

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2015

2001 SENATE APPROPRIATIONS

SB 2015

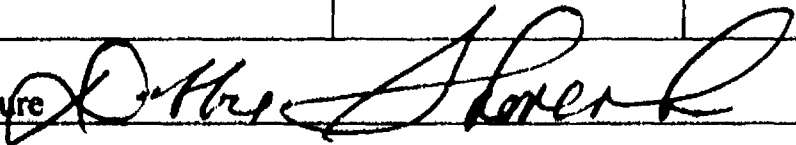
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2015

Senate Appropriations Committee

☐ Conference Committee

Hearing Date : January 8, 2001

Tape Number	Side A	Side B	Meter #
#3	IND COMM		0.0 - 50.4
		IND COMM	0.0 - 20.5
Committee Clerk Signature 			

Minutes: Tape #3, Side A

Senator Nething opened the hearing on SB 2015.

Karlene Fine, Executive Director and Secretary for the Industrial Commission of ND (testimony attached). She explained that the Industrial Commission is responsible for overseeing Bank of ND, the State Mill, the Municipal Bond Bank, the Oil and Gas Division, the Student Loan Trust, the Geological Survey and the various regulator functions related to subsurface minerals, and the Lignite Research, Development and Marketing Program. In addition the Industrial Commission is the North Dakota Building Authority. Her testimony was on Subdivision 1 of Senate Bill 2015 or Budget No. 405 and the appropriations for the administrative office. The appropriation funding sources are the General Fund dollars, non-state funds (Job Service dollars, University System building project local match, Lignite Research Fun, Municipal Bond Bank and federal funds. No General Fund dollars are used for the operations of the administrative office. Also the Industrial Commission's proposed budget was submitted to the Office of Management and Budget, and two of the Commission's agencies have been informed that they must relocate as the

leases will not be renewed. An amendment to SB 2015 will be submitted following testimony of all the agency directors.

Senator Solberg: Bonds that are due, which ones are going off and when?

Karlene Fine: 1986 Refund Bonds and 1998 paid off bonds from 1988, most bonds are for 10 years. Next portion of 1992A were refinanced in 1998.

Senator Solberg: Section 3 Bonds, what area?

Karlene Fine: Student Loan trust.

Tape #3, Side A. 19.5

John Dwyer, Chairman Lignite Research Council, (testimony attached). Summarized future lignite industry environmental issues and how important it is to compete as lignite solves problems with tax revenue, increases development, and research is needed. Lignite exists in an extremely competitive market; environmental issues are impacting competitiveness; other regional factors impacting competitiveness are emission fees, externalities and portfolio generation mandates. Future of ND lignite industry depends on the ability to use lignite more cleanly, more efficiently and more economically. We need research for existing facilities to maintain jobs, economic activity and tax revenue. The lignite Vision 21 Project will promote and utilize state of the art mining technologies; will improve efficiency and reduce emissions and utilize energy growth demands for our region.

Senator Bowman: Are there changes from Washington on the policies on burning coal, etc., any feedback that is beneficial?

John Dwyer: Hopefully the clean technology program with President elect Bush to promote technology. The initial indications was effort from the coal standpoint. The big challenge on

environmental laws and rules are in place and are very significant like the haze rules. We need to reduce emissions from power facilities. The flip side would be to sign a policy with DOE.

Senator Andrist: Will they mandate to improve air and take into consideration the air streams and how they change yearly? Does the air move the standards?

John Dwyer: There are regional air issues. Canada does not have any air standards which is frustrating. With these concerned issues, Congress needs to emphasize neighboring borders to do the same thing.

Senator Nething: On the Project 21, who is matching the \$10,000,000.

John Dwyer: There is an initiative setup for new players or existing players to build the new generating unit. The investors will be given state money of \$6,000,000 for an incentive. 50% from coal trust fund and another 10 cents per ton.

Senator Nething: How much is the fund now?

John Dwyer: \$10,165,000 now.

Senator Nething: On Page 8, carry over funds, the chart on page 4, are these annual revenues?

John Dwyer: Correct. Chart page 4, 4.7 million and 1.2 million.

Senator Nething: Is the time frame of the \$10 million utilized now?

John Dwyer: Yes, That is the strategy right now; if the gas prices go up it will be looked at then.

Senator Nething: Is the trust fund only for this biennium?

John Dwyer: Yes.

Senator Tallackson: Explain any road blocks; transmission power.

John Dwyer: The project transmission challenge is not in ND & SD but in MN; we have 75 miles to the east for the industrial transmission for power to MN; wind generation is the same and can work together. Important issues now are transmission and environmental.

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Senator Nething: Explain the stability tests.

John Dwyer: The stability tests; the opportunity is there less MN terrain, the better big issue in MN right now.

Senator Bowman: Transmission lines; are they designed for heavier lines to put on existing lines; easements.

John Dwyer: It really depends on the easements; it would be much easier with exiting lines.

Senator Tallackson: Regarding Technology-explain environmental issues on new plant.

John Dwyer: This plant is super clean; with technology today, plants will be much cleaner.

Senator Nething: Transmission is shorter to the east; but isn't the demand in the west.

John Dwyer: We have transmission problems with power to the coast; exchange agreements are all changing.

Tape #3, Side A. 32.00

Lynn Helms, Director of the Oil & Gas Division of the Industrial Commission, appeared (testimony attached) on behalf the Industrial Commission. He summarized on the staff and the specific duties involved for the upcoming budget. With the electronic age they are making progress in the Oil & Gave Division mainly: Expanded their web site, electronic filing of forms and data collection, converted half paper files and field inspector data to electronic format, upgrading the engineering and geology hardware and software systems. Also mentioned Amendment to SB 2015 regarding lease.

Senator Bowman: Regarding the amendment, are you looking for space now.

Lynn Helms: Yes we are; location uncertain at this time.

Tape #3, Side A. 42.9

John Bluemle, State Geologist & Director ND Geological Survey, stated (testimony attached)

that the lease with Basin was canceled and looking for a new location by the Summer of 2001.

Summary of staff and locations. Geology mission: energy resources and research, provide public service and map related information, and administer regulatory programs for ND Industrial Commission.

Tape #3, Side A completed 50.4. Side B started.

John Bluemle continued testimony on oil well core and drilling; coal exploration, geothermal resources, pale ontological resources, subsurface minerals, Class III injection wells and conflict resolution. (Handouts attached.)

Senator Tallackson: Have you located space for lease and what the costs will be?

John Bluemle: The cost to be roughly \$70,000. Average lease is from \$10.50 per foot to \$12.00 per foot, moving costs, network rewiring costs, and telephone.

Tape #3, Side B. 12.00

Tom Tudor, Executive Director Municipal Bond Bank, provided testimony (testimony attached), summarizing bond bank; low cost loans to ND political subdivisions; no money requested from general fund. Present time there are three loan programs: Capital Financing, State Revolving Fund, and the School Construction Financing Loan Program. The Bond Bank is required to establish a debt service reserve; establish a Bond Bank Advisory Committee made up of three members appointed by the Commission. An annual report is provided to the Legislative Council each year of all loans made and bonds issued by the Bond Bank.

Senator Nething: Is the Advisory Committee paid?

Tom Tudor: Yes, they receive \$50 per meeting.

Senator Nething: Any mileage?

Tom Tudor: There usually is no travel except for once a year; otherwise by telephone.

Senator Tallackson: Is there required school districts?

Tom Tudor: I'm not sure; the Bond Program is in school district; program resolution was just assigned to Industrial Commission.

Senator Schobinger: Who buys the bonds at 2 1/2% rate?

Tom Tudor: Usually investors use investment for earnings to subsidize interest rate around 5%.

Bonds are sold; revolving on a regular basis; competitive sales are regional.

Tape #3, Side B. 20.5

February 6, 2001 Full Committee Action (tape 1, side a: 0.0-54.3)

Senator Holmberg, Chair of the Industrial Commission Subcommittee distributed copies of the proposed amendments (18041.0106). He went through the proposed changes - 71 thousand for the new facility was in both Schafer's and Hoeven's budgets; 20 thousand decrease from the general fund on salary line. Senator Holmberg moved the amendments be accepted; Senator Schobinger seconded the motion.

Discussion: Senator Heitkamp: Stressed that the Bank of North Dakota is comfortable with the 140 million level; and the bank pushed for transfer Among programs (ex: PACE) -- more flexibility here,

Senator Tomac: page 2 -- 20 thousand -- out of a 6 million dollar budget this seems like a very small sum?

Senator Holmberg: This is modest -- and from general funds only -- position that will work with 2 areas --- not from the bank, etc.

No further discussion. Call for the oral vote on amendments; motion carried.

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Senate Appropriations Committee

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Feb 6, 2001

Senator Holmberg moved a DO PASS AS AMENDED on SB2015; Senator Tomac seconded the motion. No discussion. Roll Call Votes: 14 yes; 0 no, 0 absent. Senator Holmberg accepted the floor assignment.

Hearing on SB2015 closed by Senator Nething.

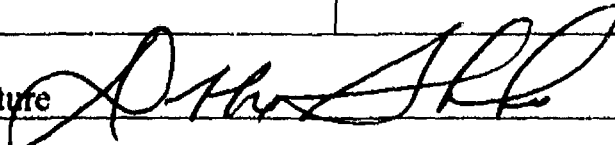
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2015

Senate Appropriations Committee

☐ Conference Committee

Hearing Date : January 8, 2001

Tape Number	Side A	Side B	Meter #
#5	HFA		00-14.8
Committee Clerk Signature 			

Minutes:

Pat Fricke, Executive Director of ND Housing & Finance Agency, (testimony attached), stated nearly all the HFA Programs involve partnerships with other entities. Partnerships include lenders, Realtors, home builders, property developers, community action agencies, regional councils, apartment owners, nonprofit organizations, other state and federal agencies. Funding for HFA is derived from revenue bonds and federal funds. HFA's largest program is the first time home buyer program, presently with 11,000 loans outstanding. All single family loans through HFA are to be serviced by an in state mortgage loan service. The largest appropriated funds involved are through the administration of Federally funded, US Dept. Of Housing & Urban Development (HUB) Housing programs as well as low income housing tax credit. The tax credit is an incentive for the development of rental leasing for low income occupants.

Senator Solberg: About two years ago there was talk about financing on reservations; what happened with that?

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Pat Fricke: Yes, there was an attempt for first time home buying on the reservations but there was the issue with tribal trust and collection problems as well as legal activities. Also foreclosure under tribal conditions had to be dealt with. We have encouraged tribes to cooperate and this has been done. The first time home buyers is now available on the reservations.

Senator Tallackson: Are these loans also on a local level?

Pat Fricke: The first time loans are standard loans as well as credit quality loans. He explained there are tax code guidelines, first time owner within 3 years, income cannot exceed certain levels, and the cost of the home at a certain amount to qualify for the lower rate.

Tape #5, Side A, meter 14.8

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2015

Senate Appropriations Committee

☐ Conference Committee

Hearing Date : January 9, 2001

Tape Number	Side A	Side B	Meter #
1	Bank of ND		20.2-54.9
		Bank of ND	0.0-5.9
2	Bank of ND		0.0-23.6
Committee Clerk Signature			

Minutes:

Eric Hardmeyer, Bank of North Dakota, (testimony attached) spoke on behalf of the Bank of North Dakota, on the proposed operations budget: 7% increased income for 2000 of 32.6 million, total loan portfolio financing business and industrial projects, total assets of 1,808 million, and salaries and wages. The EDP Production expense (\$241,824) is planned to increase due to development and implementation for business activity to be done electronically (online) and new web site allowing customers to interact with their account to exchange information and transactions. New computer software (\$200,000) and maintenance contracts (\$376,000), consulting services to design new system (\$182,400), equipment (\$236,500), capital improvements (\$75,000), Contingency (\$1,350,000) for replacement of Student Loans of North Dakota's customer service and transaction processing systems.

