mill Additional FTE Requirements for the 2017-2019 Biennium

Due to expanding operations and regulatory requirements six (6) new FTE's are needed for the 2017-2019 biennium. The six FTE's will cost the mill $768,893 over the biennium.

Two (2) of the positions will be used to operate and maintain our new high speed truck and rail grain unloading pit that will be completed in the 4th Quarter of FY 17. This new unloading pit will be used to receive the additional grain needed to supply the G Mill and substantially reduce grain truck waiting time. This has become a significant issue at the Mill.

Two (2) of the positions will be used to enhance Food Safety and Security. There has been an increase in awareness of Food Safety and Security. Along with this awareness has come more rigorous inspections (by customers and certifying boards) which has required more man-hours to meet the requirements for the FSSC 22000 certification and other inspections. The requirements include additional product testing, additional in house inspections and security checks, and a substantial increase in documentation.

Two (2) of the positions will be used to meet demand for additional packed flour. Customers have been requesting more product and we have not been able to meet their needs. Bag product sales were constrained in FY 2016 due to the inability to produce enough flour for both the bulk sales and bag sales. Now with the G Mill operational, we have the flour available to grow this business.

These six (6) positions are critical for the State Mill to service growing customer shipment volumes, comply with increased Food Safety and Security requirements associated with the Food Safety Modernization Act, and to unload 30 percent more grain and reduce truck waiting time. As we have done in the past we will not hire these individuals until they are needed.

March 15, 2017 SB2014 Attachment E

Revised (2/20/2017)			
Lignite Research Program Funding (Assuming 30 Million Ton Production)			
	2015-2017 Biennium	2017-2019 Biennium	
Funding Source			
Lignite R&D (50% of Coal Trust Fund)	$3,375,000	$1,687,500	*
Clean Coal Projects (20% of Coal Trust Fund)	$1,350,000	$675,000	*
2-cent/ton R&D Tax	$1,200,000	$1,200,000	
Coal Conversion Tax (July 31, 2018 Sunset Repealed)	$2,500,000	$2,500,000	**
	$8,425,000	$6,062,500	
General Fund (one-time payment) Request for carryover language to 2017-2019 biennium in Section 28 of SB 2014	$4,672,500	$0	
	$13,097,500	$6,062,500	
Funding Sources for Advanced Energy Technology Funding			
15% of Coal Severance Tax Dedicated to Advanced Energy Technology		$3,375,000	*
One-Time Appropriation from SIIF for Advanced Energy Technology		$3,000,000	***
Advanced Energy Technology $3 million SIIF Trigger		$3,000,000	****
Total Designated Funding for Advanced Energy Technology		$9,375,000	
Total Funding for Lignite Research Fund	$13,097,500	$15,437,500	
Renewable Energy Fund potential funding for Advanced Energy Technology^		Unknown	
*SB 2014 Section 25			
**7/31/2018 Sunset Repealed - SB 2031			
***SB 2014 Section 14			
****HB 1152 Passed 86 - 4			
^Senate Bill 2014 Section 29 Intent			
Note: Yellow highlights relate to items in SB 2014, the Industrial Commission Appropriation bill			

Current Law

Coal Tax Distribution of the severance tax

30,000,000 tons per year

30,000,000									
0.375	tax on coal								
$11,250,000									
70%	Counties		30%	Coal Trust Fund					
$7,875,000			$3,375,000						
			x70%	LRF	x30%	stays in Fund			
			$2,362,500		$1,012,500				
			x2		x2				
			$4,725,000	Biennial #	$2,025,000	Biennial #			

Engrossed SB 2014 Section 25 Revision

Coal Tax Distribution of the severance tax

30,000,000 tons per year

30,000,000									
0.375	tax on coal								
$11,250,000									
70%	Counties		15%	LRF AET	15%	Coal Trust Fund			
$7,875,000			$1,687,500		$1,687,500				
			x2		x70%	LRF	x30%	stays in Fund	
			$3,375,000	Biennial #	$1,181,250		$506,250		
					x2		x2		
					$2,362,500	Biennial #	$1,012,500	Biennial #	

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March 20, 2017 SB2014 Attachment A

Revised (2/20/2017)			
Lignite Research Program Funding (Assuming 30 Million Ton Production)			
	2015-2017 Biennium	2017-2019 Biennium	
Funding Source			
Lignite R&D (50% of Coal Trust Fund)	$3,375,000	$1,687,500	*
Clean Coal Projects (20% of Coal Trust Fund)	$1,350,000	$675,000	*
2-cent/ton R&D Tax	$1,200,000	$1,200,000	
Coal Conversion Tax (July 31, 2018 Sunset Repealed)	$2,500,000	$2,500,000	**
	$8,425,000	$6,062,500	
General Fund (one-time payment) Request for carryover language to 2017-2019 biennium in Section 28 of SB 2014	$4,672,500	$0	
	$13,097,500	$6,062,500	
Funding Sources for Advanced Energy Technology Funding			
15% of Coal Severance Tax Dedicated to Advanced Energy Technology		$3,375,000	*
One-Time Appropriation from SIIF for Advanced Energy Technology		$3,000,000	***
Advanced Energy Technology $3 million SIIF Trigger		$3,000,000	****
Total Designated Funding for Advanced Energy Technology		$9,375,000	
Total Funding for Lignite Research Fund	$13,097,500	$15,437,500	
Renewable Energy Fund potential funding for Advanced Energy Technology^		Unknown	
*SB 2014 Section 25			
**7/31/2018 Sunset Repealed - SB 2031			
***SB 2014 Section 14			
****HB 1152 Passed 86 - 4			
^Senate Bill 2014 Section 29 Intent			
Note: Yellow highlights relate to items in SB 2014, the Industrial Commission Appropriation bill			

Current Law									
Coal Tax Distribution of the severance tax									
30,000,000 tons per year									
30,000,000									
0.375	tax on coal								
$11,250,000									
70%	Counties		30%	Coal Trust Fund					
$7,875,000			$3,375,000						
			x70%	LRF	x30%	stays in Fund			
			$2,362,500		$1,012,500				
			x2		x2				
			$4,725,000	Biennial #	$2,025,000	Biennial #			

Engrossed SB 2014 Section 25 Revision									
Coal Tax Distribution of the severance tax									
30,000,000 tons per year									
30,000,000									
0.375	tax on coal								
$11,250,000									
70%	Counties		15%	LRF AET	15%	Coal Trust Fund			
$7,875,000			$1,687,500		$1,687,500				
			x2		x70%	LRF	x30%	stays in Fund	
			$3,375,000	Biennial #	$1,181,250		$506,250		
					x2		x2		
					$2,362,500	Biennial #	$1,012,500	Biennial #	

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March 23, 2017 SB2014 Attachment A

17.0522.02001
Title.

Fiscal No. 2

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations Division Committee
March 22, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 3, remove the third "to"

Page 1, remove lines 4 through 7

Page 1, line 8, remove "tax credits;"

Page 1, line 8, after the third comma insert "54-18-19"

Page 1, line 9, remove "occupational or"

Page 1, line 10, replace "professional" with "recreational"

Page 1, line 10, after the second comma insert "North Dakota mill and elevator profits,"

Page 1, line 11, replace "section" with "sections"

Page 1, line 11, after "54-17-41" insert "and 54-18-20"

Page 1, line 12, after "reports" insert "and a gain-sharing program"

Page 2, replace lines 1 through 8 with:

"Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25"

Page 2, replace lines 13 through 15 with:

"Bank of North Dakota operations	$58,542,301	($53,097)	$58,489,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$11,903	$59,299,204"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,745,034	$147,022	$7,892,056
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828

Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,010,150	$44,530,239
Full-time equivalent positions	46.00	(2.00)	44.00"

Page 3, replace lines 10 through 12 with:

"Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	10,268,433	188,386,168
Grand total all funds	$203,075,481	$10,719,674	$213,795,155

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month."

Page 5, line 5, replace "$1,254,462" with "$221,737"

Page 5, line 5, replace "six" with "two"

Page 5, line 9, remove "the thresholds identified in this section. Of the $1,254,462 and the six full-time"

Page 5, replace lines 10 through 18 with "eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred."

Page 5, line 20, replace "$1,103,986" with "$1,103,779"

Page 7, line 11, replace "thirteen" with "thirty"

Page 7, line 20, remove the overstrike over "~~**- Suspension of**~~"

Page 7, line 21, after "~~**license**~~" insert "**recreational licenses**"

Page 7, line 21, remove the overstrike over "~~**for nonpayment of defaulted state guaranteed student loans**~~"

Page 7, line 22, remove the overstrike over "~~1.~~"

Page 7, line 29, remove the overstrike over "~~2.~~"

Page 8, line 15, after the overstruck period insert "The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department, which the judgment debtor is required to obtain prior to engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department."

Page 8, remove lines 16 through 21

Page 8, line 24, remove the overstrike over "~~(Effective through June 30,~~"

Page 8, line 24, after "~~2017~~" insert "**2019**"

Page 8, line 24, remove the overstrike over the second boldfaced parenthesis

Page 10, remove lines 30 and 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 31

Page 14, replace lines 1 through 22 with:

"**SECTION 20. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. (Effective through June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

(Effective after June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 19, line 3, replace "Section" with "Sections"

Page 19, line 3, after "54-17-41" insert "and 54-18-20"

Page 19, line 3, replace "is" with "are"

Page 19, remove lines 21 through 26

Page 20, remove lines 13 through 15

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Base Budget	Senate Version	House Changes	House Version
Industrial Commission Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193

Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
Bank of North Dakota				
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204
General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$203,075,481	$214,930,939	($1,135,784)	$213,795,155
Less estimated income	178,117,735	188,466,417	(80,249)	188,386,168
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987

Senate Bill No. 2014 - Industrial Commission - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$22,132,229	$22,038,346	($24,262)	$22,014,084
Operating expenses	4,779,135	6,305,888		6,305,888
Grants - Bond payments	15,040,829	13,210,484		13,210,484
Contingencies		1,254,462	(1,032,725)	221,737
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
FTE	116.75	114.25	(4.00)	110.25

Department No. 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Adjusts Contingent FTE Positions[2]	Total House Changes
Salaries and wages	($24,262)		($24,262)
Operating expenses			
Grants - Bond payments			
Contingencies		(1,032,725)	(1,032,725)
Total all funds	($24,262)	($1,032,725)	($1,056,987)
Less estimated income	(1,452)	0	(1,452)
General fund	($22,810)	($1,032,725)	($1,055,535)
FTE	0.00	(4.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Contingent funding and authorization for FTE positions are adjusted to provide $221,737 from the general fund and 2 FTE positions. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells as identified in Section 7 of the bill.

This amendment also includes the following changes related to the Industrial Commission:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells. The Senate provided $1,254,462 from the general fund and 6 FTE positions.
- Allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services. The transfer was adjusted for the health insurance adjustment compared to the transfer of $1,103,986 provided by the Senate.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Base Budget	Senate Version	House Changes	House Version
Capital assets	$745,000	$810,000		$810,000
Bank of North Dakota operations	58,542,301	58,526,944	(37,740)	58,489,204
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204
General fund	$0	$0	$0	$0
FTE	181.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Total House Changes
Capital assets		
Bank of North Dakota operations	(37,740)	(37,740)
Total all funds	($37,740)	($37,740)
Less estimated income	(37,740)	(37,740)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Bank of North Dakota:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Authorizes the Bank of North Dakota to charge up to 30 percent of accumulated principal and interest on defaulted student loans. The Senate provided authorization to charge up to 13 percent.
- Provides the authority to suspend a recreational license when the licensee's student loans are in default. The Senate removed the authority to suspend an occupational or professional license.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$7,745,034	$7,901,387	($9,331)	$7,892,056
Operating expenses	3,744,275	4,743,355		4,743,355
Grants	25,930,780	31,794,828		31,794,828
HFA contingencies	100,000	100,000		100,000
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239
General fund	$0	$0	$0	$0
FTE	46.00	46.00	(2.00)	44.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Removes FTE Positions[2]	Total House Changes
Salaries and wages	($9,331)		($9,331)
Operating expenses			
Grants			
HFA contingencies			
Total all funds	($9,331)	$0	($9,331)
Less estimated income	(9,331)	0	(9,331)
General fund	$0	$0	$0
FTE	0.00	(2.00)	(2.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Authorization for 2 FTE positions is removed. Funding for 2 FTE positions, including a housing program administrator position and a housing program representative, was removed by the Senate.

This amendment also includes the following changes related to the Housing Finance Agency:

- Continues the housing incentive fund only for the 2017-19 biennium.
- Removes a section added by the Senate to provide up to $5 million of income tax credits for contributions to the housing incentive fund which would have reduced general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections.
- Removes a section added by the Senate to establish the essential service worker home ownership incentive fund and to identify the uses of the fund.
- Removes a section added by the Senate to provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund which would have reduced general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections.
- Removes a section added by the Senate to identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions 1 and 8 and the remaining contributions for the other planning areas.
- Removes a section added by the Senate to provide an effective date and expiration date related to the housing incentive fund and the essential service worker home ownership incentive fund tax credits.

Senate Bill No. 2014 - Mill and Elevator - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$36,278,898	$39,340,245	($31,726)	$39,308,519
Operating expenses	27,327,000	28,195,000		28,195,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
FTE	147.00	153.00	0.00	153.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Total House Changes
Salaries and wages	($31,726)	($31,726)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	($31,726)	($31,726)
Less estimated income	(31,726)	(31,726)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

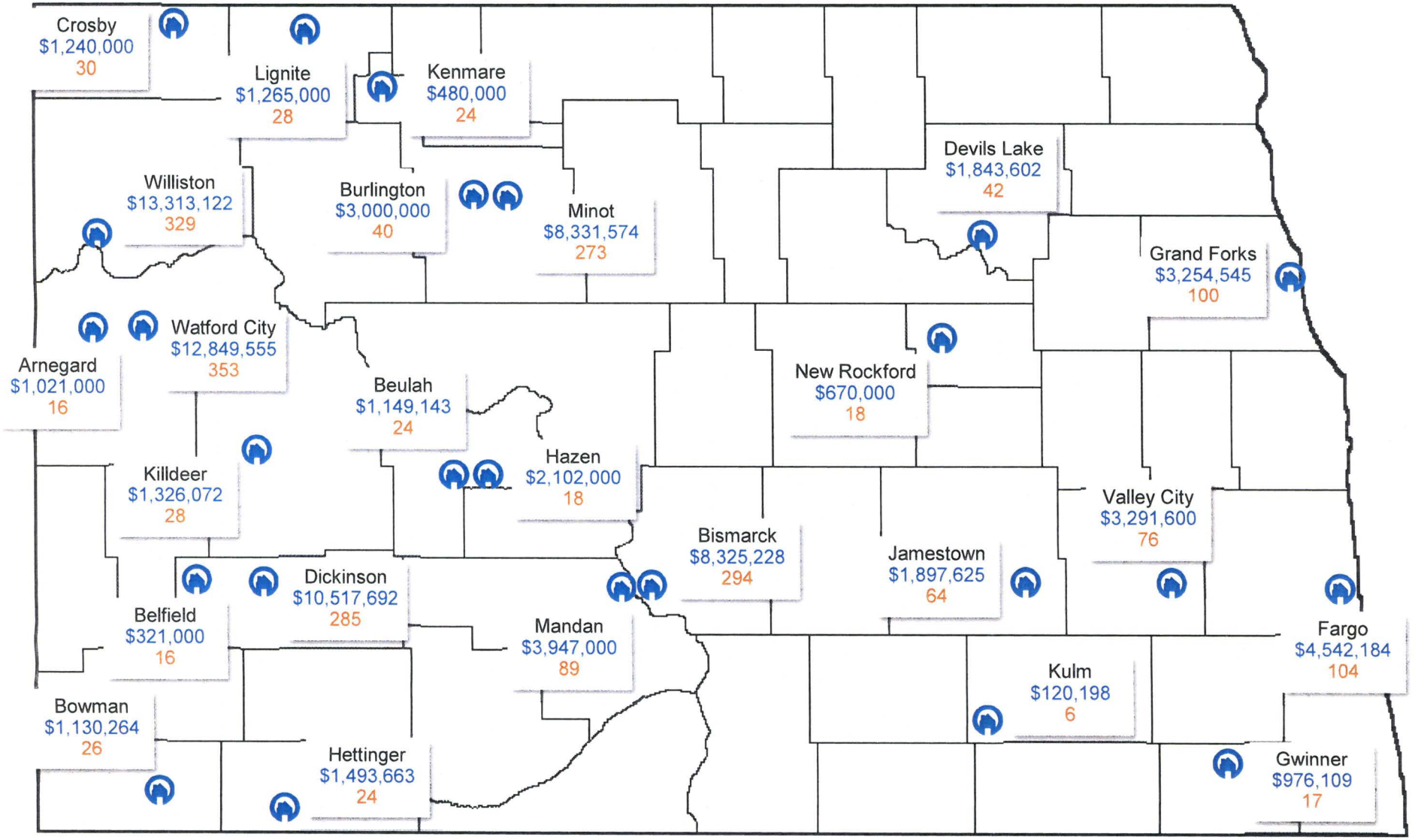
This amendment also includes the following changes related to the Mill and Elevator Association:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604.
- Section 22 repeals Section 54-18-20 which authorizes a gain-sharing program. The removal of the gain-sharing program may affect the profits available for transfer to the agricultural products utilization fund and the general fund, but the amounts cannot be determined.

