

**1999 HOUSE APPROPRIATIONS**

**HB 1455**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1455

House Appropriations Committee

Conference Committee

Hearing Date January 25, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-36.8
Committee Clerk Signature <i>Kathleen Jones</i>			

Minutes:

**A BILL FOR AN ACT TO CREATE AND ENACT SECTIONS 61-02-68.14, 61-02-68.15, 61-02-68.16, 61-02-68.17, AND 61-02-68.18 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO STATE WATER COMMISSION BONDING AUTHORITY; TO AMEND AND REENACT SECTION 61-02-68.1 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO GUARANTEES OF EVIDENCES OF INDEBTEDNESS BY THE STATE WATER COMMISSION; AND TO DECLARE AN EMERGENCY.**

**Chairman Dalrymple** called the committee to order and opened the hearing on House Bill 1455.

**1A: .4 Rep. Dale Severson District 23** representing five rural counties the bill affects. Testified in support of House Bill 1455.

**1A: 1.1 Dave Koland Executive Director of North Dakota Rural Water Systems Association** (See attached testimony)

**1A: 5.0 Chairman Dalrymple** asked if the bill was restricted to the Municipal, Rural and Industrial Program(MR&I). Dave Koland replied that the bill is not restricted to just MR&I.

**1A: 5.7 Chairman Dalrymple** asked if the only thing new was the longer term, tax free aspect? Dave Koland replied that he was correct.

**1A: 6.2 Rep. Aarsvold** inquired how these bonds would be repaid. Dave Koland replied that the bonds would be repaid by the MR&I money. The bonds are issued on the promise that the MR&I money is going to come from the federal government to North Dakota. Interest would be paid by the project sponsors. No rural water systems will be built without grant money.

**1A: 9.3 Rep. Kerzman** asked who would be responsible if the bonds fall behind? Dave Koland replied that the state or State Water Commission will be responsible. He also stated that there is some protection concerning that issue.

**1A: 13.6 Gary Bauer Investment Banker** testified on financing regarding House Bill 1455.

**1A: 25.6 David Sprynczynatyk State Engineer and Secretary to State Water Commission** testified that commission is not proposing plan, but just considering it, and has not taken a position as of yet. Further testified on MR&I program and supplied background information.

Page 2

House Appropriations

Bill/Resolution Number 1455

Hearing Date January 25, 1999

**1A: 30.0 Rep. Byerly** asked who the constituency is putting forth this particular bill. David Sprynczynatyk stated that the commission started looking at this issue last year concerning bonding authority. That authority does exist for the water commission. **1A: 35.0** Dave Kolan also noted that the constituency is coming from specific rural areas that are in desperate need of a water system. These specific rural areas are experiencing a decrease in population.

**Chairman Dalrymple** closed the hearing on House Bill 1455.  
There was no opposition to HB 1455.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HOUSE BILL 1455

House Appropriations Committee

Conference Committee

Hearing Date January 28, 1999

Tape Number	Side A	Side B	Meter #
ONE	X		0.1 - 6.5
Committee Clerk Signature <i>Kathleen Jones</i>			

Minutes:

**An BILL for an Act to create and enact sections 61-02-68.14, 61-02-68.15, 61-02-68.16, 61-02-68.17 and 61-02-68.18 of the North Dakota Century Code, relating to state water commission bonding authority; to amend and reenact section 61-02-68.1 of the North Dakota Century Code, relating to guarantees of evidences of indebtedness by the state water commission; and to declare an emergency.**

**1A: 1.0 Chairman Dalrymple** called the meeting to order for discussion on HB 1455. He stated that the state water commission held a meeting on 1/27/99 and decided not to pursue the financing vehicle in HB 1455 for MR & I project due to the insecurity of when federal funds may become available.

**1A:2.1 Rep. Monson** made the motion for a DO NOT PASS. The motion was seconded by Rep. Poolman. The Chairman called for discussion.

**1A:3.2 The vote was 12 yeas, 2 nays, and none absent.**

The hearing on HB1455 concluded.

**FISCAL NOTE**

(Return original and 10 copies)

Bill/Resolution No.: HB 1455 Amendment to: \_\_\_\_\_

Requested by Legislative Council Date of Request: 1-20-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

**Narrative:**

House Bill 1455 allows the State Water Commission to develop a bond pool as a part of a water program. Costs would be covered by program revenues. The State Water Commission would incur some administrative costs that could be handled within the agency's operating budget.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	0	0	0	0	0	0
Expenditures:	0	0	0	0	0	0

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: 0
- b. For the 1999-2001 biennium: 0
- c. For the 2001-03 biennium: 0

4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
0	0	0	0	0	0	0	0	0

If additional space is needed, attach a supplemental sheet.

