

1999 SENATE POLITICAL SUBDIVISIONS

SB 2312


1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2312

Senate Political Subdivisions Committee

Conference Committee

Hearing Date January 29, 1999

Tape Number	Side A	Side B	Meter #
1	x		0 to 3333
Committee Clerk Signature 			

Minutes:

SENATOR LEE: OPEN COMMITTEE HEARING

FISCAL NOTE ATTACHED: no fiscal effects

DINA BUTCHER: explain SB2312

KIM CHRISTIANSON: SEE TESTIMONY

DISCUSSION

SENATOR NELSON: some sort of program that is set up already

SENATOR LEE: I don't know

RAY BOYER: program exists with MDU

SENATOR KELSH: bonding without the authority to do so

RAY BOYER: would come to legislature every year with the list of what needs to be done

SENATOR KELSH: if good business decision, still has to go through the legislature

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RAY BOYER: No

SENATOR LEE: discussion from SENATOR AUBYN

SENATOR AUBYN: support for lower energy costs and options for planning or energy dependency

SENATOR LEE: any questions

SENATOR WATNE: question on amendments

KIM CHRISTIANSON: Two amendments and their explanation

SENATOR NELSON: prohibits now working with other agencies

KIM CHRISTIANSON: No, but no funding to work with other agencies

SENATOR NELSON: Lighting project approved by Captial Grounds Planning Commission

KIM CHRISTIANSON:: not sure, but they are just basic repairs and replacements on like items

SENATOR KELSH: SENATOR NELSON, we were told that it was not our business what happened on the grounds

SENATOR NELSON: we were told all public areas

SENATOR LEE: renovation about house and Senate were done

DISCUSSION

SENATOR WATNE: heating project (garbled conversation)

KIM CHRISTIANSON: yes if it relates to energy conservation, heating and cooling

SENATOR WATNE: air conditioning to certain units and what area's are covered by the energy assistance program

KIM CHRISTIANSON: replacement heating system and conservation measures and the energy savings

SENATOR WATNE: bonding proposal and savings from the heat bill would then come before appropriations and board

DISCUSSION

SENATOR FLAKOLL: maintenance costs and costs of installations and cost savings based on the meter and bulb costs savings vs. expenditures

KIM CHRISTIANSON: explanation of new equipment and the costs associated with these savings vs costs, new equipment lasts longer

SENATOR FLAKOLL: all costs of new equipment and cattle waters

KIM CHRISTIANSON: all savings, green house at NDSU

SENATOR FLAKOLL: one heat source to another

KIM CHRISTIANSON: YES

SENATOR FLAKOLL: prior conversations and what they based their plans on verses an economic standpoint

KIM CHRISTIANSON: long term savings and the patterns associated with different states

SENATOR LEE: quality of the lighting and energy costs associated with lower cost lighting and which lighting is more user friendly

KIM CHRISTIANSON: more people prefer the new light

SENATOR LEE: questions

RAY BOYER: director of facility management for NDSU, support

CURTY ZIMMERMAN: support of this bill for OMB and cost vs savings for these energy costs

KARLENE FINE: answer any questions on bonding

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DISCUSSION ON BONDING ISSUES WITH THE ENERGY FUNDS, SEE TESTIMONY ON
BONDING OF PROJECTS

SENATOR WATNE: page two of the bill, and program bonding as a general funding

KARLENE FINE: programs done under this program

SENATOR LEE: questions

MOTION: CLOSE 2312

FEBRUARY 11, 1999

MOTION: DO PASS

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: _____ SB 2312 _____ 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:

There are no fiscal effects resulting from SB 2312 for the remainder of the 1997-99 Biennium or for the 1999-2001 Biennium. For the 2001-2003 Biennium, a list of energy efficiency projects at state facilities will be included in the Governor's budget totaling an estimated \$2 million. The projects that are identified will result in energy cost savings sufficient to pay back, within a ten year period, any annual debt service incurred to fund the projects. The intention of the legislation is to save taxpayer dollars while implementing needed improvements at state facilities. After the initial investment is paid back with the generated savings, the projects will continue to provide utility savings for years to come.