March 23, 2017 SB2014 Attachment B

NORTH DAKOTA housing FINANCE AGENCY

Housing Incentive Fund
2011-2017



$88,408,176 allocated statewide → **$398,244,317 of housing activity**

2,324 units

1/16/17

NOTE: 2011-13 biennium Legislature directed that 90% of Fund be disbursed to oil patch. 2013-15 and 2015-2017 legislative directive was that priority be given to Essential Service Workers which favored the West.

Senate Bill 2014

March 23, 2017 SB2014 Attachment C

Fwd: Affordable Housing Issue

Kempenich, Keith A.

Tue 3/21/2017 12:36 PM

To:Brandenburg, Michael D. <mbrandenburg@nd.gov>;

Mike,
Amendments for Housing.
Keith

Begin forwarded message:

From: "Dolan, Tammy" <tammy.dolan@ndus.edu>
Date: March 20, 2017 at 13:58:20 CDT
To: "rbrabandt@nd.gov" <rbrabandt@nd.gov>, "Kempenich, Keith A." <kkempenich@nd.gov>
Cc: "Tonder, Rick" <rick.tonder@ndus.edu>
Subject: Affordable Housing Issue

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Rep. Brabandt –

I spoke to Rick Tonder, the NDUS Facility Planning Director, who has forwarded the following language for your consideration, with the appropriate format changes by Legislative Council staff.

If you have additional questions or need additional information, please feel free to contact Rick at Rick.Tonder@ndus.edu or 701-777-4270.

Here is the suggested language:

Legislative Council to undertake an interim study to determine the feasibility of utilizing board of higher education facilities that are currently underutilized and/or unsuitable for institutional functions, for the purpose of creating low-income housing. The study will provide the following information for each facility that is determined by the NDUS to be underutilized or unsuitable for institutional functions:

1. The estimated value of the property, and if the property can be sold to another entity supporting low income housing.
2. If the facility is conducive to renovation for housing functions.
3. The potential conflicts with institutional operations if the facility is currently located within the campus proper.
4. The possibility of the facility to be zoned for housing within the municipality.
5. The estimated amount of deferred maintenance which would be eliminated by transfer of ownership.

The study report to be reviewed by the board of higher education for consideration prior to the 66th legislative assembly, with a subsequent recommendation by the board of higher education on any facilities identified within the study suitable for transfer of ownership.

Tammy Dolan
Chief Financial Officer
NORTH DAKOTA
University System
State Capitol
600 E. Boulevard Ave., Dept. 215
Bismarck, ND 58505-0230
Phone: 701.328.4116
Fax: 701.328.2961
http://ndus.edu/

March 23, 2017 SB2014 Attachment D

Helms, Lynn D.

[redacted]m: Tabor, David
Sent: Friday, March 17, 2017 12:51 PM
To: Helms, Lynn D.
Subject: RE: Data time and cost

Follow Up Flag: Flag for follow up
Flag Status: Flagged

148 operators
Minimum 1 well
Maximum 2,028 wells
Average 1,000 wells
Median 13 wells

$30/hour
1 - 4 hours

$4,850 per month per form
$19,500 per month for 5, 5b, 10, and 10b
$233,000 per year

[redacted]100 wells capable of production and injection
$1.14 per well per month

Approximately 8,500 spacing units
Report by spacing unit ½ the cost
$116,000 = savings of $116,000 per year
Operators save $15 - $60 per month

Report Quarterly ¼ cost
$58,250 = savings of $175,000
Operators save $30 - $120 per month
Quarterly by spacing unit $29,000 per year = savings of $204,000 per year
Operators save $60 - $240 per month

Report annually 1/12 cost
$19,500 per year = savings of $213,600
Operators save $90 - $360 per month
Annually by spacing unit $9,750 = savings of $223,000 per year
Operators save $180 - $720 per month

[redacted]

It would be about 4304 wells and 174 CTB's as well.

David Tabor
Production Auditing and Gas Measurement Supervisor
Oil and Gas Division
701-328-8020

From: Helms, Lynn D.
Sent: Friday, March 17, 2017 12:38 PM
To: Tabor, David
Subject: RE: Data time and cost

How many wells would be on the OneOK gas plant report that would take 3-4 hours?

From: Tabor, David
Sent: Friday, March 17, 2017 8:54 AM
To: Helms, Lynn D.
Subject: Data time and cost
Importance: High

Good Morning Sir,
I thought about this a lot last night and I think the way I did this will be the way to answer the question. Due to the variables involved, it is almost impossible to get a true number I think. Please, take a look at the attachment and see if this will help or if I need to think of another way.

DMR time to enter data:
I tried to figure out with Annette what amount of time it takes her to enter one of these reports. Beings the 5 and 5b would depend on the volume of wells to be entered, I used the gas plant report instead. For Annette to enter an Oneok report where she has to also do some calculations it would be about 3-4 hours if she had no distractions and worked on just the report until done.
The form 5 and 5b do not have math to do like the plant reports and are simply entering in the numbers. She said she can do a single entry in a few seconds, so it would be that times the number of reports to enter times two, one for the form 5 (oil) and one for the form 5b (gas).

Thanks

David Tabor
Production Auditing and Gas Measurement Supervisor
Oil and Gas Division
701-328-8020

March 23, 2017 SB2014 Attachment E

17.0522.02001

Sixty-fifth
Legislative Assembly
of North Dakota

Introduced by

Appropriations Committee

FIRST ENGROSSMENT

ENGROSSED SENATE BILL NO. 2014

A BILL for an Act to provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to provide for transfers; ~~to create and enact a new subsection to section 54-17-07.3, a new section to chapter 54-17, a new section to chapter 57-38, and two new subdivisions to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to the essential service worker home ownership program, housing incentive fund tax credits, and essential service worker home ownership fund tax credits;~~ to amend and reenact sections 15-62.1-07, 28-25-11, 54-17-40, 54-18-19 and 57-62-02 of the North Dakota Century Code, relating to loan guarantee fees, suspension of ~~occupational or professional~~recreational licenses, the housing incentive fund, North Dakota mill and elevator profits, and coal development trust fund allocations; to repeal ~~section~~sections 54-17-41 and 54-18-20 of the North Dakota Century Code, relating to housing incentive fund reports and a gain-sharing program; to provide statements of legislative intent; to provide exemptions; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the industrial commission and agencies under its control for the purpose of defraying the expenses of the industrial commission and agencies under its control, for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$22,132,229~~	~~($93,883)~~	~~$22,038,346~~
~~Operating expenses~~	~~4,779,135~~	~~1,526,753~~	~~6,305,888~~
~~Grants - bond payments~~	~~15,040,829~~	~~(1,830,345)~~	~~13,210,484~~
~~Contingencies~~	~~0~~	~~1,254,462~~	~~1,254,462~~
~~Total all funds~~	~~$41,952,193~~	~~$856,987~~	~~$42,809,180~~
~~Less estimated income~~	~~16,994,447~~	~~(649,789)~~	~~16,344,658~~
~~Total general fund~~	~~$24,957,746~~	~~$1,506,776~~	~~$26,464,522~~
~~Full-time equivalent positions~~	~~116.75~~	~~(2.50)~~	~~114.25~~
Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	Base Level	Adjustments or Enhancements	Appropriation
~~Bank of North Dakota operations~~	~~$58,542,301~~	~~($15,357)~~	~~$58,526,944~~
~~Capital assets~~	~~745,000~~	~~65,000~~	~~810,000~~
~~Total special funds~~	~~$59,287,301~~	~~$49,643~~	~~$59,336,944~~
Bank of North Dakota operations	$58,542,301	($53,097)	$58,489,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$11,903	$59,299,204
Full-time equivalent positions	181.50	0.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$36,278,898~~	~~$3,061,347~~	~~$39,340,245~~
~~Operating expenses~~	~~27,327,000~~	~~868,000~~	~~28,195,000~~
~~Contingencies~~	~~500,000~~	~~0~~	~~500,000~~
~~Agriculture promotion~~	~~210,000~~	~~0~~	~~210,000~~
~~Total from mill and elevator fund~~	~~$64,315,898~~	~~$3,929,347~~	~~$68,245,245~~
Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519
Full-time equivalent positions	147.00	6.00	153.00

Subdivision 4.

HOUSING FINANCE AGENCY

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$7,745,034~~	~~$156,353~~	~~$7,901,387~~
~~Operating expenses~~	~~3,744,275~~	~~999,080~~	~~4,743,355~~
~~Grants~~	~~25,930,780~~	~~5,864,048~~	~~31,794,828~~
~~Housing finance agency contingencies~~	~~100,000~~	~~0~~	~~100,000~~
~~Total special funds~~	~~$37,520,089~~	~~$7,019,481~~	~~$44,539,570~~
~~Full-time equivalent positions~~	~~46.00~~	~~0.00~~	~~46.00~~
Salaries and wages	$7,745,034	$147,022	$7,892,056
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,010,150	$44,530,239
Full-time equivalent positions	46.00	(2.00)	44.00

Subdivision 5.

BILL TOTAL

	Base Level	Adjustments or Enhancements	Appropriation
~~Grand total general fund~~	~~$24,957,746~~	~~$1,506,776~~	~~$26,464,522~~
~~Grand total special funds~~	~~178,117,735~~	~~10,348,682~~	~~188,466,417~~
~~Grand total all funds~~	~~$203,075,481~~	~~$11,855,458~~	~~$214,930,939~~
Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	10,268,433	188,386,168
Grand total all funds	$203,075,481	$10,719,674	$213,795,155

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month.

SECTION 3. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly as adjusted for the 2015-17 biennium and the 2017-19 biennium one-time funding items included in the appropriation in section 1 of this Act:

One-Time Funding Description	2015-17	2017-19
Litigation	$2,500,000	$1,000,000
Lignite research council grant	4,672,500	0
Aerial photography	104,143	0
Contract analysis	125,000	0
Digital conversion	25,000	0
Migration to RBDMS.net	250,000	0
All-terrain vehicles	41,500	0
Core library expansion	13,625,322	0
Financial center project	17,000,000	0
Total all funds	$38,343,465	$1,000,000
Total special funds	30,625,322	1,000,000
Total general fund	$7,718,143	$0

The 2017-19 biennium one-time funding amounts are not a part of the entity's base budget for the 2019-21 biennium. The industrial commission shall report to the appropriations committees

of the sixty-sixth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 4. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of $13,210,484 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2017, and ending June 30, 2019:

North Dakota university system	$6,605,326
North Dakota university system - energy conservation projects	491,500
Department of corrections and rehabilitation	1,158,679
Department of corrections and rehabilitation - energy conservation projects	16,285
State department of health	636,877
Job service North Dakota	428,100
Office of management and budget	665,411
Attorney general's office	766,012
State historical society	1,392,629
Parks and recreation department	73,642
Research and extension service	571,520
Veterans' home	404,503
Total	$13,210,484

SECTION 5. APPROPRIATION - HOUSING FINANCE AGENCY - ADDITIONAL INCOME. In addition to the amount appropriated to the housing finance agency in subdivision 4 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2017, and ending June 30, 2019. The housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency.

SECTION 6. APPROPRIATION - ADDITIONAL FUNDS FROM BONDS - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the emergency commission, funds that may become available to the commission from bonds

authorized by law to be issued by the industrial commission for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 7. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING. The amount of ~~$1,254,462~~$221,737 from the general fund and ~~six~~two full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds ~~the thresholds identified in this section. Of the $1,254,462 and the six full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:~~

~~1. Subject to budget section approval, $418,154 from the contingencies line item and two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.~~

~~2. In addition to the funding and full-time equivalent positions authorized in subsection 1 and subject to budget section approval, $836,308 from the contingencies line item and four full-time equivalent positions if the total number of wells capable of production and injection exceeds nineteen thousand four hundred wells.~~eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.

SECTION 8. TRANSFER - ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND. The sum of ~~$1,103,986~~$1,103,779, or so much of the sum as may be necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers must be made during the biennium beginning July 1, 2017, and ending June 30, 2019, upon order of the commission. Transfers from the student loan trust fund must be made to the extent permitted by sections 54-17-24 and 54-17-25.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA PROFITS TO GENERAL FUND. The industrial commission shall transfer to the general fund $140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota during the biennium beginning July 1, 2017, and ending June 30, 2019. The moneys must be transferred in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $16,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $1,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 14. TRANSFER - BANK OF NORTH DAKOTA - SCHOOL CONSTRUCTION LOAN INTEREST RATE BUYDOWNS. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits for interest rate buydowns on outstanding school construction loans under section 15.1-36-06 during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 15. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO LIGNITE RESEARCH FUND. The department of trust lands shall transfer the sum of $3,000,000 from the strategic investment and improvements fund to the lignite research fund during the biennium beginning July 1, 2017, and ending June 30, 2019. The funding must be used to provide grants for advanced energy technology research and development. Grant recipients must provide matching funds.

SECTION 16. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUNDS. The estimated income line item in section 1 of this Act includes $1,000,000 from the strategic investment and improvements fund for litigation expenses.

SECTION 17. AMENDMENT. Section 15-62.1-07 of the North Dakota Century Code is amended and reenacted as follows:

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter~~, and such fees~~. The agency may charge up to ~~thirteen~~thirty percent of accumulated principal and interest if the loans are in default under section 15-62.1-06. The fees collected under this section must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the reserve fund. The authority of the agency to charge reasonable fees under this section applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

SECTION 18. AMENDMENT. Section 28-25-11 of the North Dakota Century Code is amended and reenacted as follows:

28-25-11. Property applied - Wages exempt - Suspension of ~~occupational or professional license~~recreational licenses for nonpayment of defaulted state guaranteed student loans.

1. The judge may order any property of the judgment debtor not exempt from execution in the hands either of the judgment debtor or of any other person or due the judgment debtor to be applied toward the satisfaction of the judgment, except that the earnings of the debtor for the debtor's personal services at any time within sixty days next preceding the order cannot be so applied when it is made to appear, by the debtor's

affidavit or otherwise, that the earnings are necessary for the use of a family supported wholly or partly by the debtor's labor.

2. ~~If the debt for which a judgment is entered is for a guaranteed student loan, the court, after considering the factors in subsection 1, shall address and make specific findings on the issue of whether the judgment debtor has an occupational or a professional certificate license or permit issued by or on behalf of the state or any occupational or professional boards, which the judgment debtor is required to obtain before engaging in the judgment debtor's occupation or profession. The court, based on principles of fairness, including consideration of whether the judgment debtor has been unjustly enriched, may suspend a judgment debtor's certificate, license, or permit. Following a decision to suspend a judgment debtor's certificate, license, or permit, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the proper licensing authority of the court's decision to suspend a judgment debtor's certificate, license, or permit. A certificate, license, or permit suspended by an order issued under this section may be reissued only by order of the court. An appeal by a judgment debtor who has had a certificate, license, or permit suspended under this section is an appeal from the court's order and may not be appealed to the licensing authority.~~ The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department, which the judgment debtor is required to obtain prior to engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued

only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department.

~~**SECTION 19.** A new subsection to section 54-17-07.3 of the North Dakota Century Code is created and enacted as follows:~~

~~Essential service worker home ownership incentive program. A program to provide assistance for the purchase of a primary residence by an essential service worker as provided in section 20 of this Act. The program may provide a secondary mortgage lien to assist in the acquisition of a single-family residential dwelling unit.~~

SECTION 19. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. (Effective through June 30, ~~2017~~2019) Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.
2. a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage~~. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award~~.

   b. The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

   c. The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family

income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

~~The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.~~

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:
   a. New construction, rehabilitation, or acquisition of a multifamily housing project;
   b. Gap assistance, matching funds, and accessibility improvements;
   c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
   d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any

assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

6. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.

7. The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers.

8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.

9. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. The report must include the following:

   a. The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and

   b. A listing of projects approved and the number of units within those projects that provide housing for essential service workers.

~~**SECTION 21.** A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:~~

~~**Essential service worker home ownership incentive fund - Continuing appropriation.**~~

~~1. The essential service worker home ownership incentive fund is created as a special revolving fund at the Bank of North Dakota. The moneys in the fund are appropriated on a continuing basis to the housing finance agency to provide purchasing assistance on single-family residential mortgage loans under the essential worker home ownership incentive program. The agency may deduct a reasonable administrative fee from the fund.~~

~~2. For purposes of this section, "essential service worker" means an individual employed by the state or a city, county, school district, medical or long-term care facility, or any other individual employed in providing an essential public service as determined by the housing finance agency.~~

~~3. Pursuant to housing finance agency underwriting and credit standards and guidelines adopted under subsection 4, the agency may provide a secondary loan to a qualified essential service worker in conjunction with a single-family residential mortgage loan originated by a lender under a housing finance agency home ownership program. If, at any time during the term of the loan, the borrower ceases to be employed as an essential service worker or if the borrower sells the home or refinances the mortgage loan, the borrower must repay the secondary loan in full or begin making amortized monthly payments on the secondary loan.~~

~~4. The agency shall adopt guidelines for the implementation and administration of the essential service worker home ownership incentive program. The guidelines must provide the moneys in the essential service worker home ownership incentive fund may be used only to assist in the acquisition of owner-occupied single-family residential housing that will serve as the primary residence of the essential service worker. The guidelines must establish income limits for eligibility to participate in the program and purchase price limitations as determined by the agency.~~

~~5. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing bases for the purposes of this section.~~

~~**SECTION 22.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:~~

~~**(Effective for the first two taxable years beginning after December 31, 2016) Housing incentive fund tax credit.**~~

~~1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.~~

~~2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.~~

~~3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.~~

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five million dollars.
6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
   b. The dollar amount paid for the contribution by the taxpayer.
   c. The date the payment was received by the fund.
7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.
9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 23. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

(Effective for the first two taxable years beginning after December 31, 2016) Essential service worker home ownership incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the essential

~~service worker home ownership incentive fund under section 19 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year.~~

~~2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.~~

~~3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.~~

~~4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.~~

~~5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five hundred thousand dollars.~~

~~6. Within thirty days after the date on which a taxpayer makes a contribution to the essential service worker home ownership incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:~~

~~a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.~~

~~b. The dollar amount paid for the contribution by the taxpayer.~~

~~c. The date the payment was received by the fund.~~

~~7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.~~

~~8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.~~

~~9. A passthrough entity making a contribution to the essential service worker home ownership incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at~~

~~the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.~~

~~**SECTION 24.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:~~

~~Housing incentive fund tax credit under section 21 of this Act.~~

~~**SECTION 25.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:~~

~~Essential service worker home ownership incentive fund tax credit under section 22 of this Act.~~

SECTION 20. AMENDMENT. Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. (Effective through June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

(Effective after June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

SECTION 21. AMENDMENT. Section 57-62-02 of the North Dakota Century Code is amended and reenacted as follows:

57-62-02. Allocation of moneys in coal development fund

Moneys deposited in the coal development fund shall be apportioned monthly by the state treasurer as follows:

1. ~~Thirty~~Fifteen percent must be deposited in a permanent trust fund in the state treasury, to be known as the coal development trust fund, pursuant to section 21 of article X of the Constitution of North Dakota. Those funds held in trust and administered by the board of university and school lands on March 5, 1981, pursuant to section 12, chapter 563, 1975 Session Laws; section 12, chapter 560, 1977 Session Laws; or section 13, chapter 626, 1979 Session Laws must also be deposited in the trust fund created pursuant to this subsection. The fund must be held in trust and administered by the board of university and school lands for loans to coal-impacted counties, cities, and school districts as provided in section 57-62-03 and for loans to school districts pursuant to chapter 15.1-36. The board of university and school lands may invest such funds as are not loaned out as provided in this chapter and may consult with the state investment board as provided by law. The income, including interest payments on loans, from the trust must be used first to replace uncollectible loans made from the fund and the balance must be deposited in the school construction assistance loan fund. Loan principal payments must be redeposited in the trust fund. The trust fund must be perpetual and held in trust as a replacement for depleted natural resources subject to the provisions of this chapter and chapter 15.1-36.
2. Fifteen percent must be deposited in the lignite research fund for the purpose of developing advanced energy technology.
3. Seventy percent must be allocated to the coal-producing counties and must be distributed among such counties in such proportion as the number of tons [metric tons] of coal severed at each mining operation bears to the total number of tons [metric tons] of coal severed in the state during such monthly period. Allocations under subdivisions a and b must be apportioned by the state treasurer as follows:
   a. If the tipple of the currently active coal mining operation in a county is not within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue apportioned according to this subdivision must be allocated as follows:
      (1) Thirty percent must be paid by the state treasurer to the incorporated cities of the county based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in

accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

(2) Forty percent must be paid to the county treasurer who shall deposit it in the county general fund to be used for general governmental purposes.

(3) Thirty percent must be apportioned by the state treasurer to school districts within the county on the average daily membership basis, as certified to the state treasurer by the county superintendent of schools.

b. If the tipple of a currently active coal mining operation in a county is within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue from the production not exceeding the production limitation in a calendar year which is apportioned from that coal mining operation according to this subsection must be allocated, subject to the definitions of terms and the requirements in paragraph 4, as provided in this subdivision. For purposes of this subdivision, the production limitation is three million eight hundred thousand tons [3447302.02 metric tons] through calendar year 1995, three million six hundred thousand tons [3265865.07 metric tons] in calendar years 1996 and 1997, and three million four hundred thousand tons [3084428.12 metric tons] in calendar years after 1997. Revenue from production exceeding the production limitation in a calendar year from that coal mining operation must be allocated only within the coal-producing county under subdivision a. Allocations under this subdivision must be made as follows:

(1) Thirty percent must be paid by the state treasurer to the incorporated cities of the coal-producing county and to any city of a non-coal-producing county when any portion of the city lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county, based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

(2) Forty percent must be divided by the state treasurer between the general fund of the coal-producing county and the general fund of any

non-coal-producing county when any portion of the latter county lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county. The non-coal-producing county portion must be based upon the ratio which the assessed valuation of all quarter sections of land in that county, any portion of which lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation, bears to the combined assessed valuations of all land in the coal-producing county and the quarter sections of land in the non-coal-producing county within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation. The county director of tax equalization of the coal-producing county shall certify to the state treasurer the number of quarter sections of land in the non-coal-producing counties which lie at least in part within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation and their assessed valuations.

(3) Thirty percent must be apportioned by the state treasurer to school districts within the coal-producing county and to school districts in adjoining non-coal-producing counties when a portion of those school districts' land includes any of the quarter sections of land certified by the director of tax equalization to the state treasurer to be eligible to share county funds as provided for in paragraph 2. The county superintendent of the non-coal-producing counties shall certify to the state treasurer the number of students actually residing on these quarter sections lying outside the coal-producing county and each school district in non-coal-producing counties shall receive a portion of the money under this paragraph based upon the ratio of the number of children residing on quarter sections of that school district within the fifteen-mile [24.14-kilometer] radius of the tipple of a currently active coal mining operation to the total number of schoolchildren from the coal-producing county combined with all the schoolchildren certified to be living on quarter sections within fifteen miles [24.14

kilometers] of the tipple of the currently active coal mining operation in the coal-producing county.

(4) For the purposes of this subdivision:

(a) The terms "currently active coal mining operation in a county", "currently active coal mining operation in the coal-producing county", and "currently active coal mining operation" mean a coal mining operation that produced more than one hundred fifty thousand tons [136077.71 metric tons] of coal in a coal-producing county during the prior quarterly period.

(b) The term "coal-producing county" means a county in which more than one hundred fifty thousand tons [136077.71 metric tons] of coal were mined in the prior quarterly period.

(c) The term "another county in which no coal is mined" means a county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(d) The terms "non-coal-producing county" and "non-coal-producing counties" mean any county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(e) In computing each amount to be paid as provided in paragraph 1, 2, or 3 for coal severance tax revenue from coal mined during a monthly period, the state treasurer shall deduct from the allocation the amount of coal severance tax revenue, if any, that the governmental body in the non-coal-producing county received from the coal mined in the non-coal-producing county during the same monthly period.

(5) The state treasurer shall allocate funds provided by legislative appropriation to cities, the county general fund, and school districts within a coal-producing county according to the allocation method provided in subdivision a in an amount to offset fifty percent of the loss of that county's share of coal severance tax revenue allocated to a non-coal-producing county under this subdivision in the previous calendar year. The state

treasurer shall make the allocation and distribute the funds, within the limits of legislative appropriations, under this paragraph during the first month of each calendar year. The state treasurer shall include in each biennial budget request the amounts estimated to be necessary for the biennium for purposes of this paragraph, based on the allocations under this subdivision in the most recent calendar years.

SECTION 22. REPEAL. ~~Section~~Sections 54-17-41 and 54-18-20 of the North Dakota Century Code ~~is~~are repealed.

SECTION 23. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 14 of the 2015 Session Laws and transferred pursuant to section 6 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 24. EXEMPTION - LIGNITE RESEARCH GRANTS. The amount appropriated to the industrial commission from the general fund for lignite research grants in the grants line item in section 1 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for lignite research grants during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 25. LEGISLATIVE INTENT - RENEWABLE ENERGY DEVELOPMENT FUND. It is the intent of the sixty-fifth legislative assembly that the industrial commission consider applications for funding from the renewable energy development fund for advanced energy technology development projects.

~~**SECTION 31. LEGISLATIVE INTENT - ESSENTIAL SERVICE WORKER HOME OWNERSHIP INCENTIVE FUND.** Of the contributions deposited in the essential service worker home ownership incentive fund during the biennium beginning July 1, 2017, and ending June 30, 2019, it is the intent of the sixty-fifth legislative assembly that the housing finance agency disburse fifty percent within planning regions one and eight and shall disburse the remaining fifty percent within the other planning regions.~~

SECTION 26. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM - LIGNITE MARKETING FEASIBILITY STUDY. The amount of $4,500,000 from the lignite research fund, or so much of the amount as may be necessary, may be used for the purpose of contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and industry jobs or that will lead to increased development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. Moneys appropriated pursuant to this section also may be used for the purpose of contracting for nonmatching studies and activities in support of the lignite vision 21 program; for litigation that may be necessary to protect and promote the continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for the purposes stated in this section are available to the industrial commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

~~**SECTION 33. EFFECTIVE DATE - EXPIRATION DATE.** Sections 23 and 24 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective.~~

March 27, 2017 SB2014 Attachment A

Amendment to SB 2014

SECTION 33. OUTDOOR HERITAGE FUND – LAKE BED SEDIMENTATION STUDY - EXEMPTION - REPORT TO THE LEGISLATIVE MANAGEMENT. The industrial commission shall use $50,000, or so much of the sum as may be necessary, from the outdoor heritage fund for the geological survey division of the department of mineral resources to conduct a study in consultation with the game and fish department, department of health, office of the state engineer, and water commission regarding the feasibility of and appropriate jurisdiction for regulation of sediment studies and dredging operations from the beds of reservoirs that retain more than fifty acre feet of surface water, for the biennium beginning July 1, 2017, and ending June 30, 2019. Notwithstanding any outdoor heritage program policies, the study does not require matching funds. The department shall provide a report to the industrial commission and the legislative management by September 30, 2018, regarding the results and recommendations of the study.

Upper left: Coring on Miller Lake in Divide County. Upper right: Coring on Grenora Lake #1 in Divide County. Middle left: Breaking through the ice at North Lake in Divide County. Middle right: Crystals of glauber salt (sodium sulfate) at a depth of 11 feet below Miller Lake, Divide County. Lower left: Truck-mounted soil probe coring in Tolna Coulee just west of Stumpf Lake, Nelson County. Lower right: The $9 million Tolna Coulee control structure in 2012. The control elevation of the structure was based on the results of our 1997 study.

March 27, 2017 SB2014 Attachment B

17.0522.02002
Title.

Fiscal No. 3

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations Division Committee
March 27, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 3, remove the third "to"

Page 1, remove lines 4 through 7

Page 1, line 8, remove "tax credits;"

Page 1, line 8, after the third comma insert "54-18-19"

Page 1, line 9, remove "occupational or"

Page 1, line 10, replace "professional" with "recreational"

Page 1, line 10, after the second comma insert "North Dakota mill and elevator profits,"

Page 1, line 11, replace "section" with "sections"

Page 1, line 11, after "54-17-41" insert "and 54-18-20"

Page 1, line 12, after "reports" insert "and a gain-sharing program"

Page 2, replace lines 1 through 8 with:

"Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25"

Page 2, replace lines 13 through 15 with:

"Bank of North Dakota operations	$58,542,301	($553,097)	$57,989,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	($488,097)	$58,799,204"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,745,034	$147,022	$7,892,056
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828

Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,010,150	$44,530,239
Full-time equivalent positions	46.00	(2.00)	44.00"

Page 3, replace lines 10 through 12 with:

"Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	9,768,433	187,886,168
Grand total all funds	$203,075,481	$10,219,674	$213,295,155

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month."

Page 5, line 5, replace "$1,254,462" with "$221,737"

Page 5, line 5, replace "six" with "two"

Page 5, line 9, remove "the thresholds identified in this section. Of the $1,254,462 and the six full-time"

Page 5, replace lines 10 through 18 with "eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred."

Page 5, line 20, replace "$1,103,986" with "$1,103,779"

Page 7, line 11, replace "thirteen" with "thirty"

Page 7, line 20, remove the overstrike over "~~- **Suspension of** ~~"

Page 7, line 21, after "~~**license**~~" insert "**recreational licenses**"

Page 7, line 21, remove the overstrike over "~~**for nonpayment of defaulted state guaranteed student loans**~~"

Page 7, line 22, remove the overstrike over "~~1.~~"

Page 7, line 29, remove the overstrike over "~~2.~~"

Page 8, line 15, after the overstruck period insert "The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department, which the judgment debtor is required to obtain prior to engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department."

Page 8, remove lines 16 through 21

Page 8, line 24, remove the overstrike over "~~(Effective through June 30,~~"

Page 8, line 24, after "~~2017~~" insert "**2019**"

Page 8, line 24, remove the overstrike over the closing boldfaced parenthesis

Page 10, remove lines 30 and 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 31

Page 14, replace lines 1 through 22 with:

"**SECTION 20. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. (Effective through June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

(Effective after June 30, 2019) Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 19, line 3, replace "Section" with "Sections"

Page 19, line 3, after "54-17-41" insert "and 54-18-20"

Page 19, line 3, replace "is" with "are"

Page 19, remove lines 21 through 26

Page 20, remove lines 13 through 15

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Base Budget	Senate Version	House Changes	House Version
Industrial Commission				
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206

General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
Bank of North Dakota				
Total all funds	$59,287,301	$59,336,944	($537,740)	$58,799,204
Less estimated income	59,287,301	59,336,944	(537,740)	58,799,204
General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$203,075,481	$214,930,939	($1,635,784)	$213,295,155
Less estimated income	178,117,735	188,466,417	(580,249)	187,886,168
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987

Senate Bill No. 2014 - Industrial Commission - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$22,132,229	$22,038,346	($24,262)	$22,014,084
Operating expenses	4,779,135	6,305,888		6,305,888
Grants - Bond payments	15,040,829	13,210,484		13,210,484
Contingencies		1,254,462	(1,032,725)	221,737
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987
FTE	116.75	114.25	(4.00)	110.25

Department No. 405 - Industrial Commission - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Adjusts Contingent FTE Positions[2]	Total House Changes
Salaries and wages	($24,262)		($24,262)
Operating expenses			
Grants - Bond payments			
Contingencies		(1,032,725)	(1,032,725)
Total all funds	($24,262)	($1,032,725)	($1,056,987)
Less estimated income	(1,452)	0	(1,452)
General fund	($22,810)	($1,032,725)	($1,055,535)
FTE	0.00	(4.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Contingent funding and authorization for FTE positions are adjusted to provide $221,737 from the general fund and 2 FTE positions. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells as identified in Section 7 of the bill.