Senator Tallackson: Can't you protocol other banks around the US to fit a system to meet your needs?

Eric Hardmeyer: We have bought other software before and it did not work and that vendor is now out of business; we will continue to look at other software.

Senator Holmberg: Can you give us information on the Beginning Entrepreneur program and the background?

Eric Hardmeyer: Yes; we were appropriated \$500,000 for the Beginning Entrepreneur program which was completed 8/1/00; there has been 19 loans made and a waiting list; we are very comfortable with the program.

Eric Hardmeyer continuing with his testimony on the PACE FUND (\$6,000,000), AG PACE FUND (\$1,500,000) AND BEGINNING FARMER (\$1,000,000) programs.

Tape #1, Side B, meter 37.9.

Senator Grindberg: Please explain the student loan trust fund and how the Bank of North Dakota goes with this?

Ed Sather, from Bank of North Dakota, was asked to respond to this. He stated the student loan was established through the Bank of ND. The trust fund was under the Industrial Commission and those funds were purchased from the Bank of ND through bonds into the trust.

Senator Robinson: Lets go one step further; what is the flexibility of these student loans?

Ed Sather: The general bond utilizes these funds; bonds are used 4 ways and this is the only reason we use surplus funds; with consent from reserve funds.

Senator Nething: Bond Resolution?

Ed Sather: Bond holders usually do consent as they are insured.

Senator Grindberg: Please explain and walk through step by step the full process of the student loans

Ed Sather: Students go to college; they apply for financial aide; there is guarantor who selects the Bank of ND and funds are made to student; origination fee is paid to Bank of ND; reports give status to the bank.

Senator Grindberg: There is a 3% default rate on student loans; who guarantees them?

Ed Sather: Yes the loans are guaranteed; very small default for Bank of ND mainly due to management errors.

Tape #1, Side A, meter 54.9; switched Side B.

Senator Robinson: What about the tax exempt bonds?

Ed Sather: The 1979 General tax exempt bonds, 8% to student loans also tax exempt had a 9 1/2% floor, bonds were 6-6 1/2%, which gave a 3% margin. IRS put in a new tax law in 1990, a rebate calculation so you could only earn 2% about costs.; the 1996 margins were small in the tax laws.

Senator Robinson: As rules changed in the growth fund and are now normal; are they solvent?

Ed Sather: Tax exempt bonds over next three years were insured in 1996 with resolution cash flows existing and future growth cash from student loan trust.

Senator Nething: How much withdrawal and the period of time?

Ed Sather: Depends on amount and debt. 58 million in 1979 trust.

Senator Nething: How much does it earn?

Ed Sather: 4.5 million for interest yearly.

Tape 1, Side B, tape broke on meter 5.9

Tape 2, Side A started

Ed Sather: Discussed the 1979 and 1996 to be consolidated end of 2005; no debt for 1979 bond resolution; 1996 bonds until 2027; imparity bonds outstanding is defined and required.

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Senator Nething: 58 million in the 1979 trust continues to earn; can interest earned be shored up?

Ed Sather: Proceeds are available.

Senator Nething: And the 14 million until 2027?

Ed Sather: Only unless the insured agrees to the annual bond resolution and cash flows.

Senator Nething: How much time to acquire, months?

Ed Sather: 2-3 weeks if insured agrees.

Senator Kringstad: And the profits are \$4.5 for interest in a fiscal year?

Ed Sather: Yes that is correct; there is 60 million in the trust.

Senator Tomac: 4.5 million interest; what percent of return is that?

Ed Sather: It depends, there are two different tax laws and adjusted rate certificates with only 2% margin by law.

Senator Tomac: Currently was the interest rate on student loans annually?

Ed Sather: 7 1/4% annually.

Senator Tomac: Do we have to wait until 2005? What reserves go back to the Industrial Commission?

Ed Sather: If we wait until 2005 the 58 million in the 1979 trust will be clear plus interest; we then defuse the bond issue and no longer have an outstanding balance and get the money.

Senator Nething: Minimum amount to receive in this biennium is 9 million; any amount over the 9 million is accumulated earnings?

Ed Sather: The accumulated earnings is 9 million annually.

Senator Tomac: If is it 9 million now; will it be 56 million by 2005.

Ed Sather: Yes if you take the accumulated earnings of 9 million.

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Senator Tallackson: Lets scope the student loan; if a student says in state, they don't have to pay back the loan?

Ed Sather: This will have an impact on the Bank of ND if held by trust; not sure of cash flows to be reduced or debt service of the bond.

Tape 2, Side A, meter 9.3

Senator Grindberg: How about tax bonds?

Ed Sather: Tax bonds or tax law rebates restrict the amount of earnings to 2%; the investments are rebated back to IRS.

Eric Hardmeyer: Concerning student loans, the bill in this legislature is the Thorp Bill, in the House. It is about \$2,000,000 for forgiveness to certain profession not required to pay back student loans after college.

Senator Solberg: I've heard the Ag Pace disturbs local banks; suppose because they want full interest; can this be worked out.

Eric Hardmeyer: The loan is marketed; borrower pays lender through buy out; marketing bank throughout the state; activities are around livestock.

Senator Solberg: Protect profits or probability profits; 100 million will move up to 130-140 million; is this the profit ability of the bank?

Eric Hardmeyer: Yes that is a wiser goal; our goal is to reach 10% profit this biennium to Bank of ND.

Senator Solberg: If capital is moved up, there is more profit.

Eric Hardmeyer: Yes, that is correct.

Tape #2, Side A, meter 17.0

Senator Nething: Is 60 million the growth for the next 2 years?

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Eric Hardmeyer: Yes, we earn 32 million per year; growth cap somewhat; 170 million by end of biennium with ration target of 10%.

Senator Thane: Is the Ag Pace for existing or for new ventures.

Eric Hardmeyer: It is for existing Ag ventures and expanding; we simply sell shares that are existing for different programs; targeting also expanding businesses; secondary market invest in the program and it is cheaper.

Senator Nething: So there are three programs: depends program, to handle demands; dearly payoff, funds returned; commingle funds.

Eric Hardmeyer: Yes, that is right.

Senator Tomac: How about margins & profits for the future with the economy?

Eric Hardmeyer: Yes that is a concern.

Tape #2, Side A, meter 23.6

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2015

Senate Appropriations Committee

☐ Conference Committee

Hearing Date : January 9, 2001

Tape Number	Side A	Side B	Meter #
1	State Mill & Elev		0.0 - 19.5
Committee Clerk Signature			

Minutes:

Senator Nething opened the hearing on SB 2015, North Dakota State Mill and Elevator Association.

Vance Taylor, President and General Manager of the North Dakota Mill and Elevator, (testimony attached) appeared for the Mill and Elevator and also introduced Ed Barchenger, their controller and Finance Manager. Mr. Taylor gave a review of the elevator stating that the North Dakota Mill will be unofficially the 3rd largest wheat flour mill and the 12th largest milling company in the US with sales of over 77.7 million. He further gave specifics and amounts on the what the Mill is producing today. Operations are 24 hours per day, 5-7 days per week. Total staff of 121 full time employees. The upgrade and expansion project at the Mill will be finished by the end of this fiscal year and completed within the approved budget. The bulk and large package shipping area is diverse but concentrated more in the Ohio River Valley and on the East Coast.

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Senator Nething:

Can you tell us the available funds for transfer?

Vance Taylor: It looks very optimistic; there will be a 6.5% bonus from the Bank of North Dakota if funds are there for transfer

Senator Nething: When will the transfer be, end of 2001 or end of 2002?

Vance Taylor: It really varies; the last biennium will be the end 6/1/01 and should be similar the next biennium.

Senator Nething: I'm puzzled; Are we being asked to gamble those funds or will they be there?

Vance Taylor: We are confident the funds will be there.

Senator Holmberg: Are you still continuing the bonus plan with your employees?

Vance Taylor: A bonus is past due; the project plans to pay a bonus with profit sharing.

Senator Thane: Who supplies the flour for the frozen dough in the southeast US? Also, do ND & SD farmers supply the spring wheat to the Mill?

Vance Taylor: Not sure about the frozen dough; we bid on the spring wheat; most of it is from Cargill.

Senator Grindberg: How was the trip and trade mission with China?

Vance Taylor: The market is really tough; there is a lot of potential with China and Taiwan when you look at the markets; possible could be shipping next fiscal year; there is a project now with Japan for export opportunities.

Senator Tallackson: Regarding the new facility, how is this being paid for and for how many years?

Vance Taylor: We have borrowed 5 million for the building, the rest from general funds; it was approved over 20 years; interest costs will be paid in 4-5 years.

Senator Heitkamp: Asked about sources from Fairmont and if the Mill was still working with them.

Vance Taylor: No; not right now but it is a good source if needed.

Senator Heitkamp: With the market flat is the Mill being aggressive?

Vance Taylor: Yes we are aggressive with a high quality product and good customer service; we have 4 new accounts in the last six months; with margins depressed we can do good.

Senator Bowman: Are the byproducts shipped out of state? Bulk?

Vance Taylor: Yes. The byproducts of wheat; a lot also stays in the state. Mostly pallets shipped.

Senator Robinson: What was it I heard from the media last week about products going from Carrington to Canada or is this something down the road?

Vance Taylor: Not right now; with durum down 20% and a tough crop year to find grain.

Senator Tomac: In the Upper Great Plains budget, will products move out over seas in container shipments.

Vance Taylor: No container shipments now; this is being looked at but we have not made a decision on it at this time.

Senator Tomac: Is there a container future in the Taiwan market?

Vance Taylor: Yes with increased capacity and also to the far east.

Senator Tallackson: What is the strategic plan for the next 10 years with wheat flour?

Vance Taylor: The strategic plan now is to finish current project; there are 3 plus plans being looked at.

Proposed Amendment to Senate Bill 2015
January 9, 2001

Section 1
Subdivision 1
Line 14

Operating expenses **\$71,600+**

General Fund **\$71,600**

This amendment would provide a minimum amount of funding to meet the costs of relocating the Oil and Gas Division and Geological Survey offices. This additional amount includes the one-time costs of actually moving and wiring a new location and the ongoing rental costs that will be higher than the current rental costs.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2015

Page 1, line 3, after the second semicolon insert "to limit Bank of North Dakota transfers to the general fund; to provide legislative intent; to provide for a legislative council study;"

Page 1, line 13, replace "6,350,025" with "6,330,025"

Page 1, line 14, replace "1,733,669" with "1,805,269"

Page 1, line 19, replace "42,898,571" with "42,950,171"

Page 1, line 21, replace "7,312,581" with "7,364,181"

Page 2, line 22, replace "3,370,875" with "3,369,713"

Page 2, line 27, replace "39,873,425" with "39,872,263"

Page 2, line 28, replace "15,812,581" with "15,864,181"

Page 2, line 29, replace "127,981,576" with "127,980,414"

Page 2, line 30, replace "143,794,157" with "143,844,595"

Page 4, line 24, after the semicolon insert "for nonmatching externality studies and activities in externality proceedings;"

Page 4, line 25, remove the semicolon

Page 5, line 22, replace "PACE" with "BEGINNING FARMER"

Page 5, line 24, replace "partnership in assisting community expansion" with "beginning farmer loan"

Page 5, after line 26, insert:

"SECTION 14. BANK OF NORTH DAKOTA TRANSFERS TO GENERAL FUND - LIMITATIONS. Any transfer provided for in House Bill No. 1015 may only be made to the extent that the transfer does not reduce the Bank's capital structure below \$140,000,000.