For example, a recent lighting upgrade project in the Capitol tower cost approximately \$118,000. The project will generate just over \$27,000 in annual energy cost savings, resulting in a "payback period" of 4.4 years. At the end of that payback period the state will continue to enjoy the cost savings.

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-	(see above)	
Expenditures:	-0-	-0-	-0-	-0-	(see above)	

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

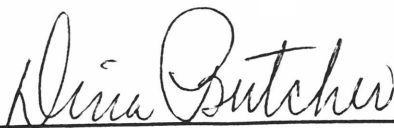
- a. For rest of 1997-99 biennium: _____ -0-
- b. For the 1999-2001 biennium: _____ -0-
- c. For the 2001-03 biennium: _____ -0-

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

N/A

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Dina Butcher

Department Office of Intergovernmental Assistance

Date Prepared: 1/25/99

Phone Number (701) 328-2094

PROPOSED AMENDMENTS TO SB2312

Page 1, line 23, after "office", insert ",in consultation with the interested agencies and institutions,"

Page 2, line 12, after "office" insert ",in consultation with interested agencies and institutions,"

Renumber accordingly

PURPOSE OF PROPOSED AMENDMENT:

The proposed amendment clarifies that participation in an energy improvement program and the estimated cost savings is done in cooperation with the agency or institution.

February 10, 1999



Handwritten signature and date: 2/10/99

PROPOSED AMENDMENTS TO SENATE BILL NO. 2312

Page 1, line 23, after "office" insert ", in consultation with the interested agencies or institutions,"

Page 2, line 12, after "office" insert ", in consultation with the interested agencies or institutions,"

Renumber accordingly

Date: 2-5-99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2312

Senate Political Subdivisions Committee Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Lyson Seconded By Flakoll

Senators	Yes	No	Senators	Yes	No
Senator Lee (Chairman)	/				
Senator Lyson (Vice-Chaiman)	/				
Senator Flakoll	/				
Senator Watne	/				
Senator Kelsh	/				
Senator Nelson					

Total (Yes) 5 No 0

Absent Nelson

Floor Assignment Flakoll

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

REPORT OF STANDING COMMITTEE

SB 2312: Political Subdivisions Committee (Sen. Lee, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2312 was placed on the Sixth order on the calendar.

Page 1, line 23, after "office" insert ", in consultation with the interested agencies or institutions,"

Page 2, line 12, after "office" insert ", in consultation with the interested agencies or institutions,"

Renumber accordingly

1999 HOUSE POLITICAL SUBDIVISIONS

SB 2312

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2312

House Political Subdivisions Committee

Conference Committee

Hearing Date 3-4-99

Tape Number	Side A	Side B	Meter #
1		x	47.4--54.4
Committee Clerk Signature <i>Pam Dever</i>			

Minutes: BILL SUMMARY: Relating to powers of the N.D. Building Authority and the Office of Governmental Assistance to implement a state facility energy improvement program.

Chairman Froseth called the hearing to order with all committee members present except Rep. Gunter.

Dina Butcher, OIA : 47.4 This is not a complex legal issue, but instead it is a cost saving issue.

I am here to speak about the merits of the cost savings of this kind of legislation. A lot of savings have been done through grants, etc. Energy conservation is already happening in the capital tower. We have changed the lighting. The oil over charge payments has paid for some changes to conserve energy. For the first two years, we will be doing an assessment of those proposed projects, and then come forward with a vehicle that could make that affordable. We will pay for those by the savings that are made.

Chairman Froseth : Dina, you said that the cost is taken care of with grant money.

Dina: At this point, we have been able to use grants or money from oil over charge fund.

Chairman Froseth : What is the oil over charge fund?

Dina : 51.5 It happened way back. It's as big as the tobacco refund is now. It was a federal case based on inequities charged by oil companies and all states got a settlement.

Rep. Ekstrom : 52.4 Is there any provision in the bill to look at new facilities or new additions, with regard to energy use.

Dina : The facility manager can answer that for you when he testifies.

Rep. N. Johnson : 53.4 In the middle 80's we had a tremendous push in the public schools to conserve energy with facility changes, etc. Why wasn't the state in on that?