This amendment also includes the following changes related to the Industrial Commission:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells. The Senate provided $1,254,462 from the general fund and 6 FTE positions.
- Allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services. The transfer was adjusted for the health insurance adjustment compared to the transfer of $1,103,986 provided by the Senate.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Base Budget	Senate Version	House Changes	House Version
Capital assets	$745,000	$810,000		$810,000
Bank of North Dakota operations	58,542,301	58,526,944	(537,740)	57,989,204
Total all funds	$59,287,301	$59,336,944	($537,740)	$58,799,204
Less estimated income	59,287,301	59,336,944	(537,740)	58,799,204
General fund	$0	$0	$0	$0
FTE	181.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Reduces Funding for Salaries and Wages[2]	Total House Changes
Capital assets			
Bank of North Dakota operations	(37,740)	(500,000)	(537,740)
Total all funds	($37,740)	($500,000)	($537,740)
Less estimated income	(37,740)	(500,000)	(537,740)
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Funding for salaries and wages is reduced by $500,000.

This amendment also includes the following changes related to the Bank of North Dakota:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Authorizes the Bank of North Dakota to charge up to 30 percent of accumulated principal and interest on defaulted student loans. The Senate provided authorization to charge up to 13 percent.

- Provides the authority to suspend a recreational license when the licensee's student loans are in default. The Senate removed the authority to suspend an occupational or professional license.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$7,745,034	$7,901,387	($9,331)	$7,892,056
Operating expenses	3,744,275	4,743,355		4,743,355
Grants	25,930,780	31,794,828		31,794,828
HFA contingencies	100,000	100,000		100,000
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239
General fund	$0	$0	$0	$0
FTE	46.00	46.00	(2.00)	44.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Removes FTE Positions[2]	Total House Changes
Salaries and wages	($9,331)		($9,331)
Operating expenses			
Grants			
HFA contingencies			
Total all funds	($9,331)	$0	($9,331)
Less estimated income	(9,331)	0	(9,331)
General fund	$0	$0	$0
FTE	0.00	(2.00)	(2.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Authorization for 2 FTE positions is removed. Funding for 2 FTE positions, including a housing program administrator position and a housing program representative, was removed by the Senate.

This amendment also includes the following changes related to the Housing Finance Agency:

- Continues the housing incentive fund only for the 2017-19 biennium.
- Removes a section added by the Senate to provide up to $5 million of income tax credits for contributions to the housing incentive fund which would have reduced general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections.
- Removes a section added by the Senate to establish the essential service worker home ownership incentive fund and to identify the uses of the fund.
- Removes a section added by the Senate to provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund which would have reduced general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections.
- Removes a section added by the Senate to identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions 1 and 8 and the remaining contributions for the other planning areas.

- Removes a section added by the Senate to provide an effective date and expiration date related to the housing incentive fund and the essential service worker home ownership incentive fund tax credits.

Senate Bill No. 2014 - Mill and Elevator - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	$36,278,898	$39,340,245	($31,726)	$39,308,519
Operating expenses	27,327,000	28,195,000		28,195,000
Contingencies	500,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519
General fund	$0	$0	$0	$0
FTE	147.00	153.00	0.00	153.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adjusts Funding for Health Insurance Increases[1]	Total House Changes
Salaries and wages	($31,726)	($31,726)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	($31,726)	($31,726)
Less estimated income	(31,726)	(31,726)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Mill and Elevator Association:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604.
- Section 22 repeals Section 54-18-20 which authorizes a gain-sharing program. The removal of the gain-sharing program may affect the profits available for transfer to the agricultural products utilization fund and the general fund, but the amounts cannot be determined.

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4-10-17

#1

Industrial Commission - Budget No. 405
Senate Bill No. 2014
Base Level Funding Changes

	Senate Version				House Version				House Changes to Senate Version Increase (Decrease) - Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	116.75	$24,957,746	$16,994,447	$41,952,193	116.75	$24,957,746	$16,994,447	$41,952,193	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes		$66,741	$82,522	$149,263		$66,741	$82,522	$149,263				$0
Health insurance increase		314,819	20,034	334,853		292,009	18,582	310,591		(22,810)	(1,452)	(24,262)
Removes FTE positions	(8.50)	(577,999)		(577,999)	(8.50)	(577,999)		(577,999)				0
Adds funding for contingent FTE positions	6.00	1,254,462		1,254,462	2.00	221,737		221,737	(4.00)	(1,032,725)		(1,032,725)
Adjusts funding operating expenses		448,753	78,000	526,753		448,753	78,000	526,753				0
Decreases funding for bond payments			(1,830,345)	(1,830,345)			(1,830,345)	(1,830,345)				0
Total ongoing funding changes	(2.50)	$1,506,776	($1,649,789)	($143,013)	(6.50)	$451,241	($1,651,241)	($1,200,000)	(4.00)	($1,055,535)	($1,452)	($1,056,987)
One-time funding items												
Federal litigation costs			$1,000,000	$1,000,000			$1,000,000	$1,000,000				$0
Total one-time funding changes	0.00	$0	$1,000,000	$1,000,000	0.00	$0	$1,000,000	$1,000,000	0.00	$0	$0	$0
Total Changes to Base Level Funding	(2.50)	$1,506,776	($649,789)	$856,987	(6.50)	$451,241	($651,241)	($200,000)	(4.00)	($1,055,535)	($1,452)	($1,056,987)
2017-19 Total Funding	114.25	$26,464,522	$16,344,658	$42,809,180	110.25	$25,408,987	$16,343,206	$41,752,193	(4.00)	($1,055,535)	($1,452)	($1,056,987)

Other Sections in Industrial Commission - Budget No. 405

	Senate Version	House Version
Health insurance increase		Section 2 identifies the funding increase for health insurance premium increases included in the agency's appropriation.
Bond payments	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.	Section 4 provides legislative intent for bond payments, and Section 6 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.
Contingent FTE positions	Section 6 identifies $1,254,462 from the general fund and 6 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds certain amounts, subject to Budget Section approval.	Section 7 identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds 18,200 wells, subject to Budget Section approval. One position may be hired after May 31, 2018, and another position may be hired after November 30, 2018.

Other Sections in Industrial Commission - Budget No. 405

	Senate Version	House Version
Administrative cost transfers	Section 7 allows the Industrial Commission to transfer up to $1,103,986 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 27 provides an exemption and allows any unspent 2015-17 biennium appropriations for administrative costs to continue in the 2017-19 biennium.	Section 8 allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 26 provides an exemption and allows any unspent 2015-17 biennium appropriations for administrative costs to continue in the 2017-19 biennium.
Advanced technology development	Section 14 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium, identifies the funding for advanced energy technology research and development, and provides matching requirements for grant recipients. Section 25 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology. Section 29 provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.	Section 15 provides a transfer of $3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium, identifies the funding for advanced energy technology research and development, and provides matching requirements for grant recipients. Section 22 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology. Section 28 provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.
Litigation expenses	Section 15 identifies $1 million in the estimated income line item from the strategic investment and improvements fund for litigation expenses.	Section 16 identifies $1 million in the estimated income line item from the strategic investment and improvements fund for litigation expenses.
Lignite research	Section 28 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 31 provides intent that $4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.	Section 27 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 29 provides intent that $4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.
Lake bed sedimentation study		Section 31 requires the Industrial Commission, in cosultation with the Game and Fish Department, the State Department of Health, and the State Water Commission, to study lake bed sedimentation and to report the results to the Legislative Management.

SB 2014 Conference
4-10-17
#2

Bank of North Dakota - Budget No. 471
Senate Bill No. 2014
Base Level Funding Changes

	Senate Version				House Version				House Changes to Senate Version Increase (Decrease) - Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	181.50	$0	$59,287,301	$59,287,301	181.50	$0	$59,287,301	$59,287,301	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes			$390,404	$390,404			$390,404	$390,404				$0
Health insurance increase			520,884	520,884			483,144	483,144			(37,740)	(37,740)
Additional salary increases			1,459,131	1,459,131			1,459,131	1,459,131				0
Reduces funding for salaries and wages				0			(200,000)	(200,000)			(200,000)	(200,000)
Reduces operating expenses			(1,174,818)	(1,174,818)			(1,174,818)	(1,174,818)				0
Reduces operating expenses - 2 percent			(1,210,958)	(1,210,958)			(1,210,958)	(1,210,958)				0
Adds funding for information technology equipment			65,000	65,000			65,000	65,000				0
Total ongoing funding changes	0.00	$0	$49,643	$49,643	0.00	$0	($188,097)	($188,097)	0.00	$0	($237,740)	($237,740)
One-time funding items												
No one-time funding items				$0				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	$49,643	$49,643	0.00	$0	($188,097)	($188,097)	0.00	$0	($237,740)	($237,740)
2017-19 Total Funding	181.50	$0	$59,336,944	$59,336,944	181.50	$0	$59,099,204	$59,099,204	0.00	$0	($237,740)	($237,740)

Other Sections in Bank of North Dakota - Budget No. 471

	Senate Version	House Version
Health insurance increase		Section 2 identifies the funding increase for health insurance premium increases included in the agency's appropriation.
Transfer to general fund	Section 8 provides for a transfer of $140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.	Section 9 provides for a transfer of $140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund for the 2017-19 biennium.
Transfer to partnership in assisting community expansion (PACE) fund	Section 9 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.	Section 10 provides for a transfer of $16 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2017-19 biennium.
Transfer to Ag PACE fund	Section 10 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.	Section 11 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2017-19 biennium.
Transfer to biofuels PACE fund	Section 11 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.	Section 12 provides for a transfer of $1 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2017-19 biennium.
Transfer to beginning farmer revolving loan fund	Section 12 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.	Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2017-19 biennium.

Other Sections in Bank of North Dakota - Budget No. 471

	Senate Version	House Version
School construction loan fund	Section 13 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the Bank of North Dakota for school construction loan interest rate buydowns for the 2017-19 biennium.	Section 14 provides for a transfer of $6 million from the Bank of North Dakota's current earnings and undivided profits to the Bank of North Dakota for school construction loan interest rate buydowns for the 2017-19 biennium.
Student loans	Section 16 authorizes the Bank of North Dakota to charge reasonable fees for student loan guarantees and for collections on defaulted student loans. Section 17 removes the authority to suspend an occupational or professional license when the licensee's student loans are in default.	Section 17 authorizes the Bank of North Dakota to charge reasonable fees for student loan guarantees and for collections on defaulted student loans. Section 18 provides authority to suspend a recreational license when the licensee's student loans are in default.
North Dakota financial center project		Section 24 repeals the references to a North Dakota financial center, and Section 30 prohibits the Bank of North Dakota from constructing a North Dakota financial center. Section 34 provides an emergency clause related to the sections.

SB 2014 Conference
4-10-17

#3

Housing Finance Agency - Budget No. 473
Senate Bill No. 2014
Base Level Funding Changes

	Senate Version				House Version				House Changes to Senate Version Increase (Decrease) - Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	46.00	$0	$37,520,089	$37,520,089	46.00	$0	$37,520,089	$37,520,089	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes			$92,182	$92,182			$92,182	$92,182				$0
Health insurance increase			128,790	128,790			119,459	119,459			(9,331)	(9,331)
Additional salary increases			257,425	257,425			257,425	257,425				0
Removes additional FTE positions				0	(2.00)		(254,677)	(254,677)	(2.00)		(254,677)	(254,677)
Adds Housing and Urban Development grants			6,017,048	6,017,048			6,017,048	6,017,048				0
Increases funding for operating expenses			45,630	45,630			45,630	45,630				0
Reduces budget - 1 percent			(448,594)	(448,594)	(2.00)		(448,594)	(448,594)	(2.00)			0
Reduces grant funding for program outreach			(43,000)	(43,000)			(43,000)	(43,000)				0
Increases funding for mortgage servicing premiums			970,000	970,000			970,000	970,000				0
Total ongoing funding changes	0.00	$0	$7,019,481	$7,019,481	(4.00)	$0	$6,755,473	$6,755,473	(4.00)	$0	($264,008)	($264,008)
One-time funding items												
No one-time funding items				$0				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	$7,019,481	$7,019,481	(4.00)	$0	$6,755,473	$6,755,473	(4.00)	$0	($264,008)	($264,008)
2017-19 Total Funding	46.00	$0	$44,539,570	$44,539,570	42.00	$0	$44,275,562	$44,275,562	(4.00)	$0	($264,008)	($264,008)

Other Sections in Housing Finance Agency - Budget No. 473

	Senate Version	House Version
Health insurance increase		Section 2 identifies the funding increase for health insurance premium increases included in the agency's appropriation.
Additional income	Section 4 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.	Section 5 provides appropriation authority to the Housing Finance Agency for any additional or unanticipated income from federal or other funds which may become available during the 2017-19 biennium. The section also requires the Housing Finance Agency to notify the Office of Management and Budget and the Legislative Council of additional income received.

Other Sections in Housing Finance Agency - Budget No. 473

	Senate Version	House Version
Housing incentive fund	Section 19 continues the housing incentive fund for the 2017-19 biennium, changes the requirement for the Housing Finance Agency to report to the Budget Section from a quarterly report to a biennial report, and requires the Housing Finance Agency to report to the Industrial Commission upon request. Sections 21 and 23 provide up to $5 million of income tax credits for contributions to the housing incentive fund reducing general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections. Section 26 repeals a section of North Dakota Century Code related to Housing Finance Agency reports to the Industrial Commission. Section 32 provides an effective date and expiration date related to the housing incentive fund tax credits.	Section 19 amends Section 54-17-07.3 to remove a reference to the housing incentive fund, which becomes effective December 31, 2018, pursuant to Section 32 of the bill. Section 20 continues the housing incentive fund, changes the requirement for the Housing Finance Agency to report to the Budget Section from a quarterly report to a biennial report, and requires the Housing Finance Agency to report to the Industrial Commission upon request. Section 23 repeals a section of North Dakota Century Code related to Housing Finance Agency reports to the Industrial Commission. Section 25 repeals the housing incentive fund effective December 31, 2018, pursuant to Section 32 of the bill.
Essential service worker home ownership incentive fund	Section 18 creates an essential service worker home ownership incentive program. Section 20 establishes the essential service worker home ownership incentive fund and identifies the uses of the fund. Sections 22 and 24 provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund reducing general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections. Section 30 identifies 50 percent of the contributions to the essential service worker home ownership fund for planning regions one and eight and the remaining contributions for the other planning areas. Section 32 provides an effective date and expiration date related to the essential service worker home ownership incentive fund tax credits.	

SB 2014 Conference
4-10-17
#4

Mill and Elevator Association - Budget No. 475
Senate Bill No. 2014
Base Level Funding Changes

	Senate Version				House Version				House Changes to Senate Version Increase (Decrease) - Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	147.00	$0	$64,315,898	$64,315,898	147.00	$0	$64,315,898	$64,315,898	0.00	$0	$0	$0
2017-19 Ongoing Funding Changes												
Base payroll changes			$2,539,491	$2,539,491			$2,539,491	$2,539,491				$0
Health insurance increase			437,886	437,886			406,160	406,160			(31,726)	(31,726)
Adds funding for FTE positions	6.00		768,893	768,893	6.00		768,893	768,893				0
Removes funding for FTE position			(115,280)	(115,280)			(115,280)	(115,280)				0
Reduces salaries and wages - 1 percent			(569,643)	(569,643)			(569,643)	(569,643)				0
Increases in utilities, supplies, and repairs			868,000	868,000			868,000	868,000				0
Total ongoing funding changes	6.00	$0	$3,929,347	$3,929,347	6.00	$0	$3,897,621	$3,897,621	0.00	$0	($31,726)	($31,726)
One-time funding items												
No one-time funding items				$0				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	6.00	$0	$3,929,347	$3,929,347	6.00	$0	$3,897,621	$3,897,621	0.00	$0	($31,726)	($31,726)
2017-19 Total Funding	153.00	$0	$68,245,245	$68,245,245	153.00	$0	$68,213,519	$68,213,519	0.00	$0	($31,726)	($31,726)

Other Sections in Mill and Elevator Association - Budget No. 475

	Senate Version	House Version
Health insurance increase	No other sections included in the Senate version.	Section 2 identifies the funding increase for health insurance premium increases included in the agency's appropriation.
Transfer to general fund		Section 21 amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604. Section 33 provides an expiration date related to Section 21.
Gain-sharing program		Section 23 repeals Section 54-18-20 which authorizes a gain-sharing program. The removal of the gain-sharing program may increase the profits available for transfer to the agricultural products utilization fund and the general fund, but the amounts cannot be determined.

SB 2014 Conference
4-17-17
1

For the year ending June 30, 2017 the goals are as follows:

Gain Sharing 1st Part - 4% Bonus Potential*

Goals		
Cwt./man-hour	(includes all hours)	34.5
Cost per cwt.	(before gain sharing exp.)	$2.15
Yield		77.2%
Safety Record		165 Points

*4% bonus potential if all numbers are met or exceeded. Each goal is worth 1% of the 4%.