SECTION 15. LEGISLATIVE INTENT - FULL-TIME EQUIVALENT POSITION. It is the intent of the legislative assembly that the new information technology coordinator position included in the salaries and wages line item in subdivision 1 of section 1 of this Act be shared by the oil and gas division and geological survey as directed by the industrial commission for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 16. LEGISLATIVE COUNCIL STUDY - INDUSTRIAL COMMISSION. The legislative council shall consider studying during the 2001-02 interim the mission of the industrial commission relating to the responsibilities of the oil and gas division and geological survey and the potential for efficiencies resulting from shared administrative and service delivery functions."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2015 - Summary of Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Industrial Commission			
Total all funds	\$42,898,571	\$51,600	\$42,950,171
Less estimated income	35,585,990		35,585,990
General fund	\$7,312,581	\$51,600	\$7,364,181
Bank of North Dakota			
Total all funds	\$39,280,867	\$0	\$39,280,867
Less estimated income	30,780,867		30,780,867
General fund	\$8,500,000	\$0	\$8,500,000
Housing Finance Agency			
Total all funds	\$39,873,425	(\$1,162)	\$39,872,263
Less estimated income	39,873,425	(1,162)	39,872,263
General fund	\$0	\$0	\$0
Mill and Elevator			
Total all funds	\$21,741,294	\$0	\$21,741,294
Less estimated income	21,741,294		21,741,294
General fund	\$0	\$0	\$0
BIH Total			
Total all funds	\$143,794,157	\$50,438	\$143,844,595
Less estimated income	127,981,676	(1,162)	127,980,414
General fund	\$15,812,581	\$51,600	\$15,864,181

Senate Bill No. 2015 - Industrial Commission - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$6,350,025	(\$20,000)	\$6,330,025
Operating expenses	1,733,869	71,600	1,805,269
Equipment	154,000		154,000
Grants	16,450,000		16,450,000
Bond payments	17,956,059		17,956,059
Geophysical exploration	254,818		254,818
Total all funds	\$42,898,571	\$51,600	\$42,950,171
Less estimated income	35,585,990		35,585,990
General fund	\$7,312,581	\$51,600	\$7,364,181
FTE	63.00	0.00	63.00

Dept. 405 - Industrial Commission - Detail of Senate Changes

	INCREASES OPERATING FOR INCREASED LEASE AND MOVING COSTS	DECREASES SALARIES FROM SAVINGS FROM TURNOVER AND EFFICIENCIES	TOTAL SENATE CHANGES
Salaries and wages		(\$20,000)	(\$20,000)
Operating expenses	\$71,600		71,600
Equipment			
Grants			
Bond payments			
Geophysical exploration			
Total all funds	\$71,600	(\$20,000)	\$51,600
Less estimated income			
General fund	\$71,600	(\$20,000)	\$51,600
FTE	0.00	0.00	0.00

Senate Bill No. 2015 - Housing Finance Agency - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$3,370,875	(\$1,162)	\$3,369,713
Operating expenses	2,213,510		2,213,510
Equipment	125,000		125,000
Grants	34,084,040		34,084,040
Housing Finance Agency contingency	<u>100,000</u>		<u>100,000</u>
Total all funds	\$39,873,425	(\$1,162)	\$39,872,263
Less estimated income	<u>39,873,425</u>	<u>(1,162)</u>	<u>39,872,263</u>
General fund	\$0	\$0	\$0
FTE	38.00	0.00	38.00

Dept. 473 - Housing Finance Agency - Detail of Senate Changes

	ADJUST MARKET EQUITY SALARY INCREASE ¹	TOTAL SENATE CHANGES
Salaries and wages	(\$1,162)	(\$1,162)
Operating expenses		
Equipment		
Grants		
Housing Finance Agency contingency		
Total all funds	(\$1,162)	(\$1,162)
Less estimated income	<u>(1,162)</u>	<u>(1,162)</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment reduces, from \$5,073 to \$3,911, the amount provided for a market equity salary increase for the director. The amount included in the bill will provide for a salary increase of \$166 per month for the last 18 months of the biennium.

Senate Bill No. 2015 - Other Changes - Senate Action

This amendment also:

- Amends Section 10 of the bill as introduced to allow moneys appropriated for lignite research to be used for nonmatching externality activities.
- Amends Section 13 of the bill as introduced to allow the Bank of North Dakota to transfer funds between the beginning farmer loan fund and the Ag PACE fund instead of between PACE and Ag PACE.
- Adds a new section that limits transfers from the Bank of North Dakota to the general fund if the transfer would reduce the Bank's capital structure below \$140 million.
- Adds a new section of legislative intent that the new information technology coordinator position be shared between the Oil and Gas Division and Geological Survey as directed by the Industrial Commission.
- Adds a new section to provide for a Legislative Council study of the mission of the Industrial Commission relating to the responsibilities of the Oil and Gas Division and Geological Survey.

Date: 2-6-01

Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2015

Senate Appropriations Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 18041.0106

Action Taken As Pass in Amended

Motion Made By Sen Holmberg Seconded By Sen Tomac

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac	✓				
Joel C. Heitkamp	✓				
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman	✓				
John M. Andrist	✓				

Total Yes 14 No 0

Absent 0

Floor Assignment Senator Holmberg

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

REPORT OF STANDING COMMITTEE

SB 2015: Appropriations Committee (Sen. Nething, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2015 was placed on the Sixth order on the calendar.

Page 1, line 3, after the second semicolon insert "to limit Bank of North Dakota transfers to the general fund; to provide legislative intent; to provide for a legislative council study;"

Page 1, line 13, replace "6,350,025" with "6,330,025"

Page 1, line 14, replace "1,733,669" with "1,805,269"

Page 1, line 19, replace "42,898,571" with "42,950,171"

Page 1, line 21, replace "7,312,581" with "7,364,181"

Page 2, line 22, replace "3,370,875" with "3,369,713"

Page 2, line 27, replace "39,873,425" with "39,872,263"

Page 2, line 28, replace "15,812,581" with "15,864,181"

Page 2, line 29, replace "127,981,576" with "127,980,414"

Page 2, line 30, replace "143,794,157" with "143,844,595"

Page 4, line 24, after the semicolon insert "for nonmatching externality studies and activities in externality proceedings;"

Page 4, line 25, remove the semicolon

Page 5, line 22, replace "PACE" with "BEGINNING FARMER"

Page 5, line 24, replace "partnership in assisting community expansion" with "beginning farmer loan"

Page 5, after line 26, insert:

"SECTION 14. BANK OF NORTH DAKOTA TRANSFERS TO GENERAL FUND - LIMITATIONS. Any transfer provided for in House Bill No. 1015 may only be made to the extent that the transfer does not reduce the Bank's capital structure below \$140,000,000.

SECTION 15. LEGISLATIVE INTENT - FULL-TIME EQUIVALENT POSITION. It is the intent of the legislative assembly that the new information technology coordinator position included in the salaries and wages line item in subdivision 1 of section 1 of this Act be shared by the oil and gas division and geological survey as directed by the industrial commission for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 16. LEGISLATIVE COUNCIL STUDY - INDUSTRIAL COMMISSION. The legislative council shall consider studying during the 2001-02 interim the mission of the industrial commission relating to the responsibilities of the oil and gas division and geological survey and the potential for efficiencies resulting from shared administrative and service delivery functions."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2015 - Summary of Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Industrial Commission			
Total all funds	\$42,898,571	\$51,800	\$42,950,171
Less estimated income	35,585,990		35,585,990
General fund	\$7,312,581	\$51,800	\$7,364,181
Bank of North Dakota			
Total all funds	\$39,280,867	\$0	\$39,280,867
Less estimated income	30,780,867		30,780,867
General fund	\$8,500,000	\$0	\$8,500,000
Housing Finance Agency			
Total all funds	\$39,873,425	(\$1,182)	\$39,872,263
Less estimated income	39,873,425	(1,182)	39,872,263
General fund	\$0	\$0	\$0
Mill and Elevator			
Total all funds	\$21,741,294	\$0	\$21,741,294
Less estimated income	21,741,294		21,741,294
General fund	\$0	\$0	\$0
Bill Total			
Total all funds	\$143,794,157	\$50,438	\$143,844,595
Less estimated income	127,981,578	(1,182)	127,980,414
General fund	\$15,812,581	\$51,800	\$15,864,181

Senate Bill No. 2015 - Industrial Commission - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$8,350,025	(\$20,000)	\$8,330,025
Operating expenses	1,733,869	71,600	1,805,269
Equipment	154,000		154,000
Grants	16,450,000		16,450,000
Bond payments	17,958,059		17,958,059
Geophysical exploration	254,818		254,818
Total all funds	\$42,898,571	\$51,800	\$42,950,171
Less estimated income	35,585,990		35,585,990
General fund	\$7,312,581	\$51,800	\$7,364,181
FTE	83.00	0.00	83.00

Dept. 405 - Industrial Commission - Detail of Senate Changes

	INCREASES OPERATING FOR INCREASED LEASE AND MOVING COSTS	DECREASES SALARIES FROM SAVINGS FROM TURNOVER AND EFFICIENCIES	TOTAL SENATE CHANGES
Salaries and wages		(\$20,000)	(\$20,000)
Operating expenses	\$71,600		71,600
Equipment			
Grants			
Bond payments			
Geophysical exploration			
Total all funds	\$71,600	(\$20,000)	\$51,600
Less estimated income			
General fund	\$71,600	(\$20,000)	\$51,600
FTE	0.00	0.00	0.00

Senate Bill No. 2015 - Housing Finance Agency - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$3,370,875	(\$1,162)	\$3,369,713
Operating expenses	2,213,510		2,213,510
Equipment	125,000		125,000
Grants	34,064,040		34,064,040
Housing Finance Agency contingency	<u>100,000</u>		<u>100,000</u>
Total all funds	\$39,873,425	(\$1,162)	\$39,872,263
Less estimated income	<u>39,873,425</u>	<u>(1,162)</u>	<u>39,872,263</u>
General fund	\$0	\$0	\$0
FTE	38.00	0.00	38.00

Dept. 473 - Housing Finance Agency - Detail of Senate Changes

	ADJUST MARKET EQUITY SALARY INCREASE 1	TOTAL SENATE CHANGES
Salaries and wages	(\$1,162)	(\$1,162)
Operating expenses		
Equipment		
Grants		
Housing Finance Agency contingency		
Total all funds	(\$1,162)	(\$1,162)
Less estimated income	<u>(1,162)</u>	<u>(1,162)</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment reduces, from \$5,073 to \$3,911, the amount provided for a market equity salary increase for the director. The amount included in the bill will provide for a salary increase of \$186 per month for the last 18 months of the biennium.

Senate Bill No. 2015 - Other Changes - Senate Action

This amendment also:

- Amends Section 10 of the bill as introduced to allow moneys appropriated for lignite research to be used for nonmatching externality activities.
- Amends Section 13 of the bill as introduced to allow the Bank of North Dakota to transfer funds between the beginning farmer loan fund and the Ag PACE fund instead of between PACE and Ag PACE.
- Adds a new section that limits transfers from the Bank of North Dakota to the general fund if the transfer would reduce the Bank's capital structure below \$140 million.
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- Adds a new section to provide for a Legislative Council study of the mission of the Industrial Commission relating to the responsibilities of the Oil and Gas Division and Geological Survey.

2001 HOUSE APPROPRIATIONS

HB 2015

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2015

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 7, 2001

Tape Number	Side A	Side B	Meter #
03-07-01 tape #1	0 - 6215	0 - 6215	
03-07-01 tape #2	0 - 1316		
Committee Clerk Signature <i>Kathie Hall</i>			

Minutes:

The committee was called to order, and opened the hearing on SB 2015, the budget for the Industrial Commission.