Dina : That funds for the schools is no longer available. The state may well have been involved back then. There were no revenues available within the states. The schools got involved through federal funds. If we get involved in state institutions, we can show how savings with pay for improvements. Anything we can do to show savings like this, will encourage all municipalities to get on board.

Sen. Rod St.Aubyn, Dist. 43, Grand Forks : Tape 2, Side A 0.0 testified in support of this bill. I worked with the University of N.D. dealing with energy conservation. I use to work with the Office of Intergovernmental Assistance, frequently, applying for grants for energy conservation measures. One of the frustrations I had was that I could identify certain projects that I knew would save money long term. The problem was we didn't have the appropriations to be able to do it. (See attached testimony)

Kim Christianson, Energy Program Manager of OIA : 2.5 testified in support of the bill. (See attached testimony) Kim also gave the committee a letter from Ray Boyer, President of

NDAPPA (Association of Facilities Managers) who was supporting the bill. (See attached testimony)

Rep. Delmore : 9.0 I think it's a good bill and my name is on it. How long term down the road do these go and how often do they get reevaluated?

Kim : We would not look at any project that has a pay back period greater than ten years. We have to go back every year to analyze the situation.

Rep. Delmore : How quickly will we move into numerous agencies? How many will we take on at a time and will there be a legislative fiscal note down the road?

Kim : We don't see a fiscal impact for this next biennium. We would come back the next legislative session and present a list of projects that have been identified in that period. We would request a bond issue or request straight appropriations for that. The fiscal impact would take place two years from now. We do intend to use the remaining oil over charge funds to help out with the audit costs. Don't know how many institutions would be involved.

Rep. Koppelman : 11.2 I look at the fiscal note here, and I see no revenues and expenditures. I have a concern about whether that fiscal note accurately reflects the long term impact of this program and if the legislature needs to know that. What do you think?

Kim : Yes, we are concerned. We work very closely with budget analysis, since we are a division of OMB. I can only point to the success of the other two states and their savings have been exceeded. I feel there will be greater savings faster.

Rep. Koppelman : 12.5 What do you do if the savings are not what you thought they would be, after you implemented something? What is your game plan in worst case scenario?

Kim : 13.2 We are going to, as an office, guarantee that those savings will be there. We have an energy engineer on staff. We will be very conservative with our projections. There is some negotiations involved. The debt service payment is guaranteed. But there will have to be a certain amount of room for negotiations because of the other factors that will enter in to the situation.

Rep. Ekstrom : 13.8 I would like to share this with the committee. In energy audits that my firm helped perform through the federal government, we found savings much more than was projected. We projected 15% and we got 70% savings in some cases. This reduces the cost of operating a great deal. Have you looked at changing road side weight stations or rest areas? Reducing the amount of landscaping, etc?

Kim : Our office deals mainly with energy programs and have not been involved in that area.

Rep. Niemeier : 14.9 I see this bill has a good intent. Will our university system be mandated to get into an energy audit and will they assume some of the cost?

Kim : Will not be a mandate in this program. It is intended to be a co-op program.

Curt Zimmerman, Facility Management OMB : 16.0 testified in support of this bill. Gave the committee some actual savings figures of past projects. (16-0-17.5)

Chairman Froseth : Any more testimony in support; any testimony in opposition.

Rep. N. Johnson : 18.9 When we dealt with the energy savings issue in the school system, we went to a further pay back than ten years. Some projects we had 15 years pay back.

Chairman Froseth : Hearing is closed.

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Bill/Resolution Number SB 2312
Hearing Date 3-4-99

In the afternoon the bill was brought up for discussion. Tape 2, Side A.

Chairman Froseth : What are the committee wishes?

ACTION: Rep. Delmore made a motion to DO PASS and Vice Chair Maragos seconded the motion.

ROLL CALL VOTE: 14 YES and 0 NO with 1 ABSENT. PASSED. Rep. Ekstrom will carry the bill.