Gain Sharing 2nd Part - Uncapped Bonus Potential

Profits (before gain sharing expense accrual):

2.0 million = 0.0% bonus pay out
4.5 million = 4.5% bonus pay out
Each additional 1.0 million in profits = 1.0% additional bonus payout.

NOTE: The 1st Part of the gain sharing goals begin to payout at a profit (before gain sharing expense accrual) level greater than $1.0 million. The 2nd Part of the Gain sharing Goals begin to payout at a profit (before gain sharing expense accrual) level greater than $2.0 million.

EXAMPLE #1:
The mill makes $2.5 million profit (before gain sharing expense accrual) and we exceed the goal for cwt./man-hour and cost/cwt. but not the safety record or yield. The total bonus received would be 2% for goals + 0% for profit = 2.0%.

EXAMPLE #2:
The mill makes $4.5 million profit (before gain sharing expense accrual) and we exceed the goal for cwt. /man-hour, cost/cwt., and the safety record but not the yield. The total bonus received would be 3% for goals + 4.5% for profit = 7.5%.

North Dakota Mill
Historical Gainsharing

Fiscal Year	Profits	Payout To Employees	Gainsharing % of Employee W-2 Wages	Average Payout	Average Wage	
2002	$ 1,924,595	$ 244,704	5.26%	$ 2,109	$ 40,095	
2003	$ 2,003,461	$ 245,555	5.34%	$ 2,192	$ 41,049	
2004	$ 5,636,472	$ 390,376	8.00%	$ 3,455	$ 43,188	
2005	$ 5,806,157	$ 532,955	10.48%	$ 4,845	$ 46,231	
2006	$ 6,225,560	$ 574,623	10.95%	$ 4,954	$ 45,242	
2007	$ 5,114,465	$ 549,349	9.81%	$ 4,616	$ 47,054	
2008	$ (821,607)	$ -	0.00%	$ -	$ 44,886	
2009	$ (9,697,054)	$ -	0.00%	$ -	$ 48,430	avg wage extrapolate
2010	$ 13,179,910	$1,201,974	18.65%	$ 9,693	$ 51,973	
2011	$ 16,088,024	$1,496,513	21.90%	$ 11,601	$ 52,973	
2012	$ 8,048,398	$ 970,081	13.26%	$ 7,638	$ 57,602	
2013	$ 11,907,227	$1,300,138	17.52%	$ 10,237	$ 58,430	
2014	$ 13,351,343	$1,389,214	18.09%	$ 11,026	$ 60,951	
2015	$ 16,675,348	$1,805,863	21.84%	$ 13,586	$ 62,207	
2016	$ 9,336,618	$1,274,309	14.86%	$ 9,439	$ 63,520	
15 year average	$ 6,985,261	$ 798,377	11.73%	$ 6,359	$ 50,922	
10 year average	$ 8,318,267	$ 998,744	13.59%	$ 7,784	$ 54,802	

NORTH DAKOTA MILL
GAIN SHARING PROGRAM
FY 2017

- Eligibility – all full-time employees on June 30, 2017 that worked a minimum of 1,000 hours during the program year are eligible.
- No pay out of any bonuses if profit before gain sharing expense accrual does not exceed 2.0 million dollars.
- No payout on the profit part of the plan if profit before gain sharing expense accrual does not exceed 4.0 million dollars.
- Payout will be calculated as a percent of earnings from July 1, 2016 to June 30, 2017.
- Goal numbers were set to reflect current realities for the new plan year.
- Goal numbers were set by the General Manager and are attainable with effort.

The plan consists of two independent parts. 4% potential payout is from exceeding gain sharing goals and an un-capped potential payout is from profits.

SB 2014 Conference
4-17-17

PROPOSED AMENDMENT TO SENATE BILL NO. 2014 - CONFERENCE COMMITTEE

#2

SECTION 31. LAKE BED SEDIMENTATION STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the game and fish department, the state department of health, ~~and~~ the state water commission, and any other necessary state agencies regarding the feasibility of and appropriate jurisdiction for regulation of sediment studies and dredging operations from the beds of reservoirs that retain more than fifty acre-feet of surface water. The study must include consideration of best practices in other states, an outline of any proposed regulations, and a plan to implement a uniform permitting process. The industrial commission shall report to the legislative management by September 30, 2018, regarding the results and recommendations of the study.

SB 2014 Conference
4-18-17
#1

North Dakota Mill
Gainshare Payout FY 2016

First Name	Last Name	GS/Payout
Gene	Akset	$ 11,555.90
Bruce	Anderson	$ 8,422.49
James	Augustine	$ 9,414.94
Chad	Avdem	$ 5,049.79
Kevin	Ayotte	$ 11,185.16
Edward	Barchenger	$ 24,923.37
Eric	Beardemphl	$ 9,308.10
Timothy	Berhow	$ 9,161.63
Jeff	Bertsch	$ 16,479.04
Travis	Bina	$ 9,858.24
Russ	Bischof	$ 12,509.44
Jared	Bjerk	$ 3,822.70
Ben	Bjornson	$ -
Mitchell	Bjornson	$ 7,495.78
David	Bodnar	$ 11,374.74
Dannyl	Boe	$ 9,642.26
Rebecca	Boman	$ 5,125.95
Chad	Boushee	$ 8,003.96
Steven	Bratvold	$ 5,632.42
Luis	Briseno	$ 12,335.41
Sheila	Bruner	$ 5,933.79
Bruce	Burman	$ 9,774.84
Ronald	Bushaw	$ 9,695.48
Matt	Bye	$ 8,724.31
Lucas	Bye	$ 8,912.12
Adam	Bye	$ 7,220.79
Andrew	Byington	$ 5,768.91
Daniel	Cariveau	$ 7,982.85
Paul	Casserly	$ 11,974.80
James	Casserly II	$ 11,435.60
Jesus	Castillo	$ 9,543.71
Daniel	Cooley	$ 6,046.39
Melody	Davidson	$ 5,620.28
Sharla	Devine	$ 7,733.14
Travis	Devlin	$ 14,797.29
Cathy	Dub	$ 9,778.49
Luke	Dudgeon	$ 11,325.99
Ross	Dudgeon	$ 9,498.84
Christopher	Egeland	$ 7,318.33
Darrell	Ekberg	$ 5,792.44
Zachary	Emineth	$ 11,650.24
Jonathan	Everding	$ 9,394.03
Jason	Ferguson	$ 7,901.53
Susan	Fortner	$ 5,967.56
David	Gaddie	$ 12,894.67
Dwight	Gerszewski	$ 10,112.49
Leona	Gerszewski	$ 6,818.16
Bryan	Grossman	$ 4,401.11
Shane	Grotte	$ 10,306.09
Rick	Gunderson	$ 11,508.80
Alex	Gustafson	$ 7,789.72
Michael	Harlow	$ 5,765.19
Feyber	Hebron	$ 8,768.43
Nick	Hemmingsen	$ -
Micah	Herring	$ 12,740.66
Wayne	Hilliard	$ 7,727.67
Kathy	Hjelden	$ 7,552.88
Russell	Hons Jr	$ 9,628.07
Darren	Horter	$ 8,718.10
Dean	Hove	$ 8,842.31
Kenneth	Hursh	$ 11,026.41
Dillon	Janousek	$ 20,353.14
Kevin	Jerik	$ 9,007.02
Todd	Johnson	$ 11,475.59
Shane	Johnson	$ 15,693.41
Michael	Jones	$ 20,518.09
Caleb	Kellar	$ 10,193.83
Robert	Kessel	$ 9,133.11
Gregory	Kezar	$ 10,461.94
David	Klinger	$ 14,881.69
Matthew	Koller	$ -
Ronald	Kroll	$ 13,053.69
Mark	Kuntz	$ 10,200.95
Craig	Larson	$ 7,537.21
Christopher	Lemoine	$ 19,695.00
Gregory	Linnell	$ 9,590.81
Lori	Luney	$ 5,532.31
David	Lysne	$ 6,656.36
David	Makarim-Kays	$ -
Brent	Massmann	$ 12,572.84
Gregory	McKeever	$ 7,261.02
Cody	Michalski	$ 11,186.09
Ryan	Miller	$ 10,482.89
Harold	Miller	$ 6,197.33
Thomas	Miller II	$ 9,434.96
Henry	Mumma	$ 10,716.12
Brian	Murphy	$ 9,247.70
Rebecca	Murphy	$ 4,790.80
Greg	Murphy	$ 6,147.74
Jason	Nail	$ 9,391.82
Donald	Nelson	$ 11,954.14
Kris	Nelson	$ 6,198.50
Adolfo	Obregon	$ 12,026.01
Orlando	Obregon	$ 10,278.14
Bryan	Olson	$ 7,353.04
Jason	Payne	$ 9,919.77
William	Pederson	$ 6,752.62
Tomas Jr	Perez	$ 7,410.84
Lucas	Perez	$ 5,581.20
Jesus	Perez	$ 11,071.12
Diane	Peterka	$ 7,127.10
Robert	Petrick	$ 8,177.62
Kiel	Rasmuson	$ 12,418.23
Jon	Rebsch	$ 9,322.25
Matt	Reimer	$ 9,637.17
Steven	Reinert Jr	$ 9,720.61
Jeremy	Rinde	$ 7,723.71
Kevin	Robinson	$ 9,770.68
Matthew	Rodriguez	$ -
Treyton	Rubie	$ -
Robert	Rynestad	$ 7,031.12
David	Rynestad	$ 9,400.36
Steve	Sannes	$ 22,231.15
Robert	Schmidt	$ 12,016.06
Josiah	Scott	$ 5,119.20
Peder	Skjoiten	$ 7,108.37
Robert	Sombke	$ 16,479.04
Tamra	Srnsky	$ 7,872.32
Zachary	Srnsky	$ 9,014.46
Tony	Stoffel	$ 8,217.76
Bradley	Storbakken	$ 9,546.63
Brian	Storbakken	$ 7,496.60
James	Storie	$ 9,770.68
David	Strand	$ 8,609.93
Jerry	Strand	$ 8,412.54
Adam	Strobeen	$ 8,486.62
Alan	Sundby	$ 7,921.49
Ryan	Svoboda	$ 11,170.74
Anita	Sweatt	$ 9,966.27
J. Vance	Taylor	$ -
Troy	Thompson	$ 10,853.95
Tyler	Thompson	$ 7,352.34
Todd	Thorson	$ 7,407.48
Jared	Tozer	$ 7,066.66
Jonathan	Tweed	$ 5,822.69
David	Uhlir	$ 7,128.80
Jeffrey	VanCamp	$ 7,470.72
Joe	Vanyo	$ 6,536.98
Danny	Visness	$ 6,049.08
Zachary	Waxvik	$ 9,038.75
David	Wells	$ 7,928.05
Debra	Wilson	$ 6,232.10

Total: $ 1,274,308.98
Average Gain Sharing Amt: $ 9,439.33

Signature: _____ **Date:** _____

pg 1

Gain Sharing 2015

Employee ID	First Name	Last Name	GS/Payout
9842	Gene	Akset	$17,854.10
9725	Bruce	Anderson	$12,682.12
9875	James	Augustine	$13,270.48
2201	Chad	Avdem	$0.00
325	Kevin	Ayotte	$15,930.37
1010	Edward	Barchenger	$33,612.19
9859	Eric	Beardemphl	$13,673.48
700	Timothy	Berhow	$12,883.75
800	Jeff	Bertsch	$22,855.17
10030	Travis	Bina	$11,745.19
2033	Russ	Bischof	$17,851.30
910	Mitchell	Bjornson	$10,172.90
9851	David	Bodnar	$15,649.46
925	Dannyl	Boe	$13,273.53
9885	Rebecca	Boman	$7,180.28
1030	Chad	Boushee	$11,970.31
9899	Steven	Bratvold	$8,037.52
2178	Luis	Briseno	$19,216.77
2037	Sheila	Bruner	$8,076.46
2077	Bruce	Burman	$13,681.92
1160	Ronald	Bushaw	$14,794.69
2022	Nicholas	Bushaw	$15,172.81
9837	Matt	Bye	$11,640.30
9849	Lucas	Bye	$12,508.96
9864	Adam	Bye	$10,776.95
2195	Andrew	Byington	$5,477.06
1500	Daniel	Cariveau	$10,818.96
1650	Paul	Casserly	$17,075.15
2157	Jesus	Castillo	$13,812.18
2028	Daniel	Cooley	$10,374.03
2100	Melody	Davidson	$7,768.74
2130	Sharla	Devine	$11,519.10
2135	Travis	Devlin	$20,840.48
2173	Cathy	Dub	$13,681.92
9865	Luke	Dudgeon	$17,260.40
9895	Ross	Dudgeon	$15,073.23
9983	Christopher	Egeland	$12,290.68
2600	Darrell	Ekberg	$9,342.57
2189	Zachary	Emineth	$16,248.17
2710	Jonathan	Everding	$15,180.49
9836	Jason	Ferguson	$11,917.02
2075	Susan	Fortner	$7,899.80
2006	David	Gaddie	$17,403.76
3550	Dwight	Gerszewski	$14,315.79
3560	Leona	Gerszewski	$9,110.54
2160	Johanna	Glidwell	$17,080.94
9852	Shane	Grotte	$17,335.37
9911	Rick	Gunderson	$17,994.35
9863	Alex	Gustafson	$11,643.32
2045	Michael	Harlow	$7,703.46
9890	Feyber	Hebron	$13,491.86
2065	Micah	Herring	$18,216.81
2101	Wayne	Hilliard	$12,004.56
4200	Kathy	Hjelden	$10,792.16
2184	Russell	Hons Jr	$14,154.81
4382	Darren	Horter	$12,344.36
9950	Dean	Hove	$13,366.28
4410	Kenneth	Hursh	$15,719.38
4425	Ben	Hutton	$11,869.06
2175	Dillon	Janousek	$23,655.61
4625	Kevin	Jerik	$11,746.08
2062	Todd	Johnson	$15,481.51
4985	Shane	Johnson	$22,065.81
4980	Michael	Jones	$28,454.87
2205	Caleb	Kellar	$0.00
2050	Robert	Kessel	$13,675.67
5100	Gregory	Kezar	$15,291.65
2001	Andrew	Klinger	$14,214.36
5250	David	Klinger	$19,773.16
5500	Ronald	Kroll	$17,641.94
5675	Mark	Kuntz	$14,470.14
5750	Craig	Larson	$10,693.01
5925	Christopher	Lemoine	$27,315.47
5955	Lori	Luney	$7,911.43
6125	David	Lysne	$9,410.98
2207	Sean	Martin	$0.00
6455	Brent	Massmann	$14,468.97
6210	Gregory	McKeever	$11,883.60
2080	Cody	Michalski	$17,336.10
2081	Ryan	Miller	$17,512.17
6550	Harold	Miller	$8,970.06
2066	Thomas	Miller II	$14,845.44
2068	Henry	Mumma	$17,725.25
2069	Brian	Murphy	$14,153.82
2197	Rebecca	Murphy	$4,311.02
9876	Greg	Murphy	$9,092.46
9880	Jason	Nail	$12,489.44
7400	Donald	Nelson	$16,389.01
7405	Kris	Nelson	$8,964.83
2147	Adolfo	Obregon	$16,473.34
2198	Orlando	Obregon	$8,429.51
7725	Bryan	Olson	$10,299.68
9828	Jason	Payne	$15,383.34
8300	William	Pederson	$9,603.29
2083	Tomas Jr	Perez	$11,298.17
2143	Jesus	Perez	$16,460.36
8720	Diane	Peterka	$10,059.29
8710	Robert	Petrick	$12,594.95
9965	Kiel	Rasmuson	$16,798.10
9050	Jon	Rebsch	$12,504.17
2166	Matt	Reimer	$15,977.59
2200	Steven	Reinert Jr	$5,629.05
9120	Jeremy	Rinde	$15,903.26
9125	Kevin	Robinson	$13,681.92
2162	Donald	Rodriguez	$9,784.87
9833	David	Rynestad	$13,960.65
9560	Steve	Sannes	$28,454.87
9853	Debbie	Sauskojus	$8,861.60
9700	Robert	Schmidt	$17,738.89
2099	Peder	Skjoiten	$10,143.72
9850	Robert	Sombke	$22,855.17
10150	Tamra	Srnsky	$12,318.21
2067	Tony	Stoffel	$12,718.85
9862	Bradley	Storbakken	$12,807.52
9925	Brian	Storbakken	$12,169.51
2174	James	Storie	$12,857.24
10300	David	Strand	$12,664.58
10310	Jerry	Strand	$14,427.68
2052	Adam	Strobeen	$12,408.84
2014	Alan	Sundby	$12,231.18
2145	Ryan	Svoboda	$13,833.78
9930	Anita	Sweatt	$16,620.50
10550	J. Vance	Taylor	$0.00
2165	Troy	Thompson	$15,448.29
9976	Tyler	Thompson	$10,144.81
10750	Todd	Thorson	$11,461.19
9914	Jared	Tozer	$9,912.80
9966	Jonathan	Tweed	$7,245.41
10900	David	Uhlir	$10,503.04
9949	Jeffrey	VanCamp	$10,514.81
9892	Joe	Vanyo	$13,621.64
9999	Danny	Visness	$8,797.12
2177	Zachary	Waxvik	$13,404.94
11325	David	Wells	$11,665.82
11500	Debra	Wilson	$8,897.33
11800	Arthur	Wixo	$12,364.46
Total:			**$1,807,517.00**
Average Gain Sharing			**$13,693.31**

SB 2014 conf.
4-19-17

PROPOSED AMENDMENT TO SENATE BILL NO. 2014

#1

SECTION ____. GAIN-SHARING PROGRAM STUDY - REPORT TO LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the North Dakota mill and elevator association regarding the gain-sharing program. The study must include consideration of the costs and benefits of the gain-sharing program, best practices in other milling operations, and the estimated fiscal impact of repealing or modifying the gain-sharing program. The industrial commission shall report to the legislative management by July 1, 2018, regarding the results and recommendations of the study.

