

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

ECONOMIC IMPACT COMMITTEE

Wednesday, July 31, 2013
Prairie Room, State Capitol
Bismarck, North Dakota

Senator Dave Oehlke, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Dave Oehlke, Tom Campbell, Ron Carlisle, Mac Schneider, George B. Sinner; Representatives Thomas Beadle, Rick Becker, Joshua A. Boschee, Mike D. Brandenburg, Ed Gruchalla, Bob Hunsakor, Nancy Johnson, Matthew M. Klein, Gary R. Sukut

Members absent: Senator Terry M. Wanzek; Representative Vernon R. Laning

Others present: Senator Ray Holmberg, member of the Legislative Management, was also in attendance.

See attached [appendix](#) for additional persons present.

Committee Counsel reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#) for the 2013-14 interim.

HOUSING FINANCE AGENCY RESIDENTIAL AND COMMERCIAL DEVELOPMENT ASSISTANCE INVENTORY

Chairman Oehlke recognized Senator Holmberg for comments regarding the committee's directive to receive a report from the Housing Finance Agency regarding government programs providing residential and commercial development assistance. Senator Holmberg said the Legislative Management did not provide for a comprehensive study of housing during this interim. However, he said, the committee should consider requesting the Housing Finance Agency to make regular reports to the committee regarding the status of its inventory of government programs in residential and commercial development assistance. He said the committee has the flexibility to provide guidance to the agency in the conduct of the inventory. He said representatives of the North Dakota Chamber of Commerce have contacted him requesting the Legislative Management to conduct a comprehensive study of housing in the state. He said if it appears it becomes necessary to have a more comprehensive study beyond what the agency is doing through its inventory, he will assign an additional directive.

Chairman Oehlke called on Ms. Jolene Kline, Housing Finance Agency, for [comments](#) relating to the inventory.

In response to a question from Senator Carlisle, Ms. Kline said the Housing Finance Agency finished the first quarterly round of grants under the housing incentive program. She said the agency received requests for \$36 million in funds, which exceeds the total amount of funding provided for the biennium. She said 18 of the 36 requests were funded, with a total of approximately \$20 million being committed. She said the next round will end on September 30 and will likely exhaust the funding for the biennium. Of the projects funded in the first round, she said, most were in the western portion of the state. As provided by law, she said, priority was given to requests for critical needs and essential service worker housing. She said one project funded in Watford City is a 24-unit structure that will provide housing for hospital and nursing home employees.

In response to a question from Representative Beadle, Ms. Kline said the agency would like some guidance on whether the inventory should address commercial development assistance.

Representative Beadle said the intent of the inventory was to get a picture of all types of programs and the financial situation of those funds.

In response to a question from Senator Schneider, Ms. Kline said the agency looks at affordable housing programs in other growing areas to learn what type of practices work in addressing rapid growth.

In response to a question from Senator Campbell, Ms. Kline said about \$35.5 million was provided for housing incentives for the biennium, \$20 million of which is attributable to an income tax credit.

In response to a question from Representative Hunsakor, Ms. Kline said the funding provides a 30 percent equity investment in a project with 70 percent of a project cost being financed with regular financing. She said the investment is in the form of a forgivable loan if the owner operates the housing project in accordance with the deed restriction on the portion of the project funded through the incentive.

In response to a question from Representative Beadle, Ms. Kline said the deed restriction generally is in place for at least 15 years.

In response to a question from Representative Becker, Ms. Kline said the agency will need some guidance on the commercial portion of the inventory. She said the agency is not a commercial lender. In addition, she said, there is a Taxation Committee study that is likely addressing issues related to the commercial development.

Representative Beadle said the purpose of the inventory was to look at all state programs fostering development, including housing and commercial development. He said there seems to be a lack of consistency in state programs. With respect to the commercial portion of the inventory, he said, the Bank of North Dakota and the Department of Commerce should be able to provide information regarding programs administered by those entities. In addition, he said, a survey could be conducted of local governments to determine what types of programs are available on the local level.