Karlene Fine, Executive Director and Secretary of the Industrial Commission: She handed out a blue binder that contains all the testimony from the various agencies under the Industrial Commission. She read the prepared written testimony located under the "Administration" tab.

Rep. Carlisle: Is our debt service still in pretty good shape, are our ratings still high?

Karlene Fine: Yes. We are considered a low-debt state.

Chairman Byerly: I am assuming that when we have the building bill before the full committee there will be all the schedules there on what our payments are vs. How much we have coming in, and the formula and everything.

Karlene Fine: Yes. She is revising those numbers now.

John Dwyer, Chairman Lignite Research Council: He went through the written testimony located at tab "LRD", pages 1 and 2.

Chairman Byerly: On the other page you talked about externalities, and now you are talking about the I-94 corridor. A few years ago we were able to beat off that externality effort in Minnesota. If Minnesota implemented those doe we have a facility to move our electricity to some other place so we can avoid that situation.

John Dwyer: The problem is that Minnesota is about 50% of our market. Minnesotan's have a problem with transmission coming into their state, but the really have a problem with transmission out of the state. It is very important that we keep those. It is much harder to turn around and serve some other area.

Chairman Byerly: It is my understanding that we basically only have transmission capability going east, and very little going south and west.

John Dwyer: Essentially correct, but under the lignite vision 21 project, you can actually go south into the Kansas City market. We are really limited, but we are looking at being able to export our capabilities to the west. There are two primary issues, challenges in the lignite vision 21 project. One is transmission. The other is environmental. That is why it is important that the state partner with industry.

Continues with written testimony, bottom of page 2, page 3. In the binder there is a folder of Lignite Vision 21 project.

Chairman Byerly: Is there basically only room for one more plant in the state, or is it conceivable both could put in a plant?

John Dwyer: It is conceivable that both of them could, and we are hoping for that. If we can get two projects built the better. We haven't received all the paperwork yet. Of the seven

sites, some are better for transmission, some are better for environmental purposes, some are better for economic reasons. Continues with written testimony, pages 4 through 9.

Chairman Byerly: There is another bill, a Senate bill regarding coal severance tax. The fiscal impact shows \$22 million not going to the general fund. I have been told that this is revenue neutral.

John Dwyer: The fiscal note is actually a positive to the state, it shows \$454,000. About 4 years ago you started doing studies in the Legislative Council to try to make lignite more competitive. In the 1997 session and 1999 session you passed legislation that was held unconstitutional. Both separate approaches. The tax department and the attorney general's office urged us to come up with a plan that would be constitutional and would get at the same concerns, to make lignite more competitive. Based on two studies, we decided to shift the tax from the severance tax to the coal conversion tax. The fuel can move, they don't need to use ND lignite. However, the plants are unlikely to move once you have a facility there. Can't just tax the plant, but it was thought to make more sense to shift the tax from the severance tax which is a \$22.5 million shift to the conversion tax which is about a \$22.5 million shift. In that bill as well, there is a positive fiscal note, there was a restoration of some county payments.

Rep. Skarphol: Do all the parties involved think this is revenue neutral?

John Dwyer: The tax department, OMB, all have gone over this carefully. It was amended in the Senate. It started out with a negative fiscal note of about \$500,000. HE would argue that without the Senate amendments it would be a positive for the state because of the tax incentive to the power plants to produce more. There are two components of the coal conversion tax, the production tax and the capacity tax.

Chairman Byerly: Because of legislative history, does that imply that the state is going to realize income if any of these plants decide to switch wither the source of their material or the type material they are burning?

John Dwyer: That's another reason this is good legislation. It protects the state because you have more of your taxation on the plant than you do the production.

Rep. Glassheim: Of the \$16.4 million, is any of that general fund?

John Dwyer: No. It is all from the \$.10 on the checkoff.

Lynn Helms, Director of Oil and Gas Division of the ND Industrial Commission: Read from his written testimony located under the tab "Oil & Gas Division".

Chairman Byerly: On the tan page, did you say items 1 through 4 are in the engrossed bill, with changes necessary to item 1.

Lynn Helms: Yes.

Rep. Huether: How many wells are horizontal drilled?

Lynn Helms: About 2/3 of the wells. We are surprised to get a vertical permit. Sometimes it is as high as 3/4 of the wells.

Rep. Skarphol: Notice your costs are increasing in the ITD area. It appears that you are having good success doing what you are doing. But a 270% increase seems high. What will you be able to do with the increased costs that you are not able to do today?

Lynn Helms: It is a point of frustration, and will hinder their efforts to expand their services to the public. They have had to scale back many plans and delay things 1 to 2 years. The increase is in connection fees and cost of T1 lines to the district offices. If we are forced to put in t1 lines at the cost of \$800 per month, it will hamper our efforts to get out into the rural areas and provide our information.

Rep. Skarphol: What is the advantage of your having a T1 line, do you anticipate doing a lot of audiovisual stuff?

Lynn Helms: The data transfer rate on the T1 lines is much higher. Because the field inspectors need to move data back and forth on a daily basis, they require that transfer rate. The other lines are much slower.

Rep. Skarphol: You had an \$85,000 line item for equipment last time, and \$82,800 this time. What is this for?

Lynn Helms: They have to replace the laptop computers that the field inspectors have to carry. They take a lot of wear and tear. They are also upgrading the server in the Bismarck office. They expect to handle more internet traffic, and handling more information online. They hope to attract more out of state interest.

Rep. Carlisle: You are going to replace 13 laptops? At what price?

Lynn Helms: Laptops and software are just under \$3,600.

John Bluemle, State Geologist and Director of the ND Geological Survey: He read from his written testimony under the tab "Geological Survey".

Rep. Skarphol: What is a bit more for rent? What are you paying now and what do you anticipate having to pay?

John Bluemle: Right now we pay \$10.50 square foot, and the price would have gone up to \$11.00 square foot at that location had the lease been continued, and they expect to pay at least \$12.00 square foot.

Rep. Skarphol: What kind of space are you needing for your facility, for your people compared to Lynn Helm's needs?

John Bluemle: We are currently occupying approximately 3900 square feet, and this is insufficient, and we will need about 6000 square feet, for a total need of both divisions of 20,000 square feet. We also lease some other property by UPS in Bismarck for storage.

Rep. Carlisle: What is your anticipated move date?

John Bluemle: The lease ends on July 1, 2001. We have gotten an extension to September 1, 2001.

Rep. Skarphol: Any potential to get that extended again.

John Bluemle: One possibility would be that if we didn't move by September, I don't know what they would do to us.

Rep. Skarphol: How many FTE's do you have?

John Bluemle: We have 3 FTE's in Grand Forks, one of whom will be moving back to Bismarck within a year. 19.15 FTE's are in Bismarck.

Rep. Thoreson: If you do find other rental space, will you then be needing to remodel?

John Bluemle: Yes, most will need some remodeling.

Rep. Skarphol: As far as the move and remodeling, do you have an anticipated cost?

John Bluemle: We had an anticipated cost when we asked for the amendment to the budget of \$71,600. Continues with his written testimony on page 6. Explains the changes that the Senate made to the budget - decreased the general funding of \$20,000 and he requests that those funds be restored to the budget; by including a legislative council study of the mission of the Industrial Commission; and it included a clause of legislative intent that the new information technology coordinator position be shared between the oil and gas division and the geological survey. It means that we will have 2 positions each shared. He thinks this is not the most efficient way to work with personnel.

Chairman Byerly: How did the core sample library come to be located in Grand Forks?

John Bluemle: The Geological Survey began in Grand Forks, and the core sample library was there. The office was moved to Bismarck, but the cost of moving all core samples was too great, so that remained there.

Chairman Byerly: Explains that he appreciates his newsletters.

Vance Taylor, President and General Manager of the ND Mill and Elevator: Had written testimony behind the tab "Mill and Elevator" and read from it.

Chairman Byerly: Would you explain what you mean by "our intent is to sell out the additional capacity". Is that like subcontracting production to someone?

Vance Taylor: No. It's the additional hundredweight that would be available due to our expansion, we have added that capacity and are in the process of finding new customers.

Chairman Byerly: If in the US we are about 10% over the amount of necessary capacity for flour milling, do we have the potential of getting back in the problems we had in the early 90's where the Mill went through a bad period of profitability?

Vance Taylor: The over capacity that exists today swings back and forth. He expects that over capacity will swing back the other way soon. The problem of the 90's were related to durum and we converted the mil from durum to spring wheat to combat that.

Rep. Thoreson: You say you want to investigate new markets and products, who does this development, persons on your staff or outsiders?

Vance Taylor: To date it is people on our staff that develop new products. Have not ruled out outside help, but haven't done so yet.

Rep. Thoreson: How many products are in your line now?

Vance Taylor: Counting all grades of flour, different types of flour, organic products, its probably between 50 and 100.

Rep. Thoreson: Is the organic flour something you see a growth in?

Vance Taylor: Yes, it is one of the fastest growing areas.

Rep. Skarphol: Do you have separate milling facilities for the organic v. Normal product.

Vance Taylor: No. To be able to have it certified organic material, the units must be shut down and completely cleaned out prior to the milling. We make this conversion about once a month.

Rep. Skarphol: You talk about tampering of wheat for 24 hours.

Vance Taylor: Tampering the wheat is a process of flour milling. Every mill does it. Initially the dirty grain comes out of the elevator. We clean the grain, and pull out 1 to 3% in the cleaning process. Then water is added to the wheat to settle, we take the moisture content to about 15%. It allows better separation in the grinding process. He continues with the budget request page of his written testimony.

Rep. Thoreson: When was the upgrade and expansion project to be completed by?

Vance Taylor: We plan to have it completed by July 1, 2001.

Rep. Glassheim: How likely are we to make the \$6 million transfer, and will this put any stress on your operating activities?

Vance Taylor: It will be a challenge, but we are confident going forward that we can do this. With the marketplace we are looking at it will be a challenge, but with the completion of the expansion and upgrade project we will have a state of the art mill going forward into the next year, and with that and our past successes we are confident we can do it.

Rep. Skarphol: On the middle paragraph of your budget request, your wages and benefits increased and overall operating expenses decreased, you must have had some major other expenses decrease to make this happen. You are one of the few state agencies that have been allowed to use salary bonuses. Are you utilizing them, and to what extent?

Vance Taylor: It is the operating expenses excluding wages and benefits that decreased. We did have some other declines in some areas but repairs have decreased because of the new equipment. We are using the bonuses (gain sharing plan). It gives incentive to meet goals, and are based on making a certain profit. The mill must make at least \$2 million to kick in the bonuses. It does help and we do have better numbers at the end of the year because of the plan.

Chairman Byerly: You are also the only organization in state government that negotiates contract with your employees. Is your shop a union shop? Do you have provisions that if someone does not want to belong to the union they don't have to?

Vance Taylor: Yes it is. We have out of 121 employees, 80 union members. Yes, we do have some employees that have chosen to be out of the union. We have had no problems that he is aware of between union or nonunion members.

Pat Fricke, Executive Director North Dakota Housing Finance Agency: Read from written testimony behind the tab marked "HFA".

Rep. Skarphol: Your needs as far as space, you have two different rental properties?

Pat Fricke: No, we have just moved.

Chairman Byerly: Are most of these loans, are they truly owned by the Housing Finance Agency? Do you have any background information on default rates?

Pat Fricke: All first time home buyer loans are purchased standard loans. We own the loan and the bond issue. The default rates are equal to or better than national default rates, and

runs about 4%. The loans are for first time home buyers, unless there is a specially targeted exception area (like Grand Forks after the flood).

Rep. Skarphol: Under a worst case scenario, can you put general fund dollars at risk?

Pat Fricke: Absolutely not.