SB 2014 Conference
4-20-17

PROPOSED AMENDMENT TO SENATE BILL NO. 2014 #1

SECTION ____. BANK OF NORTH DAKOTA EFFICIENCY STUDY - REPORT. During the 2017-18 interim, the Bank of North Dakota shall conduct a study regarding potential efficiencies in operations. The Bank of North Dakota shall report to the appropriations committees of the sixty-sixth legislative assembly regarding the results and recommendations of the study.

North Dakota Mill
Biennium Transfers

SB 2014 Conference
4-24-17
#1

General Fund Transfers		50%	55%	60%	65%	70%	75%	80%	85%	90%
Biennium Profits	$	26,058,390	$ 26,036,515	$ 26,019,015	$ 26,014,640	$ 26,010,265	$ 26,005,890	$ 26,001,515	$ 25,995,390	$ 25,988,390
APUC Transfer	$	1,302,920	$ 1,301,826	$ 1,300,951	$ 1,300,732	$ 1,300,513	$ 1,300,295	$ 1,300,076	$ 1,299,770	$ 1,299,420
General Fund Transfer	$	12,377,735	$ 13,604,079	$ 14,830,839	$ 16,064,040	$ 17,296,826	$ 18,529,197	$ 19,761,151	$ 20,991,277	$ 22,220,073

SB 2014 (2) Conf.
4-24-17 #1

North Dakota Mill
Biennium Transfers

General Fund Transfers	50%	55%	60%	65%	70%	75%	80%	85%	90%
Biennium Profits	$ 26,058,390	$ 26,036,515	$ 26,019,015	$ 26,014,640	$ 26,010,265	$ 26,005,890	$ 26,001,515	$ 25,995,390	$ 25,988,390
APUC Transfer	$ 1,302,920	$ 1,301,826	$ 1,300,951	$ 1,300,732	$ 1,300,513	$ 1,300,295	$ 1,300,076	$ 1,299,770	$ 1,299,420
General Fund Transfer	$ 12,377,735	$ 13,604,079	$ 14,830,839	$ 16,064,040	$ 17,296,826	$ 18,529,197	$ 19,761,151	$ 20,991,277	$ 22,220,073

	Interest Expense	Principal Pmts
FY 2015-2017	$ 885,047	$ (33,000,000)
FY 2017-2019		
50%	$ 1,260,602	$ 11,965,600
55%	$ 1,282,478	$ 10,715,543
60%	$ 1,299,978	$ 9,715,543
65%	$ 1,304,353	$ 9,465,543
70%	$ 1,308,728	$ 9,215,543
75%	$ 1,313,103	$ 8,965,543
80%	$ 1,317,478	$ 8,715,543
85%	$ 1,323,603	$ 8,365,543
90%	$ 1,330,603	$ 7,965,543

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Prepared for the Conference Committee
April 24, 2017

SB 2014 (2) Conference
4-24-17
#2

SENATE BILL NO. 2014 - INDUSTRIAL COMMISSION
LISTING OF PROPOSED CHANGES TO 17.0522.02005

	Description	FTE	General Fund	Special Funds	Total
1	Industrial commission budget (Same as House)				$0
2	Bank of North Dakota budget (Restores salaries and wages funding)			$200,000	$200,000
3	Housing Finance Agency budget (Restores 2 FTE positions, including funding)	2.00		$254,677	$254,677
4	Mill and Elevator budget (Same as House)				$0
Total proposed funding changes		2.00	$0	$454,677	$454,677

Other proposed changes:

1 Section 2 - Health insurance increase (Same as House)

2 Section 3 - One-time funding (Same as Senate and House)

3 Section 4 - Bond payments (Same as Senate and House)

4 Section 5 - Appropriation authority to the Housing Finance Agency for additional income from federal funds or other sources (Same as Senate and House)

5 Section 6 - Appropriation authority for new bonds issued during the 2017-19 biennium (Same as Senate and House)

6 Section 7 - Contingent appropriation for 2 FTE positions for the Department of Mineral Resources (Removes the provisions related to hiring dates)

7 Section 8 - Transfers from the entities under the control of the Industrial Commission for administration (Same as House)

8 Sections 9, 10, 11, 12, 13, and 14 - Transfers of Bank of North Dakota profits (Same as Senate and House)

9 Section 15 - Transfer from the strategic investment and improvements fund to the lignite research fund (Same as Senate and House)

10 Section 16 - Identifies $1 million from the strategic investment and improvements fund for litigation expenses (Same as Senate and House)

11 Section 17 - Fees collected on defaulted student loans (Provides up to 18 percent)

12 Section 18 - Authority to suspend recreational licenses on defaulted student loans (Same as House)

13 Removes a section to create the essential service worker home ownership incentive program (Same as House)

14 Section 19 - Removes a reference to the housing incentive fund in connection of the repeal of the fund (Removed by Conference Committee)

15 Section 20 - Continues the housing incentive fund (Same as Senate and House)

16 Removes a section to create the essential service worker home ownership incentive fund (Same as House)

17 Removes a section to provide a tax credit for contributions to the housing incentive fund (Same as House)

18 Removes a section to provide a tax credit for contributions to the essential service worker home ownership incentive fund (Same as House)

19 Removes a section identifying tax credits for contributions to the housing incentive fund (Same as House)

20 Removes a section identifying tax credits for contributions to the essential service worker home ownership incentive fund (Same as House)

21 Section 21 - Increases the transfer of Mill profits to the general fund, from 50 to 75 percent (Further discuss)

22 Section 22 - Changes the allocation of coal taxes to provide additional funding for the lignite research fund (Same as Senate and House)

23 Section 23 - Repeals housing incentive fund reports (Same as Senate and House); repeals the gain-sharing program (Further discuss)

24 Section 24 - Repeals the references and authorization for the Bank of North Dakota's financial center project (Same as House)

25 Section 25 - Repeals the housing incentive fund (Removed by Conference Committee)

26 Section 26 - Provides an exemption for 2015-17 biennium administrative transfers allowing the money to continue in the 2017-19 biennium (Same as Senate and House)

27 Section 27 - Provides an exemption for 2015-17 biennium lignite research grants allowing the money to continue in the 2017-19 biennium (Same as Senate and House)

28 Section 28 - Provides intent for applications by advanced energy technology development projects from the renewable energy development fund (Same as Senate and House)

29 Removes a section of intent related to the newly created essential service worker home ownership incentive fund (Same as House)

30 Section 29 - Designates funding in the lignite research fund for certain purposes (Same as Senate and House)

31 Removes a section with effective dates and expiration dates related to housing incentive fund and essential service worker home ownership incentive fund (Same as House)

32 Section 30 - Prohibits the construction of the Bank of North Dakota's financial center project (Same as House)

33 Section 31 - Provides for a lake bed sedimentation study (Additional study considerations added by Conference Committee)

34 Adds a section for a Bank of North Dakota efficiency study and report (Added by Conference Committee)

35 Adds a section for a gain-sharing program study and report (Further discuss)

36 Section 32 - Provide an effective date related to the repeal of the housing incentive fund (Removed by Conference Committee)

37 Section 33 - Provides an expiration date for the increase in transfer of Mill profits (Same as House)

38 Section 34 - provides an emergency clause for prohibition on the Bank of North Dakota's financial center project (Same as House)

SB 2014 (2)
4-25-17
#1

17.0522.02006
Title.
Fiscal No. 1

Prepared by the Legislative Council staff for
Conference Committee
April 25, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

That the House recede from its amendments as printed on pages 1215-1222 of the Senate Journal and pages 1335-1342 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 3, remove the third "to"

Page 1, remove lines 4 through 7

Page 1, line 8, remove "tax credits;"

Page 1, line 8, after the third comma insert "54-18-19,"

Page 1, line 9, after "Code" insert " and section 26 of chapter 14 of the 2015 Session Laws"

Page 1, line 9, remove "occupational or"

Page 1, line 10, replace "professional" with "recreational"

Page 1, line 10, replace "and" with "North Dakota mill and elevator profits,"

Page 1, line 10, after "allocations" insert ", and a financial center project"

Page 1, line 12, after the second semicolon insert "to provide for reports;"

Page 1, line 12, remove "to provide an effective"

Page 1, line 13, remove "date; and"

Page 1, line 13, after the second "date" insert "; and to declare an emergency"

Page 2, replace lines 1 through 8 with:

"Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25"

Page 2, replace lines 13 through 15 with:

"Bank of North Dakota operations	$58,542,301	($53,097)	$58,489,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$11,903	$59,299,204"

Page 2, replace lines 21 through 25 with:

"Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000

Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,745,034	$147,022	$7,892,056
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,010,150	$44,530,239
Full-time equivalent positions	46.00	(2.00)	44.00"

Page 3, replace lines 10 through 12 with:

"Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	10,268,433	188,386,168
Grand total all funds	$203,075,481	$10,719,674	$213,795,155

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month."

Page 5, line 5, replace "$1,254,462" with "$221,737"

Page 5, line 5, replace "six" with "two"

Page 5, line 9, remove "the thresholds identified in this section. Of the $1,254,462 and the six full-time"

Page 5, replace lines 10 through 18 with:

"eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred."

Page 5, line 20, replace "$1,103,986" with "$1,103,779"

Page 7, line 11, replace "thirteen" with "eighteen"

Page 7, line 20, remove the overstrike over "~~- **Suspension of** ~~"

Page 7, line 21, after "~~**license**~~" insert "**recreational licenses**"

Page 7, line 21, remove the overstrike over "~~**for nonpayment of defaulted state guaranteed student loans**~~"

Page 7, line 22, remove the overstrike over "~~1.~~"

Page 7, line 29, remove the overstrike over "~~2.~~"

Page 8, line 15, after the overstruck period insert "The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department which the judgment debtor is required to obtain before engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision

becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department."

Page 8, remove lines 16 through 21

Page 10, remove lines 30 and 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 31

Page 14, replace lines 1 through 22 with:

"**SECTION 20. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 19, after line 2 insert:

"**SECTION 22. AMENDMENT.** Section 26 of chapter 14 of the 2015 Session Laws is amended and reenacted as follows:

SECTION 26. CONTINGENT FUNDING - BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The Bank may spend the funding only if the Bank's net income, reported in accordance with financial accounting standards board accounting standards, for calendar year 2015 exceeds $125,000,000. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available ~~during the biennium beginning July 1, 2017, and ending June 30, 2019~~through June 30, 2021. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project."

Page 19, remove lines 21 through 26

Page 20, replace lines 13 through 15 with:

"**SECTION 28. PROHIBITION - NORTH DAKOTA FINANCIAL CENTER - BANK OF NORTH DAKOTA.** The Bank of North Dakota may not construct a North Dakota financial center on a site adjacent to the existing building on which the Bank of North Dakota is located related to the funding provided in section 1 of chapter 14 of the 2015 Session Laws and identified in sections 2 and 26 of chapter 14 of the 2015 Session Laws until after June 30, 2019.

SECTION 29. LAKE BED SEDIMENTATION STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the game and fish department, the state department of health, the state water commission, and any other state agencies as necessary, regarding the feasibility of and appropriate jurisdiction for regulation of sediment studies and dredging operations from the beds of reservoirs that retain more than fifty acre-feet of surface water. The study must include consideration of best practices in other states, an outline of any proposed regulations, and a plan to implement a uniform permitting process. The industrial commission shall report to the legislative management by September 30, 2018, regarding the results and recommendations of the study.

SECTION 30. GAIN-SHARING PROGRAM STUDY - REPORT TO LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the North Dakota mill and elevator association regarding the gain-sharing program. The study must include consideration of the costs and benefits of the gain-sharing program, best practices in other milling operations, and the estimated fiscal impact of repealing or modifying the gain-sharing program. The industrial commission shall report to the legislative management by July 1, 2018, regarding the results and recommendations of the study.

SECTION 31. BANK OF NORTH DAKOTA EFFICIENCY STUDY - REPORT. During the 2017-18 interim, the Bank of North Dakota shall conduct a study regarding potential efficiencies in operations. The Bank of North Dakota shall report to the appropriations committees of the sixty-sixth legislative assembly regarding the results and recommendations of the study.

SECTION 32. EXPIRATION DATE. Section 20 of this Act is effective through June 30, 2019, and after that date is ineffective.

SECTION 33. EMERGENCY. Section 28 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Industrial Commission						
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193	$41,752,193	$0
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206	16,343,206	0
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987	$25,408,987	$0

Bank of North Dakota						
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204	$59,099,204	$200,000
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204	59,099,204	200,000
General fund	$0	$0	$0	$0	$0	$0
Housing Finance Agency						
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239	$44,275,562	$254,677
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239	44,275,562	254,677
General fund	$0	$0	$0	$0	$0	$0
Mill and Elevator						
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519	$68,213,519	$0
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519	68,213,519	0
General fund	$0	$0	$0	$0	$0	$0
Bill total						
Total all funds	$203,075,481	$214,930,939	($1,135,784)	$213,795,155	$213,340,478	$454,677
Less estimated income	178,117,735	188,466,417	(80,249)	188,386,168	187,931,491	454,677
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987	$25,408,987	$0

Senate Bill No. 2014 - Industrial Commission - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	$22,132,229	$22,038,346	($24,262)	$22,014,084	$22,014,084	
Operating expenses	4,779,135	6,305,888		6,305,888	6,305,888	
Grants - Bond payments	15,040,829	13,210,484		13,210,484	13,210,484	
Contingencies		1,254,462	(1,032,725)	221,737	221,737	
Total all funds	$41,952,193	$42,809,180	($1,056,987)	$41,752,193	$41,752,193	$0
Less estimated income	16,994,447	16,344,658	(1,452)	16,343,206	16,343,206	0
General fund	$24,957,746	$26,464,522	($1,055,535)	$25,408,987	$25,408,987	$0
FTE	116.75	114.25	(4.00)	110.25	110.25	0.00

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Adjusts Contingent FTE Positions[2]	Total Conference Committee Changes
Salaries and wages	($24,262)		($24,262)
Operating expenses			
Grants - Bond payments			
Contingencies		(1,032,725)	(1,032,725)
Total all funds	($24,262)	($1,032,725)	($1,056,987)
Less estimated income	(1,452)	0	(1,452)
General fund	($22,810)	($1,032,725)	($1,055,535)
FTE	0.00	(4.00)	(4.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Contingent funding and authorization for FTE positions are adjusted to provide $221,737 from the general fund and 2 FTE positions. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells as identified in Section 7 of the bill. The Senate provided $1,254,462 for 6 FTE positions. The House provided $221,737 and 2 FTE positions.

This amendment also includes the following changes related to the Industrial Commission:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Identifies $221,737 from the general fund and 2 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells. The House provided that one position may be hired after May 31, 2018, and another position may be hired after November 30, 2018. The Senate provided $1,254,462 from the general fund and 6 FTE positions.
- Allows the Industrial Commission to transfer up to $1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services, the same as the House. The transfer was adjusted for the health insurance adjustment compared to the transfer of $1,103,986 provided by the Senate.
- Adds a section requiring the Industrial Commission, in consultation with the Game and Fish Department, the State Department of Health, the State Water Commission, and any other state agencies as necessary, to study lake bed sedimentation and to report the results to the Legislative Management. The House also included the study.