Please type or use black pen to complete

Date 3-4-99
 Roll call vote # 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2312

House POLITICAL SUBDIVISIONS Committee _____

- Subcommittee on _____ } Identify or check where appropriate
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Delmore Seconded By Vice Manager

Representatives	Yes	No	Representatives	Yes	No
Chairman Froseth	/		Rep. Wikenheiser	/	
Vice Chair Maragos	/				
Rep. Delmore	/				
Rep. Disrud	/				
Rep. Eckre	/				
Rep. Ekstrom	/				
Rep. Glassheim	/				
Rep. Gunter					
Rep. Johnson, N	/				
Rep. Koppelman	/				
Rep. Niemeier	/				
Rep. Rose	/				
Rep. Severson	/				
Rep. Thoreson, B	/				

Total 14 0
 (Yes) (No)

Absent -1-

Floor Assignment Rep. Ekstrom

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

DO NOT USE HIGHLIGHTER ON ANY FORMS

REPORT OF STANDING COMMITTEE (410)
March 4, 1999 4:07 p.m.

Module No: HR-39-4067
Carrier: Ekstrom
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2312, as reengrossed: Political Subdivisions Committee (Rep. Froseth, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
Reengrossed SB 2312 was placed on the Fourteenth order on the calendar.

1999 TESTIMONY
SB 2312

TESTIMONY ON SB 2312

Presented by: Kim Christianson, Energy Program Manager
ND Office of Intergovernmental Assistance

Madam chair, and committee members, my name is Kim Christianson, I am the energy program manager for the Office of Intergovernmental Assistance. I have approximately 15 years experience working with state and federal energy efficiency and renewable energy programs and I am very pleased to testify before you in support of Senate Bill 2312.

Senate Bill 2312 puts in place a mechanism to provide on-going funding of energy efficiency improvements in state facilities. While the bill has several benefits, the main benefit is the reduction of energy or utility costs in state facilities which translates into a savings for taxpayers.

I'd like to first go over an example of the type of project that this bill would fund, then discuss the contents of the bill and reasons for its introduction.

In 1998, our office worked with the Facility Management office to implement a lighting project in the Capitol tower. The project was to replace existing magnetic ballasts with more efficient electronic ballasts and the existing fluorescent bulbs with higher efficiency T8 bulbs. Total costs for the lighting improvements were just under \$118,000. According to engineering estimates, the improvements should result in annual energy cost savings of slightly over \$27,000. This means that the energy savings alone from this project should "payback" the up front costs in 4.4 years. At the end of that period, the energy savings will continue to accrue for years to come.

As with most energy efficiency improvements, in addition to the direct energy savings resulting from the project, there are several additional benefits. They include:

- The new T8 lamps produce more and better quality light, including better color rendition;
- The electronic ballasts are lighter in weight, have less humming noise, and virtually no lamp flicker;

- The previous magnetic ballasts contained PCB's - a hazardous material. Replacing the ballasts eliminated the potential of PCB leakage; and
- Saving electricity prevents air pollution caused by electricity generation.

Not all the energy improvements we work with have as short a payback period as this one, nor the numerous indirect benefits. But many do.

Senate Bill 2312 creates a process by which our office will work with physical plant administrators and others at state facilities to identify needed energy efficiency improvements. Any proposed improvements will be analyzed through engineering audits, which will provide detailed cost estimates along with estimated energy cost savings resulting from the projects. We will then submit a list of proposed projects for inclusion in the Governor's biennial budget, along with a report on the process used to identify the projects.

The Governor will make our report available to the legislative assembly along with a description of the improvements to be funded; estimated cost of each project and the total cost of the program; and the proposed method of financing the program - either appropriated funds or a bond issue.

If a bond issue is proposed, our office would provide an assurance that the energy cost savings resulting from the improvements would be sufficient to equal or exceed the annual debt service for the bonds. We would work closely with facility managers and physical plant administrators to provide training and other technical assistance that would help ensure the necessary savings is realized.

For each state agency or institution participating in the program, the Governor will include in the budget an estimate of the annual energy cost savings expected for that agency, and, if needed, a projection of the debt service on program bonds apportioned to that agency. Each agency's or institution's utility appropriation will be reduced by the amount needed for debt service retirement and an appropriation of that amount (the total) will be provided to the state building authority (ND Industrial Commission). Bond issues used to finance the improvements would be issued through the ND building authority.