Eric Hardmeyer, Interim President of the Bank of North Dakota: Had written testimony behind the tab marked "BND". There are six sections of the bill that effect the Bank of North Dakota. He followed the testimony fairly well.

Rep. Skarphol: Some other state agency developed a software program that was made available to the public, and sold. Are you going to have ownership of what you develop here, or is the consultant going to have ownership, and will it be marketable?

Eric Hardmeyer: We will have ownership. That is something we have been talking about lately. There are not a lot of entities that would be interested in our program, but there are a few other states that might look at it. WE would look into that possibility. But we will have the property rights to it.

Rep. Skarphol: Does the Bank have the right to do this legally, selling the product?

Response: Unsure, but the state has always been a willing seller.

Eric Hardmeyer: They anticipate developing the software to take a better part of the next biennium. Gave reasons why they had to develop this and could not buy it on the market.

Rep. Koppelman: Is the college save program up and running?

Eric Hardmeyer: The college save program was approved last biennium, and the answer to that is no. It got hung up in the IRS and SEC approval of the plan. We anticipate final approval within a month or two, and it's all set up, we just need the approval.

Rep. Koppelman: Once that occurs, how will you make people aware of it and make it available?

Eric Hardmeyer: The marketer, Morgan Stanley, will do that. Gives the committee a separate worksheet from the Bank of North Dakota transfers to general fund and explained what the worksheet shows, how capital will grow and what they project earnings to be.

Rep. Koppelman: What is the trigger?

Roxanne, LC: The trigger is if the Director of OMB determines the revised projections of revenues, collections will not meet the revenue as forecasted in March 2001, the Industrial Commission shall transfer to the state general funds an amount determined by the director and approved by the budget section. That amount may not exceed the lesser of \$25,000,000 or the revenue shortfall, This is similar language that is currently in effect this current biennium.

Chairman Byerly: Is assuming the student loan interest doesn't affect the capitalization of the bank, right.

Eric Hardmeyer: Correct.

Rep. Koppelman: Do you see the mission of the bank changing?

Eric Hardmeyer: I continue to see the mission of the bank being to support industry, commerce and agriculture. That is what it was founded on, and that is still the fundamental principal today. Providing money to the general fund is important as well, but really to support economic growth.

Rep. Koppelman: How do you see that dovetailing with the other economic development efforts even within state government?

Eric Hardmeyer: We have in the last few years formed a one-stop capital center, where we've brought all the agencies together that deliver economic development services: SBA, Rural

Development, development fund, 504 program, Bank of ND. We don't have an area of the bank where we bring in respective customer clients that are looking to start or expand a business, and eliminate the need to go to each of the agencies together.

Rep. Koppelman: How would you see that changing or modifying with the advent of the commerce department?

Eric Hardmeyer: The Bank is not part of that. Instead of working with community services and development funds separately, we would be working with one agency.

Rep. Huether: If we were not taking as much out of the bank for the general fund, would you reinvest that better back in North Dakota development activity.

Eric Hardmeyer: There is no question that we would reinvest that back in the state. We do however, have other sources of money that we can tap. So cash, that we put into the state, is not really an issue. It does make the cost of doing business a little higher, but actual liquidity and funding sources for the bank are not a problem.

Continues his testimony in regard to moneys earmarked for Pace, Agpace and Beginning Farmer, we are requesting the same amount we had requested last biennium. Charts and graphs are provided in the written testimony.

Karlene Fine, Interim Director, North Dakota Municipal Bond Bank: She had written testimony under the tab "MBB". This is a self supporting state agency, located in downtown Bismarck. It provides bonding for political subdivisions.

Rep. Skarphol: Are any of these water projects getting in uncomfortable positions, with the declining rural populations?

Karlene Fine: They have not seen that yet, and everyone is making payments on time. There may be some issues that come forward in some time.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2015

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 9, 2001

Tape Number	Side A	Side B	Meter #
03-09-01 tape #1	5330 - 6220	0 - 1180	
Committee Clerk Signature <i>Kathleen Hall</i>			

Minutes:

The committee was called to order, and opened committee work on SB 2015, the Industrial Commission.

Chairman Byerly: The Senate did kind of change this a bit. They decreased the salary and wages line item by \$20,000, but then increased the operating expense line item by \$71,000. And the \$20,000 had to do with the part time FTE shared between oil and gas and geological survey. Right now they share a data processing coordinator. I believe the request was to add an FTE, so that each could have a data processing coordinator. He thought the Senate might have misunderstood the FTE request, and put into the bill legislative intent that they share this position.

Rep. Skarphol: I had a conversation with Mr. Helms after the hearing, and this particular issue frustrates him. There is not really that good of a relationship between the two agencies, and

they are not really connected. He would like to be even less connected than they are. His frustration was with the IT thing. He goes from \$300 per month to \$800 per month.

Chairman Byerly: I think we will have to adjust that in the ITD budget. The data processing coordinator now is $\frac{1}{2}$ of one person, and $\frac{1}{2}$ of the second person's time each. Rather than each having one person, they now each have $\frac{1}{2}$ of two people.

Sandy, OMB: She explains that the Governor's budget felt that this sharing would make the best utilization of persons, and that the communication would be better for each agency. They want the two departments to work better together, and share programs rather than each develop their own, OMB thought this would be the way to implement that. There is a problem with sharing information and getting along here.

Chairman Byerly: Still thinks the Senate misunderstood. The rest of the budget stayed pretty untouched. The Governor in his budget had removed in the oil and gas budget a petroleum engineer.

Rep. Skarphol: Why the change in the funding source in the geophysical exploration program?

Sandy, OMB: That would be because it is general fund anyway. OMB felt it really is general fund, and should just be funded with general fund dollars.

Chairman Byerly: Sandy, did you just add one half an FTE for the data processing coordinator? I see, half went into each section. There is lots of money in the Bank of North Dakota software development for the student loan system. There isn't anything too bad in the Housing Finance Agency, except 5 more FTE's, but this is all federal pass-through money. Mill and Elevator doesn't have too many changes.

Rep. Carlisle: Questions the costs of the laptop computers needed and if the costs are too high? States that they will be replacing all the laptop computers they have.

Chairman Byerly: States that the costs are probably reasonable, based on the software needs of the engineering systems, and the need for more sophistication. We should maybe discuss the move of the geological survey group back to Grand Forks. I don't know if anyone is serious about pursuing that. The core samples are in Grand Forks, and too expensive to move. We know the offices have to move, the question is to where.

(Some general discussion as to having to move, if they even want to or not, and if it would make sense or not. Some informal discussion on the Mill, and that they are a union shop with a profit sharing plan. Questions of duplication of soil maps by the geological survey and federal office. Decided that this is the digitalization.)

The chairman closed the hearing on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2015

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 12, 2001

Tape Number	Side A	Side B	Meter #
03-12-01 tape #1		1770 - 6216	
03-12-01 tape #2	0 - 1491		
Committee Clerk Signature <i>Kathleen Hall</i>			

Minutes:

The committee was called to order, and opened committee work on SB 2015.

Chairman Byerly: The Senate has added some legislative intent on here. Still thinks they messed up on sharing the IT coordinator position. And they did a study. They really didn't do much else, other than adding some money to the operating line item, and a few minor items. Getting back to section 14 of the bill, where they couldn't reduce the bank's capital structure below \$140, isn't already in the OMB bill that says they can't reduce it below \$100?

Roxanne, LC: That is correct. Right now the OMB bill says it can't be reduced below \$100.

Chairman Byerly: If we were to delete it here, they would ultimately fight it out in the OMB budget. He does not want this to stay in a bill that is unrelated.

Rep. Skarphol: On the half time employee thing, are they currently sharing an employee.

Chairman Byerly: There is one FTE that is half time between them. What they were effectively looking for is to ultimately each of them having their own FTE. But it turned out that there will be one FTE half time between each department and now a second FTE half time between both.

Sandy, OMB: Explains why she thought the Senate made them share the IT positions.

Rep. Skarphol: Do these people have different qualifications? Are they doing different jobs, that each department can utilize?

Sandy, OMB: Each person would probably have the same qualifications as in terms of management information systems and computer skills. Between the two departments, they needed another person because so much has gone to web-based information. They thought it would be better to share both employees that give each department one each.

Rep. Skarphol: Reads the sheet, are there two IT persons?

Sandy, OMB: There will be two, this is a new position. OMB did not want each department to take an employee and go off and do their own separate thing. They wanted to split the employees so they would know what each one was doing.

Rep. Skarphol: Frankly, does not understand why geological survey isn't in Grand Forks, and oil and gas here. He can understand why they would and could be separate. Doesn't see them as close of departments as others.

Sandy, OMB: There was a survey that she read parts of. At that time people did think they have some things in common.

Rep. Skarphol: Probably the same persons that believed in a department of natural resources, and he thinks that was a bad idea. He moves to delete sections 14, 15, and 16 to the

engrossed bill. It would also authorize them to each have their own IT person. Seconded by Rep. Glassheim.

Rep. Huether: On section 14 if we take that out, we would be at the \$100 million level?

Chairman Byerly: We can finalize this number at the very end in the OMB budget. His concern is more that we don't add this in here where it doesn't really belong.

Rep. Carlisle: Question about 15-10-25 contingent fee. Do you get to \$140 at that point, or do you go below. Contingency transfer.

(some general discussion on the contingency transfer).

Vote on motion to amend : 7 yes, 0 no, 0 absent and not voting. Motion passes.

Chairman Byerly: Went over the rest of the Senate changes to the bill.

Rep. Carlisle: He had asked previously about the computers requested, and these are specialty computers. The prices requested appear okay.

Chairman Byerly: If you go through the Industrial Commission budget itself, it is \$13 million less, but that's all those lease payments that are now out in the different agencies. The only real change is this FTE and the change for the moving expenses from last sessions budget, except for normal salary increases.

Rep. Skarphol: Question for Lynn Helms: Do you have any difficulty with the confidentiality issues within your department due to the relationship with geological survey? Do you see that as being a danger in any way?

Lynn Helms: It is a cause for concern. We have to be really careful all the time. The geologic survey's issue is to disperse data, and publish reports. Our mission is to regulate and we have confidentiality statutes to be careful of. There is a constant tension there over that issue. Since I am responsible for the confidentiality I have to go to great lengths to enforce this with the

persons under my control. The persons in geological survey not in my control may or may not give out information. We have to regularly protect the confidential information in the computers, the rooms, etc. There is a statutory mandate in NDCC 38-08-04. It is applicable to the entire Industrial Commission and all the agencies. But the rules that enforce this statute only apply to the director of the oil and gas division.

Rep. Skarphol: Is there a need to address this specifically?

Lynn Helms: No, sees no need to change anything. He takes lots of precautions to protect this information and takes this very seriously. We have to secure this information, even from our sister agencies. He explains when this information would get transferred to geological survey.

Chairman Byerly: Any other notes on subdivision 1 of the bill? We are going to skip subdivision 2, and go on to the bank, ag pace, beginning farmer. These amounts are identical to what is in the current biennium. One change made, if he remembers right, is the authority to transfer money between ag pace and beginning farmer and vice versa. That was a Senate change, section 13, page 5. That has some ramifications. Suspects they had in mind if they used up all the money from one fund, and not in the other, they could transfer.

Sandy. OMB: If that hadn't been obligated by December 31, they could then make this transfer.

Rep. Glassheim: They can't just take that money at the beginning.

Chairman Byerly: Let's talk about subdivision 4, the Mill and Elevator.

Rep. Carlisle: Asked if the updates are all going to be complete, and if they capture the markets they hope, things will be looking good in that division.

