



North Dakota Senate

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Senator Brad Bekkedahl

District 1

P.O. Box 2443

Williston, ND 58802-2443

bbekkedahl@ndlegis.gov

COMMITTEES:
Appropriations (Chair)

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Senate Bill 2372 Testimony

Government Operations Division of Appropriations Committee

Hon. Senator Terry Wanzek, Chairman

Chairman Wanzek and Committee Members,

Good morning, Chairman Wanzek and Committee. I am Brad Bekkedahl, Senator from District 1 in Williston. SB 2373 is a bill that had its genesis in Governor Armstrong's budget presentation to the House and Senate Joint Appropriations committees on January 15th. In that meeting he proposed consideration of a capital construction project that would be paid for using Legacy Fund Earnings (LFE) as the debt payment source. Since his budget also proposed funding the current allocation buckets in the LFE and taking all the remaining revenue to pay for his primary residence property tax credit proposal, he included a provision to change the Percent Of Market Value (POMV) that funds the LFE from 7% of POMV (3.5%/year) to 8.5% of POMV (4.25%/year). Besides funding the bonding debt fund with this increase in POMV, he also used part of this funding to add money to the existing Highway Distribution Fund (HDF) to provide higher distributions for road projects to the DOT, counties, cities, townships, and transit projects. When the LFE buckets were set up in the 2023 session, the intent was that the money in the three buckets would serve everyone in the state with benefits, and that the

benefits would provide tax relief as well. Part of that tax relief is helping pay for local infrastructure projects through the LFE Highway Distribution Fund.

Mr. Chairman, since there has not been a bill introduced this session for bonding projects, making the bond payment provision unnecessary, this bill takes the Governor Armstrong proposal and changes the POMV for 7% to 8%, with the additional 1% to be always deposited in the LFE HDF for increased transportation funds distributions statewide. For the committee's information, the HDF is distributed 60% to the NDDOT, 28.5% to counties and cities, 10% to townships, and 1-1/2% to transit projects. Since the 1% distribution is tied to the overall LFE POMV, the funding in this bucket should increase every biennium to keep up or exceed inflation rates in its distributions. I have had Legislative Council fiscal staff prepare several flowcharts that will better illustrate the current POMV distributions, what would happen under Governor Armstrong's recommendations, and what you would see if this bill is passed. I think seeing the charts will better explain what I have been explaining here in my testimony.

For those that are concerned how the increase from 7% to 8% will impact the overall Legacy Fund, I have a table prepared by LC that illustrates forward looking estimates. I am comfortable with the increase for two reasons. One, the Common Schools Trust Fund has distributions of 10% of POMV and has stayed healthy and two, the Legacy Fund growth is primarily driven by new deposits every biennium from the 30% dedication of oil and gas tax revenues. So there is room to make this change in distributions.

Thank you, Chairman Wanzek and Committee, for your consideration of SB 2373. I respectfully request a Do Pass recommendation on the bill and would stand for questions.