Why is legislation needed? First, other funding sources for energy improvements in state facilities have either been eliminated or depleted. For many years our office administered the Department of Energy's Institutional Conservation Program (ICP). The ICP provided matching grants to schools and hospitals throughout the state to undertake energy audits and to implement identified improvements. We used this program at many of the college campuses, the State Hospital, and the School for the Deaf. Unfortunately, the Department of Energy discontinued the ICP a few years back.

Another source of funding has been the use of oil overcharge funds that the state received as the result of several federal court cases. We have utilized and continue to utilize these monies to fund energy improvements in state facilities. They too, however, are being steadily depleted and it is our intention to use a portion of the remaining funds to help with the costs of energy audits or analyses needed for this program.

While energy improvements make fiscal sense and provide additional benefits to state facilities, it is often difficult to compete for limited state dollars with other more critical plant needs, such as roof or steam line replacements.

We know of several states that have implemented similar programs with very positive results, specifically Montana and Iowa. In fact, we invited a representative from the Montana state energy office to discuss the program at a meeting with physical plant administrators, university system business officers and others. Both Iowa and Montana have had programs in place for nearly ten years.

Senate Bill 2312 establishes a program that finances needed energy improvements in state facilities and essentially pays its own way. In addition to the long term energy cost savings realized by participating agencies, the program will improve occupant comfort and working conditions, upgrade building energy systems and provide environmental benefits. I urge your support.

State Bonding

General Obligation Bonds

General obligation bonds are secured by the full faith and credit and the general taxing power of the state.

Article X, Section 13 of the North Dakota Constitution provides for the issuance of general obligation bonds of the State as follows:

- The State may not incur debt unless evidenced by a bond issue authorized by law for clearly defined purposes.
- Every law authorizing a bond issue must:
 - Provide for a levying of an annual tax, or make some other provision, sufficient to pay the interest semiannually and the principal within 30 years from the date of issuance.
 - Specifically appropriate the proceeds of the tax levy, or such other provision, to the repayment of the principal of and interest on the bonds.
- The appropriation referred to above may not be repealed, or the tax or other provision discontinued, until both the principal of and interest on the bonds have been paid.
- Bonds in excess of \$2,000,000 must be secured by a first mortgage upon either of the following:
 - A. A first mortgage on real estate for no more than 65% of the value of the real estate.
 - B. A first mortgage on real or personal property of State-owned utilities, enterprises or industries for no more than the value of the utilities, enterprises or industries.
- The State may not issue or guarantee bonds secured by property of State-owned utilities, enterprises or industries in excess of \$10,000,000.
- The State may not issue debt in excess of the limit set out in this section except for one of the following purposes:
 - A. Repelling invasion.
 - B. Suppressing insurrection.
 - C. Defending the State in time of war.
 - D. Providing for the public defense in case of threatened hostilities.

Moral Obligation Bonds

A moral obligation pledge will generally require that the state agency issuing the bonds must notify the Governor or other executive branch office by a certain date in the fiscal year that a reserve fund deficiency exists or is expected to occur. The Governor or other executive officer is then required to submit in the executive budget a request for an appropriation that will be sufficient to restore or cover the reserve fund deficiency. The State Legislature then has the discretion to provide the requested appropriation.

For example, bonds issued by the Municipal Bond Bank are moral obligation bonds. Subsection 1 of NDCC §6-09.4-10 requires the Bond Bank to establish and maintain a reserve fund equal to the maximum annual debt service on all outstanding Bond Bank bonds. Subsection 4 of NDCC §6-09.4-10 provides that the legislative assembly appropriate and pay to the Bond Bank for deposit in its reserve fund such sum as is certified to the Legislature by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve.

Revenue Bonds

Revenue bonds do not carry a moral obligation as defined above but are payable solely from revenues from a specific source or from pooled revenues from various sources. There are different sources for repaying revenue bonds. State issued revenue bonds are as follows:

Lease Revenue Bonds

The North Dakota Building Authority issues lease revenue bonds. The Authority looks to the leases (which provide for a lease payment every six months) entered into between the Authority and the State Agency to repay the outstanding bonds. In the case of the Building Authority the majority of the lease payment from the state agency comes from the General Fund which is appropriated each biennium by the Legislature.

Mortgage Revenue Bonds

The North Dakota Housing Finance Agency issues mortgage revenue bonds. The proceeds from these bonds are used to buy home loans and the repayment of these loans provides the primary debt service on the bonds. HFA bonds are not debt of the State, but are full faith and credit obligations of the HFA (to the extent of available funds).