Chairman Byerly: This is another special fund agency, all from within the profits of the mill. There are no general fund dollars here. Within the OMB budget there is a significant increase in the transfer from \$3 million to \$6 million. There was testimony that there is an excess milling capacity, but then said but that comes and goes. The trouble will be if it always comes but never goes. His concern is that the money will really be there for the transfer. He maintains that it is. On this the salary and wages increase of \$1.5 million, is \$1 million of it bonuses? Is that fairly close in line with what we've done in the past?

Sandy, OMB: Yes it is, and she has met with Sheila and Rod of OMB on that particular point in this budget, just to make sure. This is the profit sharing plan, and the salaries are somewhat inflated, they will never spend the whole appropriation authority. Because we ran it through the system we applied the regular salary increases, like we did with the others, and they had already the salary increases when they submitted the budget. What they don't spend stays.

Rep. Glassheim: What happens in section 9, the transfer, if they don't have the funds? Are we covered on that, we can't make them go bankrupt. It says the transfer is made at the request of OMB. Would OMB just not make the request?

Chairman Byerly: The way it is set up, it is a flat trigger of \$6 million. If they haven't got it in their current profits, then we would dip into their retained earnings account. He would assume there is money in there.

Sandy, OMB: I think this time the \$3 million won't be payable until the end of the biennium, and they are planning the same for this, that they have 2 years to pay.

Chairman Byerly: I asked him specifically, are you going to have the \$6 million, and he said yes.

Rep. Glassheim: The governor made him say that. He couldn't say no. Doesn't want to make a big deal about it, but is concerned.

Chairman Byerly: Feels some uneasiness too. He knows the history and that they are trying to make some profitability, and we had concerns last session about the major changes to the mill, and they promised us a profit.

Rep. Huether: Didn't we also decide we couldn't stop them anyway?

Chairman Byerly: Well.. The elevator association has some strange powers that we don't invest in any other group. They basically run the program. They have a union, profit sharing, things that no one else has.

Rep. Glassheim: Would like to protect the mill somehow by putting in language like the bank has on its transfer.

Chairman Byerly: One of the things that could be done in this bill is to amend that back down to \$3 million, and we could discuss it at conference committee.

Rep. Glassheim: Was thinking more of some sort of mechanism, where they couldn't go under "x" percent of profits, or something like that. He doesn't mind taking \$6 million if they make \$7 million, but not if they are making \$4.5 million.

Chairman Byerly: Are you suggesting something that says up to \$6 million or as close as possible, or something like that.

Rep. Glassheim: That's close. Or it could be made so that OMB uses more discretion.

Chairman Byerly: We could change it where it says a flat \$6 million, and make it say up to \$6 million. Make it so there is some flexibility. Don't know what else we could tie it to.

Sandy, OMB: I think you would need to do something, because if you said up to \$6 million, who would it be up to. You would need to name a trigger or some identifying amount. Otherwise it would be up to them as to the amount.

Chairman Byerly: It is awkward. He does think there is some leeway for OMB to take only what they need. If they don't need it, they don't request it.

Rep. Glassheim: Maybe we could get some research on that.

Chairman Byerly: That's the way the contingency money at the Bank of North Dakota is too, that the transfer isn't transferred unless we absolutely need it. There may be some other triggers, too. Let's go to subdivision 5, the housing finance agency, a special fund agency.. They were asking for 5 FTE's. They have different loan programs and money to give out. They seem to be growing quickly.

Rep. Skarphol: Backing up to the Mill, on the pink sheets, they have a \$1.5 million increase in the salaries. They have 121 employees. That comes to \$110,000 per employee.

Chairman Byerly: \$1 million of that is the bonus money. The other \$500,000 is the pay raise. They operate under this negotiated contract.

(Discussion is that they didn't pay any bonuses last year because of the construction, under different manager, and they hadn't earned the profit necessary. The committee wanted some more information on what triggers the profit sharing to be paid out. They also discussed the fact that the salaries are based upon a contract, and they might not be able to do anything anyway. Various items were requested for the next meeting).

Chairman Byerly: On the subject of the Bank of North Dakota, the software for the student loan system is an issue. Hasn't figured out how they can spend so much money. But on the other hand he doesn't know how they could be stopped from doing this either.

Rep. Skarphol: Wonders how much volume the bank does on student loans. He doesn't understand what the problem with the current system is. Do we have to fix what is working?

Roxanne, LC: Explains that the Bank already has a websystem for the balances, etc. What this is for is more for processing and processing information between institutions, etc.

Rep. Skarphol: We need to make sure there is communication between these agencies. The IT department has this in their budget, and the Bank has it in theirs, and we need to make sure we are not duplicating costs.

(Sandy from OMB explains the differences between ERP and this Bank of ND loan program requests. Roxanne from LC explains why our state is different from other states because they are both the lender and the guarantor).

Chairman Byerly: Even in this budget it isn't outlined in the budget as such. It probably comes under the operating line item.

Rep. Glassheim: Do we know what they did with the \$1.5 million in the current biennium's budget under contingency. There is an increase of \$1.3 but what did they use the \$1.5 for? Are they saving it?

Chairman Byerly: On page 5 of the testimony in the blue book it talks about contingency. Part of that is for the student loan processing, in case they want to go ahead with this.

Sandy, OMB: Will get that for the committee.

The chairman closed committee work on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2015

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 13, 2001

Tape Number	Side A	Side B	Meter #
03-13-01 tape #1		0 - 1850	
Committee Clerk Signature <i>Kathleen Hall</i>			

Minutes:

The committee was called to order, and opened committee work on SB 2015.

Sandy Paulson, OMB: Provided some information on the Industrial Commission budget, regarding the Mill and Elevator and the Bank of North Dakota. There are 85 employees out of 121 that are part of the union contract. The profit sharing program does not kick in until \$2 million dollars profit has been earned. The bonuses are paid on a graduated scale. They have to reach certain goals before they receive full bonus potential. This information on the contract itself has to be approved by the Industrial Commission.

The questions on the Bank of North Dakota had to do with the requested computer system, and Sandy Paulson suggested that the committee might want to speak with Julie from the Bank to explain. She handed out page 5 of the previous written testimony from the Bank, regarding the contingency request. The Bank has some leftover contingency money from this biennium they would like to apply to the computer system for the student loan system. The cost

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Government Operations Division

Bill/Resolution Number SB 2015

Hearing Date March 13, 2001

in the budget is for programming costs, because they cannot find and buy something already made. The Bank is working closely with ITD in this project.

(Rep. Skarphol asked how many student loans were on this system. The committee placed a phone call to Al at the Bank of North Dakota and found out there is \$475 million and 50,000 - 55,000 borrowers (lender) and \$600 million (guaranteed)).

(The concerns are about the cost of the computer program of \$2 million, and that ITD is getting much of this.)

The chairman closed the committee work on this bill.

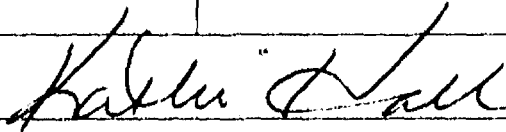
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2015

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 14, 2001

Tape Number	Side A	Side B	Meter #
03-14-01 tape #1	4410 - 5550		
Committee Clerk Signature 			

Minutes:

The committee was called to order, and opened committee work on SB 2015.

Chairman Byerly: We amended out sections 14, 15, 16 of the bill already. We have also talked about the Student Loan system at the Bank of North Dakota. The Senate added in moving expenses for oil and gas and geological survey. They also took out \$20,000 in salary and wages. Housing Finance agency is all special fund dollars, Mill and Elevator information about their contract was received.

Rep. Huether: Asks about the \$20,000 taken out?

Chairman Byerly: Asks Carlene Fine about why the \$20,000 was removed?

Carlene Fine: She understands that one of the Senator's needed some money for another budget, and that was taken from this one.

Rep. Skarphol: Moves to amend this \$20,000 back into the budget. Seconded by Rep. Glassheim.

Page 2

Government Operations Division

Bill/Resolution Number SB 2015

Hearing Date March 14, 2001

Voice vote adopted the motion.

Rep. Skarphol: Moves DO PASS AS AMENDED. Seconded by Rep. Huether.

Vote on Do Pass as Amended: 7 yes, 0 no, 0 absent and not voting.

Rep. Huether was assigned to carry this amendment to the full committee.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2015

House Appropriations Committee

☐ Conference Committee

Hearing Date March 30, 2001

Tape Number	Side A	Side B	Meter #
03-30-01 tape #1		2180 - 3770	
Committee Clerk Signature <i>Kathleen Hall</i>			

Minutes:

The committee was called to order, and opened committee work on SB 2015, the Industrial Commission's budget..

Rep. Huether: Explained what the subcommittee did, and amendment .0202. Moves to adopt the amendment. Seconded by Rep. Carlisle.

Voice vote adopts the amendment.

Rep. Huether: Explains the budget and bill more completely. Moves DO PASS AS AMENDED. Seconded by Rep. Skarphol.

(Committee discussion, questions and answers.)

Chairman Timm: Has a question for Carlene Fine from the Industrial Commission, regarding the bond issue. What happens if SB 2023 is changed?

Carlene Fine: What is included in SB 2015 right now is the agencies that have had previous projects. They have authority in their bills and they will pay their money to the

Page 2

House Appropriations Committee

Bill/Resolution Number SB 2015

Hearing Date March 30, 2001

Industrial Commission and we will make the bond payments. It used to all be handed in our bill, now it is in the agency bills.

Rep. Aarsvold: Questions the reductions at the State Mill.

Rep. Huether: Answers that this must be due to the new renovations. Explains that the Mill is controlled by the Union, unlike other state agencies.

Rep. Aarsvold: Has a number of Mill employees in his district that are subject to considerable amounts of overtime hours they have no control over. Does not understand the decrease of the number of employees if they are having to work overtime now. Wants the record to reflect that the Mill has had a history of forced overtime. Would like this to be a subject of conversation at some later time.

Carlene Fine: Answers a question regarding bonding and borrowing by Rep. Delzer. Also answers a question about FTE's by Rep. Wald.

Vote on Do Pass as Amended : 21 yes, 0 no, 0 absent and not voting.

Rep. Huether is assigned to carry this bill to the floor.

March 13, 2001

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2015

Page 1, line 3, remove "to limit Bank of North Dakota transfers to the"

Page 1, line 4, remove "general fund; to provide legislative intent; to provide for a legislative council study;"

Page 5, remove lines 27 through 31

Page 6, remove lines 1 through 8

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

HOUSE - This amendment removes Sections 14, 15, and 16 of the engrossed bill that limit Bank of North Dakota transfers to the general fund, provide legislative intent relating to a new information technology coordinator position for the Oil and Gas Division and Geological Survey, and provide for a legislative council study of the Industrial Commission.