Chairman Oehlke requested Ms. Kline to provide the committee updates on the progress of the inventory at future meetings of the committee.

CHILD CARE STUDY

Chairman Oehlke called on Ms. Sandra Hanretty, Department of Human Services, for [comments](#) regarding the study of child care. Ms. Hanretty said Ms. Jennifer Barry, Department of Human Services, was unable to attend the meeting because of an out-of-state meeting but is available by phone conference if members of the committee have any questions for her.

In response to a question from Senator Sinner, Ms. Hanretty said although she did not have the number of children in child care programs at hand, the department can provide the committee with that [information](#).

In response to a question from Senator Oehlke, Ms. Hanretty said although some fire departments do not charge for fire inspections of child care facilities, many facilities pay for fire and health inspections. She said the inspection fees have been increasing recently.

In response to a question from Representative Johnson, Ms. Hanretty said home child care facilities generally have a fire inspection upon the opening of the child care operation, and group child care facilities generally have yearly fire inspections.

In response to a question from Senator Sinner, Ms. Hanretty said grants for child care have helped in some areas of the state to increase the number of providers. Although the overall number of providers may be decreasing, she said, capacity has increased in some facilities.

In response to a question from Representative Boschee, Ms. Hanretty said the department works with the Department of Public Instruction on standards for prekindergarten services and with respect to food programs.

In response to a question from Senator Oehlke, Ms. Hanretty said North Dakota Child Care Resource & Referral provides referrals and is available to help parents find care when a day care center closes.

In response to a question from Senator Oehlke, Ms. Hanretty said western portions of the state, including Minot, are in dire need of child care services.

In response to a question from Representative Becker, Ms. Carol Cartledge, Department of Human Services, said she can provide the committee with [additional information](#) regarding the percentage of families in the state at 85 percent of the state median income with respect to the change in the eligibility standard for child care assistance.

In response to a question from Representative Becker, Ms. Barry said the child care capacity in the state has remained relatively stable, but demand has increased.

In response to a question from Representative Sukut, Ms. Hanretty said federal regulatory requirements affect the operation of child care facilities in the state in a number of ways. She said there are several proposed rules under consideration relating to monitoring and posting of provider information as well as inspections of self-declared child care facilities.

TRANSPORTATION INFRASTRUCTURE STUDY

At the request of Chairman Oehlke, Committee Counsel reviewed a background [memorandum](#).

Chairman Oehlke called on Mr. Grant Levi, Director, Department of Transportation, for a [presentation](#) regarding transportation infrastructure in the state.

In response to a question from Senator Campbell, Mr. Levi said the state has been very fortunate to have a large state investment in infrastructure. He said that investment benefits the state in a number of ways, including having an increasing number of contractors doing business in the state. As a result, he said, there has been good competition for bidding on projects. He said there has been an average of 4.6 bidders bid per project. Although the state has fared well under the current federal funding formula, he said, the next federal transportation bill will likely not be so favorable to this state.

In response to a question from Representative Klein, Mr. Levi said the department works closely with the Upper Great Plains Transportation Institute to avoid duplication of efforts. He said the department partners with the institute on studies and regularly shares information.

In response to a question from Representative Brandenburg, Mr. Levi said the department does everything possible to protect the environment during projects. However, he said, it can be difficult when there are so many agencies and federal rules involved. He said the environmental review process was proposed to be streamlined in the United States Senate transportation funding legislation, but the provisions were changed in the United States House of Representatives. He said it takes time and money to work through environmental concerns, such as the presence of endangered species that may be affected by bridge construction. On state-funded projects, he said, the department has attempted to speed the process by going through the environmental, right-of-way, and design phases together. He said doing so is a risk, but it is a calculated risk.

In response to a question from Representative Beadle, Mr. Levi said due to the increased cost of labor, materials, and services, similar projects generally cost more in the western portion of the state than in the eastern and central portions. He said traffic issues also can result in increased costs. He said he will forward to the committee additional information regarding cost comparisons in the different areas of the state.

