House Finance and Taxation
Chairman Craig Headland
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SB 2330

Chairman Headland and Members of the House Finance and Taxation Committee, my name is David Lakefield and I am the Finance Director for the City of Minot. I would like to thank you for your time to address this bill this morning.

As you are all aware, the Souris River Basin is in the middle of a very large flood control project of which the City of Minot is the primary funding source for the local match. Minot has dedicated a portion of their sales tax revenues to fund this project and has also issued bonds in support of the project. Even though sales tax revenues are projected to be sufficient to service the debt utilizing a combination of the open market as well as the Infrastructure Revolving Loan Fund, rising rates will make this much more difficult.

Minot has not yet utilized the funding available through the infrastructure revolving loan funds but fully expect to within the next two years. In 2021, while the legislature was still in session, Minot committed to issuing bonds for three years of projected flood control related expenses and locked in a rate of just over 2% for 30 years.

At the time, we weren't certain if the revolving loan funds would be approved and we were concerned that we would miss the opportunity to take advantage of the low rate environment that we were in. As you all are aware, rates have gone up significantly since 2021.

Currently the remaining local share to be financed for the Souris Basin Flood Control Project is estimated to be just over $250,000,000. An increase in rates from 2% to 4% would add nearly $100,000,000 in interest cost to this project.

Flood control is not the only beneficiary of the infrastructure loans. Minot is also exploring this program to kick-start a large project to replace aging cast iron water mains in the city. These efforts have been hampered in the last few years due to supply chain issues and the resulting increase in prices.

Having access to a stable and readily accessible source of funding is a huge benefit when trying to develop long range plans to tackle some of these generational infrastructure projects. Our concern with this bill is that it removes the backstop funding for the Infrastructure Revolving Loan Fund. A portion of the funds in the portfolio will still be allocated to fixed income investments but may be located outside of North Dakota. Focusing only on the investment return completely disregards the economic impact that these infrastructure projects have within the state. Funding these projects within North Dakota keeps that economic impact local instead of paying it to bondholders out of state.

For these reasons, I would request that the committee give SB 2330 as it is proposed a do not pass recommendation.

Thank you.