Date: 3-12-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2015

House Appropriations - Government Operations Division Committee

☒ Subcommittee on Government Operations
or
☐ Conference Committee

Legislative Council Amendment Number 18041.0201

Action Taken *to remove SICs. 14, 15, 16*

Motion Made By Rep Skaplan Seconded By Rep Glassheim

[illegible]

Total (Yes) 7 No 0

Absent _____

Floor Assignment

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

March 15, 2001

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2015

Page 1, line 3, remove "to limit Bank of North Dakota transfers to the"

Page 1, line 4, remove "general fund; to provide legislative intent; to provide for a legislative council study;"

Page 1, line 15, replace "6,330,025" with "6,350,025"

Page 1, line 21, replace "42,950,171" with "42,970,171"

Page 1, line 23, replace "7,364,181" with "7,384,181"

Page 2, line 29, replace "15,864,181" with "15,884,181"

Page 2, line 31, replace "143,844,595" with "143,864,595"

Page 5, remove lines 27 through 31

Page 6, remove lines 1 through 8

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2015 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Industrial Commission				
Total all funds	\$42,898,571	\$42,950,171	\$20,000	\$42,970,171
Less estimated income	35,585,990	35,585,990		35,585,990
General fund	\$7,312,581	\$7,364,181	\$20,000	\$7,384,181
Bank of North Dakota				
Total all funds	\$39,280,867	\$39,280,867	\$0	\$39,280,867
Less estimated income	30,780,867	30,780,867		30,780,867
General fund	\$8,500,000	\$8,500,000	\$0	\$8,500,000
Housing Finance Agency				
Total all funds	\$39,873,425	\$39,872,263	\$0	\$39,872,263
Less estimated income	39,873,425	39,872,263		39,872,263
General fund	\$0	\$0	\$0	\$0
Mill and Elevator				
Total all funds	\$21,741,294	\$21,741,294	\$0	\$21,741,294
Less estimated income	21,741,294	21,741,294		21,741,294
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$143,794,157	\$143,844,595	\$20,000	\$143,864,595
Less estimated income	127,981,576	127,980,414		127,980,414
General fund	\$15,812,581	\$15,864,181	\$20,000	\$15,884,181

Senate Bill No. 2015 - Industrial Commission - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$6,350,025	\$6,330,025	\$20,000	\$6,350,025
Operating expenses	1,733,669	1,805,269		1,805,269
Equipment	154,000	154,000		154,000
Grants	16,450,000	16,450,000		16,450,000
Bond payments	17,956,059	17,956,059		17,956,059
Geophysical exploration	254,818	254,818		254,818
Total all funds	\$42,890,571	\$42,950,171	\$20,000	\$42,970,171
Less estimated income	35,585,990	35,585,990		35,585,990
General fund	\$7,312,581	\$7,364,181	\$20,000	\$7,384,181
FTE	63.00	63.00	0.00	63.00

Dept. 405 - Industrial Commission - Detail of House Changes

	RESTORE SALARIES AND WAGES FUNDING ¹	TOTAL HOUSE CHANGES
Salaries and wages	\$20,000	\$20,000
Operating expenses		
Equipment		
Grants		
Bond payments		
Geophysical exploration		
Total all funds	\$20,000	\$20,000
Less estimated income		
General fund	\$20,000	\$20,000
FTE	0.00	0.00

¹ This amendment restores the Senate general fund reduction in salaries and wages of \$20,000.

Senate Bill No. 2015 - Other Changes - House Action

This amendment also removes Sections 14, 15, and 16 of the engrossed bill that limit Bank of North Dakota transfers to the general fund, provide legislative intent relating to a new information technology coordinator position for the Oil and Gas Division and Geological Survey, and provide for a Legislative Council study of the Industrial Commission.

Date: 3-14-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 58 2015

House Appropriations - Government Operations Division Committee

☒ Subcommittee on ~~Administrations~~ Govt Operations
or
☐ Conference Committee

Legislative Council Amendment Number 18091.0202

Action Taken amend \$20,000 back in

Motion Made By Rep. Skarphol Seconded By Rep. Glassheim

[illegible]

Total (Yes) _____ No _____

Absent _____

Floor Assignment

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

Roll Call Vote #: 2

BILL/RESOLUTION NO. SB 2015

Committee

☐ **Conference Committee**

Legislative Council Amendment Number 18691-0202

Action Taken D. KASS AS Amended

Motion Made By Rep. Skarphol Seconded By Rep. Huelker

[illegible]

Total (Yes) 7 No 0

Absent _____

Floor Assignment Res. Huxford

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

Date: 3-30-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2015

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 18041:0202

Action Taken to adopt amendment

Motion Made By Rep Huether Seconded By Rep Carlisle

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman					
Wald - Vice Chairman					
Rep - Aarsvold			Rep - Koppelman		
Rep - Boehm			Rep - Martinson		
Rep - Byerly			Rep - Monson		
Rep - Carlisle			Rep - Skarphol		
Rep - Delzer			Rep - Svedjan		
Rep - Glassheim			Rep - Thoreson		
Rep - Gulleason			Rep - Warner		
Rep - Huether			Rep - Wentz		
Rep - Kempenich					
Rep - Kerzman					
Rep - Kliniako					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

passed

Date: 3-30-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2015

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number

18041.0202

Action Taken

Do Pass as Amended.

Motion Made By

Rep. Huether

Seconded
By

Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarsvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleason	✓		Rep - Warner	✓	
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman	✓				
Rep - Kliniske	✓				

Total (Yes)

21

No

0

Absent

0

Floor Assignment

Rep. Huether

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

the performance audit must be presented to the appropriations committees during the agency's budget presentation during the fifty-eighth legislative assembly.

SECTION 3. LEGISLATIVE COUNCIL STUDY - VETERANS' HOME MANAGEMENT STRUCTURE AND OVERSIGHT. The legislative council shall consider studying during the 2001-02 interim the management structure and oversight of the veterans' home and the selection process for the commandant or administrator of the home. The study, if conducted, may review the timing of expenditures by the veterans' home from the general fund.

SECTION 4. VETERANS' POSTWAR TRUST FUND - REPORT. The department of veterans' affairs shall report on the use of moneys in the veterans' postwar trust fund to the appropriations committees of the fifty-eighth legislative assembly. The report must be presented during the agency's budget presentation.

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2007 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Veterans' Home				
Total all funds	\$8,288,806	\$8,457,008	(\$25,000)	\$8,432,008
Less estimated income	\$425,825	\$425,825	—	\$425,825
General fund	\$7,862,981	\$8,031,183	(\$168,202)	\$7,862,981
Department of Veterans' Affairs				
Total all funds	\$516,880	\$514,319	\$0	\$514,319
Less estimated income	\$0	\$0	—	\$0
General fund	\$516,880	\$514,319	—	\$514,319
Bill Total				
Total all funds	\$8,805,686	\$8,971,327	(\$25,000)	\$8,946,327
Less estimated income	\$425,825	\$425,825	—	\$425,825
General fund	\$8,379,861	\$8,545,502	(\$25,000)	\$8,379,861

Senate Bill No. 2007 - Veterans' Home - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages				
Operating expenses	\$6,708,046	\$6,878,243	(\$15,000)	\$6,863,243
Equipment	2,142,831	2,142,831	—	2,142,831
Capital improvements	\$3,035	\$3,035	—	\$3,035
Total all funds	\$8,853,912	\$9,024,109	(\$25,000)	\$8,999,109
Less estimated income	\$425,825	\$425,825	—	\$425,825
General fund	\$8,428,087	\$8,598,284	(\$25,000)	\$8,428,087
FTE	\$7.01	\$7.01	0.00	\$7.01

Dept. 313 - Veterans' Home - Detail of House Changes

	REMOVE FUNDING FOR TEMPORARY WAGES AND OVERTIME	REMOVE FUNDING FROM OPERATING	REMOVE FUNDING FROM EQUIPMENT	TOTAL HOUSE CHANGES
Salaries and wages				
Operating expenses	(\$15,000)	—	—	(\$15,000)
Capital improvements	—	(\$8,000)	—	(\$8,000)
Total all funds	(\$15,000)	(\$8,000)	—	(\$23,000)
Less estimated income	—	—	—	—
General fund	(\$15,000)	(\$8,000)	—	(\$23,000)
FTE	0.00	0.00	0.00	0.00

Senate Bill No. 2007 - Veterans' Home - House Action

A section is added for the Legislative Council to study the management structure and oversight of the Veterans' Home.

Language is added to include a review of the contractual arrangements for physician services at the Veterans' Home as part of the performance audit.

The amendment requires the Veterans' Home to report the results from the performance audit during the agency's budget presentation for the fifty-eighth legislative assembly.

Senate Bill No. 2007 - Department of Veterans' Affairs - House Action

A section is added requiring the Department of Veterans' Affairs to report on the uses of the veterans' postwar trust fund to the Appropriations Committees of the fifty-eighth legislative assembly as part of the agency's budget presentation.

REPORT OF STANDING COMMITTEE

SB 2015, as engrossed: Appropriations Committee (Rep. Timm, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (21 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2015 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "to limit Bank of North Dakota transfers to the"

Page 1, line 4, remove "general fund; to provide legislative intent; to provide for a legislative council study;"

Page 1, line 15, replace "6,330,025" with "6,350,025"

Page 1, line 21, replace "42,950,171" with "42,970,171"

Page 1, line 23, replace "7,364,181" with "7,384,181"

Page 2, line 29, replace "15,864,181" with "15,884,181"

Page 2, line 31, replace "143,844,595" with "143,864,595"

Page 5, remove lines 27 through 31

Page 6, remove lines 1 through 8

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2015 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Industrial Commission				
Total all funds	\$42,888,571	\$42,888,571	—	\$42,888,571
Less estimated income	\$0	\$0	—	\$0
General fund	\$42,888,571	\$42,888,571	—	\$42,888,571
Bank of North Dakota				
Total all funds	\$28,280,857	\$28,280,857	—	\$28,280,857
Less estimated income	\$0	\$0	—	\$0
General fund	\$28,280,857	\$28,280,857	—	\$28,280,857
Housing Finance Agency				
Total all funds	\$28,872,455	\$28,872,455	—	\$28,872,455
Less estimated income	\$0	\$0	—	\$0
General fund	\$28,872,455	\$28,872,455	—	\$28,872,455
Mt. and Elevator				
Total all funds	\$21,241,284	\$21,241,284	—	\$21,241,284
Less estimated income	\$0	\$0	—	\$0
General fund	\$21,241,284	\$21,241,284	—	\$21,241,284
Bill Total				
Total all funds	\$94,000,957	\$94,000,957	—	\$94,000,957
Less estimated income	\$0	\$0	—	\$0
General fund	\$94,000,957	\$94,000,957	—	\$94,000,957

Senate Bill No. 2015 - Industrial Commission - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages				
Operating expenses	\$8,330,025	\$8,330,025	—	\$8,330,025
Equipment	1,733,889	1,733,889	—	1,733,889
Capital improvements	154,000	154,000	—	154,000
General	16,450,000	16,450,000	—	16,450,000
Bond payments	17,864,059	17,864,059	—	17,864,059
Geographical expansion	25,875	25,875	—	25,875
Total all funds	\$42,888,571	\$42,888,571	—	\$42,888,571

Less estimated income	\$5,955,000	\$5,980,000	\$5,980,000
General fund	\$7,312,581	\$7,384,381	\$7,384,381
FTE	63.00	63.00	63.00

Dept. 405 - Industrial Commission - Detail of House Changes

RESTORE SALARIES
AND WAGES
FUNDINGTOTAL HOUSE
CHANGES

Salaries and wages	\$20,000	\$20,000
Operating expenses		
Equipment		
General		
Board expenses		
Comptroller expenses		
Total all funds	\$20,000	\$20,000
Less estimated income		
General fund	\$20,000	\$20,000
FTE	0.00	0.00

1 The amendment reduces the Senate general fund reduction in salaries and wages of \$20,000.

Senate Bill No. 2015 - Other Changes - House Action

This amendment also removes Sections 14, 15, and 16 of the engrossed bill that limit Bank of North Dakota transfers to the general fund, provide legislative intent relating to a new information technology coordinator position for the Oil and Gas Division and Geological Survey, and provide for a Legislative Council study of the Industrial Commission.

REPORT OF STANDING COMMITTEE

SB 2017, as engrossed: Appropriations Committee (Rep. Timm, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (19 YEARS, 2 DAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2017 was placed on the Sixth order on the calendar.

Page 1, line 3, after "reenact" insert "subsection a of subsection 3 of section 52-04-05 and"

Page 1, line 4, after "to" insert "unemployment compensation employer rates."