In response to a question from Senator Oehlke, Mr. Levi said the cost of acquiring property for road projects varies throughout the state. He said the per acre cost in rural areas may be \$25,000 to \$40,000 while the acquisition cost for a bypass in Williston was approximately \$165,000 per acre. He said the department is using eminent domain in some places when acquisitions are unable to be completed. Because of the rapid change in some markets, he said, it has been a challenge for the department to work through acquisitions.

In response to a question from Senator Sinner, Mr. Levi said engineers and experts from the department regularly participate in national groups to discuss design and construction standards, including examining innovations in materials. He said the department examines traffic counts and truck traffic to determine which standards to apply. He said the department is designing roads to higher levels in some places to address future needs. Although there are some specific standards in state law, such as the uniform manual and traffic control, he said, it is difficult to have standards in law because these standards are constantly evolving.

In response to a question from Representative Gruchalla, Mr. Levi said the department has federal funds and individual programs to address safety issues, such as alcohol use, seatbelt use, and speeding violations. He said the department participates in information campaigns and enforcement efforts and is experimenting with new methods of communication and outreach. He said the key is educating people with respect to safety issues.

In response to a question from Senator Oehlke, Mr. Levi said the department will attempt to see if any conclusions can be made regarding the effectiveness of new laws relating to driving under the influence.

Mr. Levi said if there are no enhancements in federal funding for transportation, the amount of federal funding available to the state may be drastically reduced.

Chairman Oehlke called on Mr. Tim Horner and Dr. Alan Dybing, Upper Great Plains Transportation Institute, for a [presentation](#) regarding the institute.

In response to a question from Representative Johnson, Mr. Horner said the department van used in conducting road tests has lasers in the bumper and takes digital video images to measure cracks and roughness.

In response to a question from Senator Oehlke, Dr. Dybing said counties have been good with respect to participating in the survey process and providing data. He said the institute gathers data from a number of different sources.

In response to a question from Representative Brandenburg, Dr. Dybing said a 2007 study by the institute addressed the economic impact of shortline railroads. He said the study now being undertaken could factor in the impact of the shortline railroads on the transportation infrastructure in the state.

In response to a question from Representative Brandenburg, Mr. Levi said the department administers a revolving loan fund program for shortline railroads. He said the needs of the railroads are greater than the amount of funding in the program. He said the shortline railroads take some of the traffic load off of highways.

In response to a question from Representative Brandenburg, Mr. Jon Mielke, Upper Great Plains Transportation Institute, said the railroads play a significant role in the transportation infrastructure in the state. He said the Public Service Commission has a tremendous database of commodity movement within the state. He said the database probably has not been updated recently but could be a good source of information.

In response to a question from Senator Oehlke, Mr. Horner said the state often shares jurisdictional and maintenance responsibility with neighboring states on bridges that cross the border of the state.

Mr. Levi said the department often enters relationships for shared responsibility and shares in maintenance costs with neighboring states.

Chairman Oehlke called on Mr. Kyle Wanner, North Dakota Aeronautics Commission, for a [presentation](#) regarding aviation infrastructure in the state.

In response to a question from Representative Beadle, Mr. Wanner said only commercial boardings are indicated on the chart provided in his presentation.

In response to a question from Representative Johnson, Mr. Wanner said passenger boardings can be expected to stabilize in the future. He said the airport infrastructure in the state is at full capacity and cannot handle many more passengers.

In response to a question from Senator Oehlke, Mr. Wanner said there are some concerns with federal rules relating to flight restrictions for pilots and the impact on the Devils Lake and Jamestown airports. He said the state is working on obtaining waivers before the regulations become effective.

In response to a question from Representative Gruchalla, Mr. Wanner said consideration of whether to impose landing fees and the amount of landing fees is a decision made at the local level by the airport regulatory authority. He said any landing fees collected are retained by the local authority.

In response to a question from Senator Oehlke, Mr. Wanner said the eight cent tax on aviation fuel and jet fuel generates approximately \$4 million to \$5 million per year.