Senate Bill No. 2014 - Bank of North Dakota - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Capital assets	$745,000	$810,000		$810,000	$810,000	
Bank of North Dakota operations	58,542,301	58,526,944	(37,740)	58,489,204	58,289,204	200,000
Total all funds	$59,287,301	$59,336,944	($37,740)	$59,299,204	$59,099,204	$200,000
Less estimated income	59,287,301	59,336,944	(37,740)	59,299,204	59,099,204	200,000
General fund	$0	$0	$0	$0	$0	$0
FTE	181.50	181.50	0.00	181.50	181.50	0.00

Department No. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Total Conference Committee Changes
Capital assets		
Bank of North Dakota operations	(37,740)	(37,740)
Total all funds	($37,740)	($37,740)
Less estimated income	(37,740)	(37,740)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Bank of North Dakota:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Authorizes the Bank of North Dakota to charge up to 18 percent of accumulated principal and interest on defaulted student loans. The Senate provided authorization to charge up to

13 percent, and the House provided authorization to charge up to 30 percent.

- Provides the authority to suspend a recreational license when the licensee's student loans are in default, the same as the House. The Senate removed the authority to suspend an occupational or professional license.
- Amends a reference to the North Dakota financial center, which was included in 2015 House Bill No. 1014, to extend the authorization for the project through the 2019-21 biennium. The House repealed the references to the financial center project.
- Prohibits the Bank of North Dakota from constructing a financial center until after June 30, 2019, and provides an emergency clause related to the prohibition. The House also included the prohibition.
- Requires the Bank of North Dakota to study potential efficiencies in operations and to report to the 66th Legislative Assembly.

Senate Bill No. 2014 - Housing Finance Agency - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	$7,745,034	$7,901,387	($9,331)	$7,892,056	$7,637,379	$254,677
Operating expenses	3,744,275	4,743,355		4,743,355	4,743,355	
Grants	25,930,780	31,794,828		31,794,828	31,794,828	
HFA contingencies	100,000	100,000		100,000	100,000	
Total all funds	$37,520,089	$44,539,570	($9,331)	$44,530,239	$44,275,562	$254,677
Less estimated income	37,520,089	44,539,570	(9,331)	44,530,239	44,275,562	254,677
General fund	$0	$0	$0	$0	$0	$0
FTE	46.00	46.00	(2.00)	44.00	42.00	2.00

Department No. 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Removes FTE Positions[2]	Total Conference Committee Changes
Salaries and wages	($9,331)		($9,331)
Operating expenses			
Grants			
HFA contingencies			
Total all funds	($9,331)	$0	($9,331)
Less estimated income	(9,331)	0	(9,331)
General fund	$0	$0	$0
FTE	0.00	(2.00)	(2.00)

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

[2] Authorization for 2 FTE positions is removed, the same as the House. Funding for a housing program administrator and a housing program representative was removed by the Senate; however, the Senate did not remove the FTE authorization for these positions.

This amendment also includes the following changes related to the Housing Finance Agency:

- Continues the housing incentive fund, the same as the Senate. The House continued the housing incentive fund through December 31, 2018, after which all references to the housing incentive fund were to be repealed.

- Removes a section added by the Senate to provide up to $5 million of income tax credits for contributions to the housing incentive fund which would have reduced general fund revenues by $2.5 million for individual income tax collections and $2.5 million for corporate income tax collections. The House also removed this section.
- Removes a section added by the Senate to establish the essential service worker home ownership incentive fund and to identify the uses of the fund, the same as the House.
- Removes a section added by the Senate to provide up to $500,000 of income tax credits for contributions to the essential service worker home ownership incentive fund which would have reduced general fund revenues by $250,000 for individual income tax collections and $250,000 for corporate income tax collections. The House also removed this section.
- Removes a section added by the Senate to identify 50 percent of the contributions to the essential service worker home ownership fund for planning regions 1 and 8 and the remaining contributions for the other planning areas. The House also removed this section.
- Removes a section added by the Senate to provide an effective date and expiration date related to the housing incentive fund and the essential service worker home ownership incentive fund tax credits, the same as the House.

Senate Bill No. 2014 - Mill and Elevator - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	$36,278,898	$39,340,245	($31,726)	$39,308,519	$39,308,519	
Operating expenses	27,327,000	28,195,000		28,195,000	28,195,000	
Contingencies	500,000	500,000		500,000	500,000	
Agriculture promotion	210,000	210,000		210,000	210,000	
Total all funds	$64,315,898	$68,245,245	($31,726)	$68,213,519	$68,213,519	$0
Less estimated income	64,315,898	68,245,245	(31,726)	68,213,519	68,213,519	0
General fund	$0	$0	$0	$0	$0	$0
FTE	147.00	153.00	0.00	153.00	153.00	0.00

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases[1]	Total Conference Committee Changes
Salaries and wages	($31,726)	($31,726)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	($31,726)	($31,726)
Less estimated income	(31,726)	(31,726)
General fund	$0	$0
FTE	0.00	0.00

[1] Funding for employee health insurance is adjusted to reflect the updated premium amount of $1,241 per month.

This amendment also includes the following changes related to the Mill and Elevator Association:

- Identifies the funding increase for health insurance premium increases included in the agency's appropriation.
- Amends North Dakota Century Code Section 54-18-19 to increase the annual transfer of Mill and

Elevator profits to the general fund from 50 to 75 percent for the 2017-19 biennium resulting in an increase of $6,188,868 to 2017-19 biennium estimated general fund revenue, from $12,377,736 to $18,566,604. The House also included these provisions.

- Removes a section added by the House to repeal Section 54-18-20, which authorizes a gain-sharing program, allowing the gain-sharing program to continue.
- Adds a section requiring the Industrial Commission, in consultation with the Mill and Elevator Association, to study the gain-sharing program and to report to the Legislative Management.

17.0522.02006

Sixty-fifth
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT

ENGROSSED SENATE BILL NO. 2014

SB 2014 (2)
4-25-17
#2

Introduced by

Appropriations Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to provide for transfers; ~~to create and enact a new subsection to section 54-17-07.3, a new section to chapter 54-17, a new section to chapter 57-38, and two new subdivisions to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to the essential service worker home ownership program, housing incentive fund tax credits, and essential service worker home ownership fund tax credits;~~ to amend and reenact sections 15-62.1-07, 28-25-11, 54-17-40, 54-18-19, and 57-62-02 of the North Dakota Century Code and section 26 of chapter 14 of the 2015 Session Laws, relating to loan guarantee fees, suspension of ~~occupational or professional~~recreational licenses, the housing incentive fund, ~~and~~North Dakota mill and elevator profits, coal development trust fund allocations, and a financial center project; to repeal section 54-17-41 of the North Dakota Century Code, relating to housing incentive fund reports; to provide statements of legislative intent; to provide for reports; to provide exemptions; ~~to provide an effective date; and~~ to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the industrial commission and agencies under its control for the purpose of defraying the expenses of the industrial commission and agencies under its control, for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$22,132,229~~	~~($93,883)~~	~~$22,038,346~~
~~Operating expenses~~	~~4,779,135~~	~~1,526,753~~	~~6,305,888~~
~~Grants - bond payments~~	~~15,040,829~~	~~(1,830,345)~~	~~13,210,484~~
~~Contingencies~~	~~0~~	~~1,254,462~~	~~1,254,462~~
~~Total all funds~~	~~$41,952,193~~	~~$856,987~~	~~$42,809,180~~
~~Less estimated income~~	~~16,994,447~~	~~(649,789)~~	~~16,344,658~~
~~Total general fund~~	~~$24,957,746~~	~~$1,506,776~~	~~$26,464,522~~
~~Full-time equivalent positions~~	~~116.75~~	~~(2.50)~~	~~114.25~~
Salaries and wages	$22,132,229	($118,145)	$22,014,084
Operating expenses	4,779,135	1,526,753	6,305,888
Grants - bond payments	15,040,829	(1,830,345)	13,210,484
Contingencies	0	221,737	221,737
Total all funds	$41,952,193	($200,000)	$41,752,193
Less estimated income	16,994,447	(651,241)	16,343,206
Total general fund	$24,957,746	$451,241	$25,408,987
Full-time equivalent positions	116.75	(6.50)	110.25

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	Base Level	Adjustments or Enhancements	Appropriation
~~Bank of North Dakota operations~~	~~$58,542,301~~	~~($15,357)~~	~~$58,526,944~~
~~Capital assets~~	~~745,000~~	~~65,000~~	~~810,000~~
~~Total special funds~~	~~$59,287,301~~	~~$49,643~~	~~$59,336,944~~
Bank of North Dakota operations	$58,542,301	($53,097)	$58,489,204
Capital assets	745,000	65,000	810,000
Total special funds	$59,287,301	$11,903	$59,299,204
Full-time equivalent positions	181.50	0.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$36,278,898~~	~~$3,061,347~~	~~$39,340,245~~
~~Operating expenses~~	~~27,327,000~~	~~868,000~~	~~28,195,000~~
~~Contingencies~~	~~500,000~~	~~0~~	~~500,000~~
~~Agriculture promotion~~	~~210,000~~	~~0~~	~~210,000~~
~~Total from mill and elevator fund~~	~~$64,315,898~~	~~$3,929,347~~	~~$68,245,245~~
Salaries and wages	$36,278,898	$3,029,621	$39,308,519
Operating expenses	27,327,000	868,000	28,195,000
Contingencies	500,000	0	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$64,315,898	$3,897,621	$68,213,519
Full-time equivalent positions	147.00	6.00	153.00

Subdivision 4.

HOUSING FINANCE AGENCY

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$7,745,034~~	~~$156,353~~	~~$7,901,387~~
~~Operating expenses~~	~~3,744,275~~	~~999,080~~	~~4,743,355~~
~~Grants~~	~~25,930,780~~	~~5,864,048~~	~~31,794,828~~
~~Housing finance agency contingencies~~	~~100,000~~	~~0~~	~~100,000~~
~~Total special funds~~	~~$37,520,089~~	~~$7,019,481~~	~~$44,539,570~~
~~Full-time equivalent positions~~	~~46.00~~	~~0.00~~	~~46.00~~
Salaries and wages	$7,745,034	$147,022	$7,892,056
Operating expenses	3,744,275	999,080	4,743,355
Grants	25,930,780	5,864,048	31,794,828
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$37,520,089	$7,010,150	$44,530,239
Full-time equivalent positions	46.00	(2.00)	44.00

Subdivision 5.

BILL TOTAL

	Base Level	Adjustments or Enhancements	Appropriation
~~Grand total general fund~~	~~$24,957,746~~	~~$1,506,776~~	~~$26,464,522~~
~~Grand total special funds~~	~~178,117,735~~	~~10,348,682~~	~~188,466,417~~
~~Grand total all funds~~	~~$203,075,481~~	~~$11,855,458~~	~~$214,930,939~~
Grand total general fund	$24,957,746	$451,241	$25,408,987
Grand total special funds	178,117,735	10,268,433	188,386,168
Grand total all funds	$203,075,481	$10,719,674	$213,795,155

SECTION 2. HEALTH INSURANCE INCREASE. Section 1 of this Act includes the sum of $1,319,354, of which $292,009 is from the general fund, for increases in employee health insurance premiums from $1,130 to $1,241 per month.

SECTION 3. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly as adjusted for the 2015-17 biennium and the 2017-19 biennium one-time funding items included in the appropriation in section 1 of this Act:

One-Time Funding Description	2015-17	2017-19
Litigation	$2,500,000	$1,000,000
Lignite research council grant	4,672,500	0
Aerial photography	104,143	0
Contract analysis	125,000	0
Digital conversion	25,000	0
Migration to RBDMS.net	250,000	0
All-terrain vehicles	41,500	0
Core library expansion	13,625,322	0
Financial center project	17,000,000	0
Total all funds	$38,343,465	$1,000,000
Total special funds	30,625,322	1,000,000
Total general fund	$7,718,143	$0

The 2017-19 biennium one-time funding amounts are not a part of the entity's base budget for the 2019-21 biennium. The industrial commission shall report to the appropriations committees

of the sixty-sixth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 4. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of $13,210,484 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2017, and ending June 30, 2019:

North Dakota university system	$6,605,326
North Dakota university system - energy conservation projects	491,500
Department of corrections and rehabilitation	1,158,679
Department of corrections and rehabilitation - energy conservation projects	16,285
State department of health	636,877
Job service North Dakota	428,100
Office of management and budget	665,411
Attorney general's office	766,012
State historical society	1,392,629
Parks and recreation department	73,642
Research and extension service	571,520
Veterans' home	404,503
Total	$13,210,484

SECTION 5. APPROPRIATION - HOUSING FINANCE AGENCY - ADDITIONAL INCOME. In addition to the amount appropriated to the housing finance agency in subdivision 4 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2017, and ending June 30, 2019. The housing finance agency shall notify the office of management and budget and the legislative council of any additional income or unanticipated income that becomes available to the agency.

SECTION 6. APPROPRIATION - ADDITIONAL FUNDS FROM BONDS - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the emergency commission, funds that may become available to the commission from bonds

authorized by law to be issued by the industrial commission for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 7. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING. The amount of ~~$1,254,462~~$221,737 from the general fund and ~~six~~two full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with the provisions of this section. The industrial commission shall notify the office of management and budget and the legislative council when the total number of wells capable of production and injection exceeds ~~the thresholds identified in this section. Of the $1,254,462 and the six full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:~~

~~1. Subject to budget section approval, $418,154 from the contingencies line item and two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.~~

~~2. In addition to the funding and full-time equivalent positions authorized in subsection 1 and subject to budget section approval, $836,308 from the contingencies line item and four full-time equivalent positions if the total number of wells capable of production and injection exceeds nineteen thousand four hundred wells.~~eighteen thousand two hundred. Subject to budget section approval, the industrial commission may spend $221,737 from the contingencies line item and may hire two full-time equivalent positions if the total number of wells capable of production and injection exceeds eighteen thousand two hundred.

SECTION 8. TRANSFER - ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND. The sum of ~~$1,103,986~~$1,103,779, or so much of the sum as may be necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers must be made during the biennium beginning July 1, 2017, and ending June 30, 2019, upon order of the commission. Transfers from the student loan trust fund must be made to the extent permitted by sections 54-17-24 and 54-17-25.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA PROFITS TO GENERAL FUND. The industrial commission shall transfer to the general fund $140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota during the biennium beginning July 1, 2017, and ending June 30, 2019. The moneys must be transferred in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $16,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $1,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 14. TRANSFER - BANK OF NORTH DAKOTA - SCHOOL CONSTRUCTION LOAN INTEREST RATE BUYDOWNS. The Bank of North Dakota shall transfer the sum of $6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits for interest rate buydowns on outstanding school construction loans under section 15.1-36-06 during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 15. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO LIGNITE RESEARCH FUND. The department of trust lands shall transfer the sum of $3,000,000 from the strategic investment and improvements fund to the lignite research fund during the biennium beginning July 1, 2017, and ending June 30, 2019. The funding must be used to provide grants for advanced energy technology research and development. Grant recipients must provide matching funds.

SECTION 16. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUNDS. The estimated income line item in section 1 of this Act includes $1,000,000 from the strategic investment and improvements fund for litigation expenses.

SECTION 17. AMENDMENT. Section 15-62.1-07 of the North Dakota Century Code is amended and reenacted as follows:

15-62.1-07. Fees for insurance and other reasonable costs.

The agency ~~is hereby authorized to~~may charge reasonable fees for guarantee and insurance to students obtaining or who have obtained loans under this chapter~~, and such fees~~. The agency may charge up to ~~thirteen~~eighteen percent of accumulated principal and interest if the loans are in default under section 15-62.1-06. The fees collected under this section must be available to defray costs of administering the guarantee loan program. Fees in excess of the amount required to pay the cost of administering the program must be deposited in the reserve fund. The authority of the agency to charge reasonable fees under this section applies to all borrowers and cosigners for loans obtained under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

SECTION 18. AMENDMENT. Section 28-25-11 of the North Dakota Century Code is amended and reenacted as follows:

28-25-11. Property applied - Wages exempt - Suspension of ~~occupational or professional license~~recreational licenses for nonpayment of defaulted state guaranteed student loans.

1. The judge may order any property of the judgment debtor not exempt from execution in the hands either of the judgment debtor or of any other person or due the judgment debtor to be applied toward the satisfaction of the judgment, except that the earnings of the debtor for the debtor's personal services at any time within sixty days next preceding the order cannot be so applied when it is made to appear, by the debtor's

affidavit or otherwise, that the earnings are necessary for the use of a family supported wholly or partly by the debtor's labor.