Revenue Bonds

- There are several revenue bonds issued by the state. First, the Industrial Commission issues student loan revenue bonds. The proceeds from the student loan revenue bonds are used to purchase student loans from primarily the Bank of North Dakota. The payments made by students on the loans (the revenues) are then utilized to repay the bonds.
- The University System has issued several different types of revenue bonds. Parking lots are often financed by revenue bonds with the parking fees (revenues) used to repay the debt. The same applies for student housing, student unions and technology bonds.
- The Water Commission has issued revenue bonds for the Southwest Pipeline Project and for, I believe, a small portion of the NAWS Project. The source of repayment is water user fees.

Karlene Fine
328-3722

Issuer	Type of Bond	Security Source*	Source of payment	Limitation**	Amount Outstanding as of 1/1/99	Statutory Reference
Industrial Commission/ Agricultural Bonds	Revenue Bonds	Agricultural loans	Loan Repayments	No limitation	\$0	4-36
North Dakota Building Authority	Lease Revenue Bonds	Deed held on the facilities either constructed or rehabilitated	Biennial appropriations (including General Fund and Local Match Funds)	General Fund appropriation cannot exceed 10% of 1% of the sales use, motor vehicle tax	\$82,225,000	54-17.2
Housing Finance Agency	Mortgage Revenue Bonds	Mortgages held on homes and multi-family facilities	Mortgage loan repayments and reserve/ investment income	No limitations	\$682,245,218	54-17
Industrial Commission/ Lignite Research Program	Revenue Bonds	Letter of Credit from Bank of North Dakota	Biennial appropriations from the Lignite Research Fund	No limitations except to the extent of funds available in the Lignite Research Fund for debt service payments	\$6,880,000	54-17.5
Municipal Bond Bank	Moral Obligation	Political Subdivision bonds	Loan repayments from political subdivisions	No statutory limitation. Capital Finance Program has a rating agency and IC limitation of \$75,000,000	\$137,891,000	6-09.4
Natural Resource Bonds	General Obligation		Loan repayments	Together with all GO debt 5% of full and true value of the taxable property	\$0	21-11-08
Governor & Treasurer – Real Estate Bonds	General Obligation	Real Estate mortgages & a commitment to levy a statewide mill levy	Payments from Real Estate Loans and Statewide Mill levy	\$150,000,000/65% of the value of real estate mortgages	\$0	54-30
Industrial Commission/ Student Loan Program	Revenue Bonds	Student Loans which are guaranteed by the Guarantee Agency and the Federal Government	Student Loan payments	No limitations	\$157,832,450	54-17
University System	Revenue Bonds	Revenues from the fees	Parking Fees, Housing Fees, Student Fees	Each project must be approved by the Legislature. No overall limitation	\$56,780,000 as of 6/30/98	15-55
Water Commission	Revenue Bonds	Revenues, reserve accounts and earnings	Collection of User Fees	Statutory limitation of an aggregate of \$2 million unless Legislature authorizes a higher amount for a specific project (SW pipeline has a limitation of \$15,000,000; Northwest Area Water Supply project does not have a limitation)	\$8,010,000 as of 9/30/98	61-24.3 and 61-24.6

*Security Sources also include reserve funds and other invested funds and accounts that are provided for in each bond issue. Generally these reserve funds represent up to one year's debt service or 10% of the bond issue.

**The Federal Government has established an overall volume cap for Private Activity Bonds that is \$150,000,000 a year. The Student Loan Revenue Bonds and the Housing Finance Agency Revenue Bonds fall within the Private Activity Bond Volume Cap.