In response to a question from Representative Brandenburg, Mr. Wanner said Williston is planning to relocate its airport, and approximately \$20 million to \$25 million will be provided this biennium to begin the relocation project. He said the amount of funding provided to Minot for airport upgrades also will be approximately \$25 million.

In response to a question from Senator Sinner, Mr. Wanner said the Federal Aviation Administration has been slow to react to concerns with respect to security in airports in the state at which the amount of passenger boardings has increased significantly. However, he said, many of the local airports have invested funds and the

state has provided some grant money to address some of those concerns. Because the Transportation Security Administration has not been very accommodating in increasing staffing at airports with increases in boardings, he said, there are great concerns. He said the Williston airport has only one lane for passengers to proceed through the security checkpoint.

In response to a question from Representative Beadle, Mr. Wanner said there are concerns in the western part of the state with respect to the availability of funding for control towers. He said Williston is planning for a control tower that will likely cost approximately \$40 million. However, he said, the Federal Aviation Administration does not appear interested in providing funding for that project.

CHILD CARE STUDY

Chairman Oehlke called on Ms. Linda Reinicke, North Dakota Child Care Resource & Referral, for a [presentation](#) regarding child care services in the state.

In response to a question from Representative Johnson, Ms. Reinicke said the higher percentage of child care capacity in Grand Forks is likely due in part to the buildup in capacity after the 1997 flood. In addition, she said, the Grand Forks area has a very good system of support for providers and more child care staff may be available due to the presence of the University of North Dakota.

In response to a question from Senator Carlisle, Ms. Reinicke said the Department of Commerce was appropriated \$2,600,000 for grants through which up to \$187,000 may be provided to an applicant for a day care center.

In response to a question from Representative Beadle, Ms. Reinicke said there are some issues with respect to the reimbursement process for day care centers and the handling of day care assistance funds. She said her agency is working with day care centers to improve the process. She said large day care centers experience difficulty in dealing with the amount of paperwork involved with respect to the assistance payments.

In response to a question from Senator Campbell, Ms. Reinicke said without subsidizing the day care industry, parents would likely be taking children to more illegal child care facilities and looking for other options. She said there has been a child care crisis for several years, and the market has not righted itself. She said the industry is much like the nursing home industry in that low wages cause employees to seek employment elsewhere, and it is difficult to meet the true costs of providing care.

Chairman Oehlke called on Mr. Bill Bauman, Missouri Valley Family YMCA, for [comments](#) regarding the child care study.

In response to a question from Senator Campbell, Mr. Bauman said all types of incentives should be considered to address the child care problems in the state, including tax incentives to stay home to care for children. He said families are always having to make calculations to determine whether it is feasible to have a parent stay at home or place a child in child care. He said employer-provided day care is an option some businesses are exploring.

In response to a question from Senator Sinner, Mr. Bauman said the YMCA has considered entering partnerships with businesses to administer child care for the businesses. He said he can provide the committee information at future meetings regarding examples of partnerships that have been entered by the YMCAs in the state.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Oehlke requested members of the committee to provide ideas for presentations for future meetings.

Representative Johnson said the committee may consider discussing the feasibility of private and public partnerships for road projects.

Senator Schneider said he would like to see the committee receive additional information regarding regulations affecting child care facilities. In addition, he requested the Legislative Council staff to seek information from the Department of Human Services regarding the number of injuries and neglect in child care facilities which have been reported. He said the committee could look at the extent of regulation of child care facilities with respect to the quality of care provided.

Senator Sinner requested additional information regarding life standards for roadway classifications compared with other states and the effectiveness of higher standards for road construction if higher standards are used in other states.

Representative Sukut requested regular presentations regarding the impact of the grants provided for child care providers and the changes in the regulation of child care providers.

Senator Carlisle said additional information regarding child care provided by businesses for employees of those businesses in the state would be helpful.

Chairman Oehlke said the committee will likely hold a meeting in a highly impacted area of the state, such as Williston.

No further business, Chairman Oehlke adjourned the meeting at 3:45 p.m.

John Bjornson
Assistant Code Revisor

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