Signed *Dale Frink*

Typed Name Dale Frink  
 Assistant State Engineer  
 Department State Water Commission

Date Prepared: January 22, 1999

Phone Number 328-4940

Date:  
Roll Call Vote #:

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House **APPROPRIATION** 1455 Committee \_\_\_\_\_

Subcommittee on \_\_\_\_\_  
or

Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken \_\_\_\_\_

Motion Made By \_\_\_\_\_ Seconded By \_\_\_\_\_

Representatives	Yes	No	Representatives	Yes	No
Rep. Ole Aarsvold	✓		Rep. Ronald Nichols	✓	
Rep. LeRoy G. Bernstein	✓		Rep. Jim Poolman	✓	
Rep. James Boehm	✓		Rep. Ken Svedjan	✓	
Rep. Rex R. Byerly	✓		Rep. Mike Timm	✓	
Rep. Al Carlson	✓		Rep. Ben Tollefson	✓	
Rep. Ron Carlisle	✓		Rep. Janet Wentz	✓	
Rep. Al Carlson	✓		Chairman Jack Dalrymple	✓	
Rep. Jeff Delzer	✓				
Rep. Pam Guleson		✓			
Rep. Serenus Hoffner	✓				
Rep. Robert Huether		✓			
Rep. James Kerzman	✓				
Rep. Ed Lloyd	✓				
Rep. David Monson	✓				

Total (Yes) 18 No 2

Absent \_\_\_\_\_

Floor Assignment Rep. Monson

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

REPORT OF STANDING COMMITTEE (410)  
January 28, 1999 12:22 p.m.

Module No: HR-18-1374  
Carrier: Monson  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1455: Appropriations Committee (Rep. Dalrymple, Chairman) recommends DO NOT PASS (18 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1455 was placed on the Eleventh order on the calendar.**

**1999 TESTIMONY**

**HB 1455**



Testimony by Dave Koland, Executive Director  
**North Dakota Rural Water Systems Association**

To the

**Appropriations Committee Hearing on HB 1455**

Bismarck, North Dakota  
January 25, 1999

Mr. Chairman, members of the committee; My name is Dave Koland. I serve as the Executive Director of North Dakota Rural Water Systems Association. Our association has a membership of 32 rural water systems and 242 municipal water systems.

My purpose today is to direct your attention to a potentially fatal funding lag in obtaining assurances of federal funding under the Municipal, Rural and Industrial program (MR&I). The importance of MR&I grant money to the affordability of most large scale water projects in North Dakota makes the availability of MR&I funding the chief determining factor on when the project will be built.

The uncertain nature of the congressional budgeting and appropriations process has resulted in reducing the time available to project sponsors to an unacceptably short time span. Most sponsors would agree that 10-14 months is generally needed to complete the necessary final design, environmental work, and bidding process.

Sponsors planning construction in 1999 with MR&I funds are going to be faced with about 3 months notice before the 1999-construction season begins. If we can move the notification date for the 2000 construction season back to January 1999 both the state and the project sponsors would realize several important benefits:

1. Allow use of the full construction season.
2. Lower project costs.
  - a) More competitive fall bidding.
  - b) Reduce sponsors lobbying cost.
3. More time means:
  - a) Better project design.
  - b) Better solutions to problems
  - c) More initial sign ups of members.
4. Orderly water development.
5. Make the best use of limited resources.

Under the **PROMISED PAYMENT PLAN (PPP)** a four year construction schedule and MR&I budget would be developed based on the \$54 million federal MR&I commitment. If in any one year of the proposed budget the federal payment fell short of the budgeted amount the state would promise to cover the shortage until the federal dollars were received. The project sponsors would then be able to plan their projects to take full advantage of North Dakota's short construction season.

The State Water Commission already has authority according to a Legislative Council Memorandum of September 1998 to implement a Promised Payment Plan Program.

The PPP would get water projects back on a sensible development schedule saving precious dollars by taking advantage of more favorable bid letting times. PPP would enable project construction to begin at the start of the construction season and reduce the need for contractors to build in undue amounts of overtime work or winter construction. The time available for preliminary engineering and design work would be increased to a more practical level.

Under PPP the project sponsors will pay the interest costs of the program. HB 1455 would provide a method for a non-profit entity such as the North Dakota Rural Water Finance Corporation to create a bond pool to provide interim financing of the federal MR&I dollars. The project sponsor will pay the interest cost on the short term borrowing from the pool and the principal will be repaid by the MR&I funds when received from the federal government. Reinvesting the pool money until it is needed by a project under construction will substantially reduce interest costs. The net effect of using an interim financing pool has resulted in an interest rate of around 1.0%-1.5% for the participants in the funding pool.

I believe that PPP combined with an interim pool, would result in reducing the overall cost of water projects, improve their effectiveness, and bring safe clean water to more people in North Dakota.