2. ~~If the debt for which a judgment is entered is for a guaranteed student loan, the court, after considering the factors in subsection 1, shall address and make specific findings on the issue of whether the judgment debtor has an occupational or a professional certificate license or permit issued by or on behalf of the state or any occupational or professional boards, which the judgment debtor is required to obtain before engaging in the judgment debtor's occupation or profession. The court, based on principles of fairness, including consideration of whether the judgment debtor has been unjustly enriched, may suspend a judgment debtor's certificate, license, or permit. Following a decision to suspend a judgment debtor's certificate, license, or permit, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the proper licensing authority of the court's decision to suspend a judgment debtor's certificate, license, or permit. A certificate, license, or permit suspended by an order issued under this section may be reissued only by order of the court. An appeal by a judgment debtor who has had a certificate, license, or permit suspended under this section is an appeal from the court's order and may not be appealed to the licensing authority.~~The court may withhold or suspend any certificate, permit, or license issued by lottery, tag, electronically, or over the counter by the director of the game and fish department which the judgment debtor is required to obtain before engaging in a recreational activity. Following a decision to withhold or suspend a judgment debtor's certificate, permit, or license for failure to repay a state guaranteed student loan, the court shall notify the judgment debtor that the decision becomes final thirty days after the notification unless the judgment debtor satisfies or makes arrangements to pay the entire outstanding payment due or makes regular payment on the judgment in a manner and at times satisfactory to the court. The court shall notify the director of the game and fish department of the court's decision to withhold or suspend a debtor's certificate, permit, or license. A certificate, permit, or license withheld or suspended by an order issued under this section may be reissued

only by order of the court. An appeal by a debtor who has had a certificate, permit, or license suspended or withheld under this section is an appeal from the court's order and may not be appealed to the director of the game and fish department.

~~**SECTION 19.** A new subsection to section 54-17-07.3 of the North Dakota Century Code is created and enacted as follows:~~

~~Essential service worker home ownership incentive program. A program to provide assistance for the purchase of a primary residence by an essential service worker as provided in section 20 of this Act. The program may provide a secondary mortgage lien to assist in the acquisition of a single-family residential dwelling unit.~~

SECTION 19. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. ~~(Effective through June 30, 2017)~~ Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.
2. a. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage~~. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award~~.

   b. The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

   c. The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family

income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

~~The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.~~

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:
   a. New construction, rehabilitation, or acquisition of a multifamily housing project;
   b. Gap assistance, matching funds, and accessibility improvements;
   c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
   d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any

assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

6. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.

7. The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers.

8. Upon request, the housing finance agency shall report to the industrial commission regarding the activities of the housing incentive fund.

9. At least once per biennium, the housing finance agency shall provide a report to the budget section of the legislative management regarding the activities of the housing incentive fund. The report must include the following:

   a. The overall number of units owned, master leased, or subsidized by political subdivisions or other employers of essential service workers; and

   b. A listing of projects approved and the number of units within those projects that provide housing for essential service workers.

~~**SECTION 21.** A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:~~

~~**Essential service worker home ownership incentive fund - Continuing appropriation.**~~

~~1. The essential service worker home ownership incentive fund is created as a special revolving fund at the Bank of North Dakota. The moneys in the fund are appropriated on a continuing basis to the housing finance agency to provide purchasing assistance on single-family residential mortgage loans under the essential worker home ownership incentive program. The agency may deduct a reasonable administrative fee from the fund.~~

~~2. For purposes of this section, "essential service worker" means an individual employed by the state or a city, county, school district, medical or long-term care facility, or any other individual employed in providing an essential public service as determined by the housing finance agency.~~

~~3. Pursuant to housing finance agency underwriting and credit standards and guidelines adopted under subsection 4, the agency may provide a secondary loan to a qualified essential service worker in conjunction with a single-family residential mortgage loan originated by a lender under a housing finance agency home ownership program. If, at any time during the term of the loan, the borrower ceases to be employed as an essential service worker or if the borrower sells the home or refinances the mortgage loan, the borrower must repay the secondary loan in full or begin making amortized monthly payments on the secondary loan.~~

~~4. The agency shall adopt guidelines for the implementation and administration of the essential service worker home ownership incentive program. The guidelines must provide the moneys in the essential service worker home ownership incentive fund may be used only to assist in the acquisition of owner-occupied single-family residential housing that will serve as the primary residence of the essential service worker. The guidelines must establish income limits for eligibility to participate in the program and purchase price limitations as determined by the agency.~~

~~5. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing bases for the purposes of this section.~~

~~**SECTION 22.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:~~

~~**(Effective for the first two taxable years beginning after December 31, 2016) Housing incentive fund tax credit.**~~

~~1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.~~

~~2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.~~

~~3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.~~

~~4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.~~

~~5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five million dollars.~~

~~6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:~~

~~a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.~~

~~b. The dollar amount paid for the contribution by the taxpayer.~~

~~c. The date the payment was received by the fund.~~

~~7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.~~

~~8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.~~

~~9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.~~

~~**SECTION 23.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:~~

~~**(Effective for the first two taxable years beginning after December 31, 2016) Essential service worker home ownership incentive fund tax credit.**~~

~~1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the essential~~

~~service worker home ownership incentive fund under section 19 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year.~~

~~2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.~~

~~3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.~~

~~4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.~~

~~5. The aggregate amount of tax credits allowed to all eligible contributors is limited to five hundred thousand dollars.~~

~~6. Within thirty days after the date on which a taxpayer makes a contribution to the essential service worker home ownership incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:~~

~~a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.~~

~~b. The dollar amount paid for the contribution by the taxpayer.~~

~~c. The date the payment was received by the fund.~~

~~7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.~~

~~8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.~~

~~9. A passthrough entity making a contribution to the essential service worker home ownership incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at~~

~~the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.~~

~~**SECTION 24.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:~~

~~Housing incentive fund tax credit under section 21 of this Act.~~

~~**SECTION 25.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:~~

~~Essential service worker home ownership incentive fund tax credit under section 22 of this Act.~~

SECTION 20. AMENDMENT. Section 54-18-19 of the North Dakota Century Code is amended and reenacted as follows:

54-18-19. Transfer of North Dakota mill and elevator profits to general fund.

The industrial commission shall transfer to the state general fund ~~fifty~~seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

SECTION 21. AMENDMENT. Section 57-62-02 of the North Dakota Century Code is amended and reenacted as follows:

57-62-02. Allocation of moneys in coal development fund

Moneys deposited in the coal development fund shall be apportioned monthly by the state treasurer as follows:

1. ~~Thirty~~Fifteen percent must be deposited in a permanent trust fund in the state treasury, to be known as the coal development trust fund, pursuant to section 21 of article X of the Constitution of North Dakota. Those funds held in trust and administered by the board of university and school lands on March 5, 1981, pursuant to section 12, chapter 563, 1975 Session Laws; section 12, chapter 560, 1977 Session Laws; or section 13, chapter 626, 1979 Session Laws must also be deposited in the trust fund created pursuant to this subsection. The fund must be held in trust and administered by the board of university and school lands for loans to coal-impacted counties, cities, and

school districts as provided in section 57-62-03 and for loans to school districts pursuant to chapter 15.1-36. The board of university and school lands may invest such funds as are not loaned out as provided in this chapter and may consult with the state investment board as provided by law. The income, including interest payments on loans, from the trust must be used first to replace uncollectible loans made from the fund and the balance must be deposited in the school construction assistance loan fund. Loan principal payments must be redeposited in the trust fund. The trust fund must be perpetual and held in trust as a replacement for depleted natural resources subject to the provisions of this chapter and chapter 15.1-36.

2. Fifteen percent must be deposited in the lignite research fund for the purpose of developing advanced energy technology.

3. Seventy percent must be allocated to the coal-producing counties and must be distributed among such counties in such proportion as the number of tons [metric tons] of coal severed at each mining operation bears to the total number of tons [metric tons] of coal severed in the state during such monthly period. Allocations under subdivisions a and b must be apportioned by the state treasurer as follows:

   a. If the tipple of the currently active coal mining operation in a county is not within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue apportioned according to this subdivision must be allocated as follows:

      (1) Thirty percent must be paid by the state treasurer to the incorporated cities of the county based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

      (2) Forty percent must be paid to the county treasurer who shall deposit it in the county general fund to be used for general governmental purposes.

      (3) Thirty percent must be apportioned by the state treasurer to school districts within the county on the average daily membership basis, as certified to the state treasurer by the county superintendent of schools.

   b. If the tipple of a currently active coal mining operation in a county is within fifteen miles [24.14 kilometers] of another county in which no coal is mined, the revenue

from the production not exceeding the production limitation in a calendar year which is apportioned from that coal mining operation according to this subsection must be allocated, subject to the definitions of terms and the requirements in paragraph 4, as provided in this subdivision. For purposes of this subdivision, the production limitation is three million eight hundred thousand tons [3447302.02 metric tons] through calendar year 1995, three million six hundred thousand tons [3265865.07 metric tons] in calendar years 1996 and 1997, and three million four hundred thousand tons [3084428.12 metric tons] in calendar years after 1997. Revenue from production exceeding the production limitation in a calendar year from that coal mining operation must be allocated only within the coal-producing county under subdivision a. Allocations under this subdivision must be made as follows:

(1) Thirty percent must be paid by the state treasurer to the incorporated cities of the coal-producing county and to any city of a non-coal-producing county when any portion of the city lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county, based upon the population of each incorporated city according to the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to such census.

(2) Forty percent must be divided by the state treasurer between the general fund of the coal-producing county and the general fund of any non-coal-producing county when any portion of the latter county lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county. The non-coal-producing county portion must be based upon the ratio which the assessed valuation of all quarter sections of land in that county, any portion of which lies within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation, bears to the combined assessed valuations of all land in the coal-producing county and the quarter sections of land in the non-coal-producing county within fifteen miles [24.14 kilometers] of the

tipple of the currently active coal mining operation. The county director of tax equalization of the coal-producing county shall certify to the state treasurer the number of quarter sections of land in the non-coal-producing counties which lie at least in part within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation and their assessed valuations.

(3) Thirty percent must be apportioned by the state treasurer to school districts within the coal-producing county and to school districts in adjoining non-coal-producing counties when a portion of those school districts' land includes any of the quarter sections of land certified by the director of tax equalization to the state treasurer to be eligible to share county funds as provided for in paragraph 2. The county superintendent of the non-coal-producing counties shall certify to the state treasurer the number of students actually residing on these quarter sections lying outside the coal-producing county and each school district in non-coal-producing counties shall receive a portion of the money under this paragraph based upon the ratio of the number of children residing on quarter sections of that school district within the fifteen-mile [24.14-kilometer] radius of the tipple of a currently active coal mining operation to the total number of schoolchildren from the coal-producing county combined with all the schoolchildren certified to be living on quarter sections within fifteen miles [24.14 kilometers] of the tipple of the currently active coal mining operation in the coal-producing county.

(4) For the purposes of this subdivision:

(a) The terms "currently active coal mining operation in a county", "currently active coal mining operation in the coal-producing county", and "currently active coal mining operation" mean a coal mining operation that produced more than one hundred fifty thousand tons [136077.71 metric tons] of coal in a coal-producing county during the prior quarterly period.

(b) The term "coal-producing county" means a county in which more than one hundred fifty thousand tons [136077.71 metric tons] of coal were mined in the prior quarterly period.

(c) The term "another county in which no coal is mined" means a county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(d) The terms "non-coal-producing county" and "non-coal-producing counties" mean any county in which not more than seventy-five thousand tons [68038.86 metric tons] of coal were mined in the prior quarterly period.

(e) In computing each amount to be paid as provided in paragraph 1, 2, or 3 for coal severance tax revenue from coal mined during a monthly period, the state treasurer shall deduct from the allocation the amount of coal severance tax revenue, if any, that the governmental body in the non-coal-producing county received from the coal mined in the non-coal-producing county during the same monthly period.

(5) The state treasurer shall allocate funds provided by legislative appropriation to cities, the county general fund, and school districts within a coal-producing county according to the allocation method provided in subdivision a in an amount to offset fifty percent of the loss of that county's share of coal severance tax revenue allocated to a non-coal-producing county under this subdivision in the previous calendar year. The state treasurer shall make the allocation and distribute the funds, within the limits of legislative appropriations, under this paragraph during the first month of each calendar year. The state treasurer shall include in each biennial budget request the amounts estimated to be necessary for the biennium for purposes of this paragraph, based on the allocations under this subdivision in the most recent calendar years.

SECTION 22. AMENDMENT. Section 26 of chapter 14 of the 2015 Session Laws is amended and reenacted as follows:

SECTION 26. CONTINGENT FUNDING - BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The Bank may spend the funding only if the Bank's net income, reported in accordance with financial accounting standards board accounting standards, for calendar year 2015 exceeds $125,000,000. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available ~~during the biennium beginning July 1, 2017, and ending June 30, 2019~~through June 30, 2021. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 23. REPEAL. Section 54-17-41 of the North Dakota Century Code is repealed.

SECTION 24. EXEMPTION - INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 14 of the 2015 Session Laws and transferred pursuant to section 6 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 25. EXEMPTION - LIGNITE RESEARCH GRANTS. The amount appropriated to the industrial commission from the general fund for lignite research grants in the grants line item in section 1 of chapter 14 of the 2015 Session Laws is not subject to the provisions of 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for lignite research grants during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 26. LEGISLATIVE INTENT - RENEWABLE ENERGY DEVELOPMENT FUND. It is the intent of the sixty-fifth legislative assembly that the industrial commission consider

applications for funding from the renewable energy development fund for advanced energy technology development projects.

~~**SECTION 31. LEGISLATIVE INTENT - ESSENTIAL SERVICE WORKER HOME OWNERSHIP INCENTIVE FUND.** Of the contributions deposited in the essential service worker home ownership incentive fund during the biennium beginning July 1, 2017, and ending June 30, 2019, it is the intent of the sixty-fifth legislative assembly that the housing finance agency disburse fifty percent within planning regions one and eight and shall disburse the remaining fifty percent within the other planning regions.~~

SECTION 27. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM - LIGNITE MARKETING FEASIBILITY STUDY. The amount of $4,500,000 from the lignite research fund, or so much of the amount as may be necessary, may be used for the purpose of contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and industry jobs or that will lead to increased development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. Moneys appropriated pursuant to this section also may be used for the purpose of contracting for nonmatching studies and activities in support of the lignite vision 21 program; for litigation that may be necessary to protect and promote the continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for the purposes stated in this section are available to the industrial commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

~~**SECTION 33. EFFECTIVE DATE - EXPIRATION DATE.** Sections 23 and 24 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective.~~

SECTION 28. PROHIBITION - NORTH DAKOTA FINANCIAL CENTER - BANK OF NORTH DAKOTA. The Bank of North Dakota may not construct a North Dakota financial center on a site adjacent to the existing building on which the Bank of North Dakota is located related

to the funding provided in section 1 of chapter 14 of the 2015 Session Laws and identified in sections 2 and 26 of chapter 14 of the 2015 Session Laws until after June 30, 2019.

SECTION 29. LAKE BED SEDIMENTATION STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the game and fish department, the state department of health, the state water commission, and any other state agencies as necessary, regarding the feasibility of and appropriate jurisdiction for regulation of sediment studies and dredging operations from the beds of reservoirs that retain more than fifty acre-feet of surface water. The study must include consideration of best practices in other states, an outline of any proposed regulations, and a plan to implement a uniform permitting process. The industrial commission shall report to the legislative management by September 30, 2018, regarding the results and recommendations of the study.

SECTION 30. GAIN-SHARING PROGRAM STUDY - REPORT TO LEGISLATIVE MANAGEMENT. During the 2017-18 interim, the industrial commission shall conduct a study in consultation with the North Dakota mill and elevator association regarding the gain-sharing program. The study must include consideration of the costs and benefits of the gain-sharing program, best practices in other milling operations, and the estimated fiscal impact of repealing or modifying the gain-sharing program. The industrial commission shall report to the legislative management by July 1, 2018, regarding the results and recommendations of the study.

SECTION 31. BANK OF NORTH DAKOTA EFFICIENCY STUDY - REPORT. During the 2017-18 interim, the Bank of North Dakota shall conduct a study regarding potential efficiencies in operations. The Bank of North Dakota shall report to the appropriations committees of the sixty-sixth legislative assembly regarding the results and recommendations of the study.

SECTION 32. EXPIRATION DATE. Section 20 of this Act is effective through June 30, 2019, and after that date is ineffective.

SECTION 33. EMERGENCY. Section 28 of this Act is declared to be an emergency measure.