Revised 1/19/99

Issuer	Type of Bond	Security Source	Source of Repayment	Limitation	Bill Number
North Dakota Building Authority	Lease Revenue Bond	Deed held on the facilities either constructed or rehabilitated	Biennial appropriations (including General Fund and Local Match Funds)	General Fund appropriation cannot exceed 10% of 1% of the sales, motor vehicle taxes	HB 1022
North Dakota Building Authority	Revenue bonds for Energy Improvements		Utility Savings Appropriations	No limitation	SB 2312
Industrial Commission	Revenue Bonds for livestock loan program		Loan repayments	No limitation	SB 2425
State Mill	Revenue Bond	Mill revenues	Future Profits of the North Dakota Mill	\$19,500,000	HB 1115
Water Commission	Revenue Bond for Devils Lake Project		Future Profits of the Bank of North Dakota	\$20,000,000	SB 2164 and SB 2188
Water Commission	Revenue Bonds for Flood Control (Grand Forks Dike)		Future Profits of the Bank of North Dakota	\$52,000,000	SB 2165
Water Commission	Moral Obligation/ Revenue Bonds for Irrigation Districts	Resource Trust Fund revenues appropriated by the Legislature	Revenues from payments made by the irrigation districts	No limitation	HB 1281
Water Commission For Water Projects	Short term revenue bonds to provide reserve fund; Guarantee	Reserve Fund & State's Moral Obligation	Pledge of Revenues ??	No limitation	HB 1455
University System	Revenue Bonds	Fee Income	Revenues from the fees	\$4,750,000	HB 1003

Bonding Under Consideration

PROPOSED AMENDMENTS TO SENATE BILL 2312

Page 2, line 21 after "authority." insert "Any appropriation of an amount needed for debt service retirement to the state building authority is not subject to the limitation contained in section 54-17.2-23³"

Renumber accordingly.

Testimony on SB 2312
House Political Subdivisions Committee
March 4, 1999

Mister Chairman and members of the Political Subdivisions Committee, for the record I am Senator Rod St. Aubyn, from District 43 in Grand Forks.

SB 2312 is a bill that creates a mechanism to fund energy conservation measures for state agencies and institutions. After energy audits are completed for the different areas, a list is submitted to the Governor with the estimated costs for submission in the budget. If these projects are to be bonded, the cost to pay for the bond payments must be equal to or less than the utility savings. The resulting savings will continue even after any obligations are met, resulting in lower expenses for the state in the future.

Mister Chairman and committee members this bill will result in savings to the state in the future and improve our agencies or institutions by providing newer lighting or heating systems within our state agencies and institutions. There is a representative here who is more knowledgeable about this bill and is willing to answering any questions. Mister Chairman and committee members, I ask for your support in giving SB 2312 a Do Pass recommendation. Thank you.

TESTIMONY ON SB 2312

Presented by: Kim Christianson, Energy Program Manager
ND Office of Intergovernmental Assistance

Chairman Froseth, and committee members, I am very pleased to testify before you today in support of Senate Bill 2312.

Senate Bill 2312 puts in place a mechanism to provide on-going funding of energy efficiency improvements in state facilities. While the bill has several benefits, the main benefit is the reduction of energy or utility costs in state facilities which translates into a savings for taxpayers.

I'd like to first go over an example of the type of project that this bill would fund, then discuss the contents of the bill and reasons for its introduction.

In 1998, our office worked with the Facility Management office to implement a lighting project in the Capitol tower. The project was to replace existing magnetic ballasts with more efficient electronic ballasts and the existing fluorescent bulbs with higher efficiency T8 bulbs. Total costs for the lighting improvements were just under \$118,000. According to engineering estimates, the improvements will result in annual energy cost savings of slightly over \$27,000. This means that the energy savings alone from this project will "payback" the up front costs in 4.4 years. At the end of that period, the energy savings will continue to accrue for years to come.

As with most energy efficiency improvements, in addition to the direct energy savings resulting from the project, there are several additional benefits. They include:

- The new T8 lamps produce more and better quality light, including better color rendition;
- The electronic ballasts are lighter in weight, have less humming noise, and virtually no lamp flicker;
- The previous magnetic ballasts contained PCB's - a hazardous material. Replacing the ballasts eliminated the potential of PCB leakage; and
- Saving electricity prevents air pollution caused by electricity generation.

Senate Bill 2312 creates a process by which our office will work with physical plant administrators and others at state facilities to identify needed energy efficiency improvements. Any proposed improvements will be analyzed through engineering audits, which will provide detailed cost estimates along with estimated energy cost savings resulting from the projects. We will then submit a list of proposed projects for inclusion in the Governor's biennial budget, along with a report on the process used to identify the projects.

The Governor will make our report available to the legislative assembly along with a description of the improvements to be funded; estimated cost of each project and the total cost of the program; and the proposed method of financing the program - either appropriated funds or a bond issue.

If a bond issue is proposed, our office will provide an assurance that the energy cost savings resulting from the improvements will be sufficient to equal or exceed the annual debt service for the bonds. We will work closely with facility managers and physical plant administrators to provide training and other technical assistance that will help ensure the necessary savings is realized.

For each state agency or institution participating in the program, the Governor will include in the budget an estimate of the annual energy cost savings expected for that agency, and, if needed, a projection of the debt service on program bonds apportioned to that agency. Each agency's or institution's utility appropriation will be reduced by the amount needed for debt service retirement and an appropriation of that amount (the total) will be provided to the state building authority (ND Industrial Commission). Bond issues used to finance the improvements will be issued through the ND building authority.

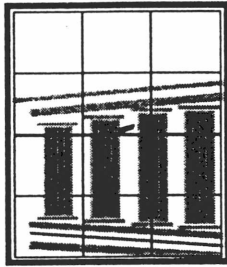
Why is legislation needed? First, other funding sources for energy improvements in state facilities have either been eliminated or depleted. For many years our office administered the Department of Energy's Institutional Conservation Program (ICP). The ICP provided matching grants to schools and hospitals throughout the state to undertake energy audits and to implement identified improvements. We used this program at many of the college campuses, the State Hospital, and the School for the Deaf. Unfortunately, the Department of Energy discontinued the ICP a few years back.

Another source of funding has been the use of oil overcharge funds that the state received as the result of several federal court cases. We have utilized and continue to utilize these monies to fund energy improvements in state facilities. They too, however, are being steadily depleted and it is our intention to use a portion of the remaining funds to help with the costs of energy audits or analyses needed for this program.

While energy improvements make fiscal sense and provide additional benefits to state facilities, it is often difficult to compete for limited state dollars with other more critical plant needs, such as roof or steam line replacements.

We know of several states that have implemented similar programs with very positive results, specifically Montana and Iowa. In fact, we invited a representative from the Montana state energy office to discuss the program at a meeting with physical plant administrators, university system business officers and others. Both Iowa and Montana have had programs in place for nearly ten years.

Senate Bill 2312 establishes a program that finances needed energy improvements in state facilities and essentially pays its own way. In addition to the long term energy cost savings realized by participating agencies, the program will improve occupant comfort and working conditions, upgrade building energy systems and provide environmental benefits. I urge your support.



NDAPPA

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JOE MURPHY, Intergovernmental Assis.

TO: North Dakota House of Representatives
Political Subdivision Committee Members

FROM: ^{RB} Ray Boyer, President
North Dakota Association of Facilities Managers (NDAPPA)

DATE: March 4, 1999

RE: Senate Bill 2312
Financing Energy Improvements in State Facilities

The North Dakota Association of Facilities Managers (NDAPPA) is a statewide organization of state agency and university system facilities managers who meet quarterly on various common facilities matters. At its January 12, 1999, meeting, the members present unanimously approved a resolution in support of the proposed legislation for Financing Energy Improvements in State Facilities, now known as Senate Bill 2312.

NDAPPA membership has had a very positive working relationship with the Office of Intergovernmental Assistance, especially in the area of federally funded energy grant programs. With the depletion of many of the funds available for energy efficiency improvements, the facilities managers support the need to develop other means of providing for similar programs. This legislation is perceived as being a financial tool that will meet those needs.

This Bill makes good financial sense. As you are aware, capital improvement and repair dollars, along with operating repair dollars, are in high demand and compete with a variety of other priorities statewide. National studies have shown this to be a common problem, not just a North Dakota problem. Solutions developed in Montana and Iowa, upon which the basis of this legislation is developed, have provided another financial tool to meet these continued demands. Utilizing today's operating dollars to create long term savings is much more reasonable than spending today's operating dollars with the hope that someday we will have a windfall of money to take care of these energy inefficiencies.

On behalf of the NDAPPA membership, I would encourage you to support Senate Bill 2312, with its amendments.

Thank you for your consideration.