Page 1, line 5, after the first "fund" insert a comma

Page 1, line 6, remove "and" and after "appropriation" insert "; to provide for retroactive application; and to declare an emergency"

Page 1, line 18, replace "2,250,356" with "2,000,356"

Page 1, line 19, replace "58,560,160" with "58,310,160"

Page 1, line 21, replace "2,250,356" with "2,000,356"

Page 2, line 2, replace "2,250,356" with "2,000,356"

Page 2, after line 5, insert:

"SECTION 4. AMENDMENT. Subdivision a of subsection 3 of section 52-04-05 of the North Dakota Century Code as amended in section 1 of House Bill No. 1471, as approved by the fifty-seventh legislative assembly, is amended and reenacted as follows:

3. a. Except as otherwise provided in this subsection, an employer's rate may not be less than the negative employer minimum rate for a calendar year unless the employer's account has been chargeable with benefits throughout the thirty-six consecutive-calendar-month period ending on September thirtieth of the preceding calendar year. If an employer in construction services has not been subject to the law as required, that employer qualifies for a reduced rate if the account has been chargeable with benefits throughout the twenty-four consecutive-calendar-month period ending September thirtieth of the preceding calendar year. If an employer in nonconstruction services has not been subject to the law as required,

the employer in nonconstruction services qualifies for a reduced rate if the account has been chargeable with benefits throughout the twelve consecutive-calendar-month period ending September thirtieth of the preceding calendar year. During the building of the trust fund reserve, the rate assigned to an employer may not exceed one hundred thirty percent of the previous year's rate for that employer and an employer may not receive more than a ten percent decrease in that employer's rate from the previous year's rate for the calendar years 2000, 2001, and 2002. However, the rate limitation provision for calendar years 2000, 2001, and 2002 does not apply to an experience-rated employer that was a new employer the previous year, a negative employer that was a positive employer the previous year, a positive employer that was a negative employer the previous year, an employer that has failed to file a report, a new employer, and an employer that chose to make payments in lieu of contributions. During the building of the trust fund reserve for calendar years 2000, 2001, and 2002, a negative employer that was a negative employer the previous year may not make a negative contribution under subsection 4 of section 52-04-05 to become a positive employer. The executive director may provide any negative employer whose contributions paid into the trust fund are greater than the employer's charges against that employer's account for a minimum of three consecutive years immediately preceding the computation date or subject to the law as required, with up to a thirty percent reduction to that employer's rate for any year if that employer has in place a plan approved by the bureau which addresses substantive changes to that employer's business operation and ensures that any rate reduction provided will not put the employer account back into a negative status."

Page 3, line 19, after "appropriation" insert "on a continuing basis"

Page 4, after line 2, insert:

"SECTION 2. RETROACTIVE APPLICATION. Section 4 of this Act is retroactive in application to January 1, 2000.

SECTION 3. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2017 - Job Service North Dakota - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$21,000,000	\$21,000,000		\$21,000,000
Operating expenses	13,000,000	13,000,000		13,000,000
Equipment	80,000	80,000		80,000
General	400,000	400,000		400,000
Board expenses	7,000,000	7,000,000		7,000,000
Comptroller expenses	2,000,000	2,000,000		2,000,000
Work Force 2000				
Total all funds	\$43,480,000	\$43,480,000	\$0.00	\$43,480,000
Less estimated income	\$5,200,000	\$5,200,000		\$5,200,000
General fund	\$2,000,000	\$2,000,000		\$2,000,000
FTE	300.75	300.75	0.00	300.75

Dept. 380 - Job Service North Dakota - Detail of House Changes

	DECREASE FUNDING FOR WORK FORCE 2000	TOTAL HOUSE CHANGES
Salaries and wages		
Operating expenses		
Equipment		
General		
Board expenses		
Comptroller expenses		
Work Force 2000		
Total	\$0.00	\$0.00

2001 SENATE APPROPRIATIONS
CONFERENCE COMMITTEE

SB 2015

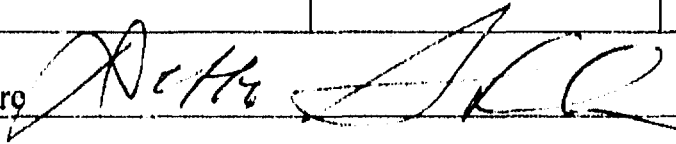
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2015

Senate Appropriations Committee

☒ Conference Committee

Hearing Date April 18, 2001

Tape Number	Side A	Side B	Meter #
2	X		0.0-10.9
Committee Clerk Signature 			

Minutes:

The 3rd conference committee hearing for SB2015 was opened by SENATOR HOLMBERG. SENATORS HOLMBERG, SHOBINGER, HEITKAMP, REPRESENTATIVES THORESON, KOPPELMAN, NETHING were present. SENATOR HOLMBERG: We do have a majority of the members present. The last time we left, we had there were a couple differences between the groups and I think where we're at right now is if I understand that Representative Koppelman or Representative Thoreson, if you want to walk through some ideas that you might have had.

REPRESENTATIVE KOPPELMAN: I have been trying to research this, and I am not an expert on the oil and gas or the geological surveying or the Industrial Commission so I had to do a little homework. In 1989, at the behalf of Governor Sinner these two agencies were placed within the Industrial Commission and encouraged to share support staff to the extent possible and that resulted in the savings of 6 FTE's. I gone back and discussed with Lynn Helms, the Director of the Oil and Gas Division the issue, I've also looked back with Rep. Thoreson, he's reviewed our

committee testimony and Mr. Blumely, the State Geologist apparently testified on this same issue when he prepared for our committee. They are both, apparently there have been a history of some tension or strife in those two arena's but one of the individuals is gone and Mr. Helms has been there for a few years now and my understanding is there as our subsection chairman would they all singing cumbayya over there as they are getting along fairly well and they are sharing staff where practical. I understand they are sharing a business manager, they share supply clerks and other receptionists and other kinds of support staff and run each others mail around occasionally. The two heads of those departments see fit as being practical ways to share. And both of them have said that it really doesn't make any sense to give them two half time people and they feel it would make a lot more sense to give them each one full time IT person and they said they would probably will still share. But let us do it that way and encourage then that we can share and we can make that call. I think the first IT person that was given to that department a few years ago was 90% oil and gas and 10% geological survey. That has been probably full time geological survey now because of some of there needs and so things have shifted around already and from the House perspective that it would make a lot more sense to revise that provision in the bill in that way. And having said that I think the other areas are things that we can come to an agreement on and we've, I think resolve the issue in our minds of the \$20,000 so I don't think that is a bonus contention anymore. The study will probably find or I don't know if it will be picked up or not, that is up to the Legislative Council and the other issue to refresh my memory was \$140 million. And there again our only objection to that in the beginning was that we felt it was redundant. Because we do already have it in another bill. Having said that we'll, if its important to the Senate we'll spend a little more ink and print in this bill too. SENATOR HOLMBERG: After reviewing where we are and where the differences are and after hearing the

discussion about why you had great concerns about that half time thing, half time, half time, you make a very valid point. If we get to specific in here then we kind of hamper and hamstring an agency when at the same time the Senate has been saying we want to let them be good managers of their agency. So I think that if we have some language that took out that more specific stuff and just continued to encourage them to share these folks in the way that they as an agency feel does the best job then I think we could get by without having to have any more meetings. REPRESENTATIVE KOPPELMAN: I don't know if she's had an opportunity to do this, I kind of sprung this on her quickly, but I did ask Roxanne to draft an amendment to that effect. With that in mind I would move that the House recede from its amendments and that the committee further amend in that fashion. REPRESENTATIVE THORESON: 2nd. SENATOR HOLMBERG: Roxanne, have you had a chance to craft some language which reach the sense of the discussion. ROXANNE: Legislative council. I spent a few minutes here trying to come with something. I guess at the time I spoke with Representative Koppelman, I believe it was just in regards to hearing the full time equivalents for the information technology coordinator. Now I am kind of getting the sense from the committee they would rather have them share whatever positions they feel necessary or the ones that are sharing right now. REPRESENTATIVE KOPPELMAN: If I could clarify Roxanne, I think what we're looking for is just these positions. There is currently a position in the IT arena that is half time, that is shared between the two half time with each department. So it is equivalent to one full time person. The provision in this bill says that we are going to add another one and that person is also going to be half time in both places. What I would like to see in this amendment is give each department one FTE in IT, the one that is existing and this new one, and then have language in there, something to the effect that says the intent of Legislative Assembly that the oil and gas division and the geological

survey share these IT personal to the extent practical and beneficial. ROXANNE: Legislative Council. Here is the language I have that is kind of drafted and then the committee can decide if that fits there needs. Right now I have " amend Section 15 of the First Engrossed bill which provides legislative intent for the full time equivalent position. To have them speed a section that was added by the Senate. And it would now read it as an intent of the Legislative Assembly that the full time equivalent information technology coordinator positions at the oil and gas division and geological survey and encourage to share knowledge, expertise, duties and responsibilities in an effort to avoid duplication and increase efficiencies." REPRESENTATIVE KOPPELMAN:

One thing that I would ask that you check though Roxanne or check with Mr. Helms, and or Mr. Blumley, is to make sure whatever language we put in there does not affect that third person that is already been there. I don't think it would because in effect after this bill, after this session, there will be three IT people there. So we are really trying to get at the two, the one that was added last session which was half/half and this one that were talking about now. There is a third, so we don't want this language to necessarily throw anything askew with that third. ROXANNE: So you don't want all the Information Technology positions to be shared, just the?

REPRESENTATIVE KOPPELMAN: I guess that would be okay to because there already doing that. As I said it was 90/10 at first and now it totally flips so they are already cooperating, so that probably, so that probably would be okay. ROXANNE: Just the way I have it drafted, I had that full time equivalent information and technology coordinator position, so I am assuming any of those positions that those two would have would be required to share. No? You know I don't know how many positions they do have. REPRESENTATIVE KOPPELMAN: The other thing is that in this bill, were adding a position. So if it can be clarified on the FTE breakdown that one of those, that they had half and half if now a full time FTE with one department or the other and this

new one is a full time with the other one. Example given(6.8-7.0). That is what we are trying to achieve. Does that make sense? Or vice versa. ROXANNE: I guess I didn't follow you. I haven't did a lot of work or seen a lot of things that specifically, we don't normally do that with FTE. But...SENATOR HOLMBERG: Representative Koppelman perhaps what we are doing here and I am going to break one of my unwritten rules in that and ask Carleen a question. But, are we not, I know exactly what your trying to do and I agree with it. Are we not trying to set down in legislative intent their table of organization? Which if we leave it up to them, without any meddling on our part and just say "we want those folks to work together" to avoid duplication. That we have accomplished what you want, and we have allowed them to say okay we want this person to do this, otherwise we do start getting somewhat specific as far as how they organize themselves. They are going to do the best job themselves. REPRESENTATIVE KOPPELMAN: I am not sure of the answer to that. I think your right but, I know that when we see these breakdowns in FTE's you know in appropriations bills and so on, often times we will see an FTE added to a particular area and to look at this language there is something in there that hinted at or said that is was half time each place. SENATOR HOLMBERG: That's the language that we put in. REPRESENTATIVE KOPPELMAN: Okay. SENATOR HOLMBERG: That's language that we reject at this time. We've decided that we could have done a better, no, I don't want to put it that way, we could have refined it a little more before we sent it over to the Senate up to the House. REPRESENTATIVE KOPPELMAN: I would ask is that maybe Roxanne can confer afterwards to get the language and if there is anybody else the Legislative Council is one of the attorneys needs to look at this to make sure its appropriate, and then maybe run it past. I share your desire not to have to meet again if its not necessary, but if you run it past Rep. Thoreson, and Senator Holmberg I would be comfortable with it. ROXANNE: I guess I am

pretty set with my language on it, though we may have to tweak the language a few words here or there. My thing that I would like from the committee is do you want more specific language entered about those positions or if not I am just going to refer to them as positions.

REPRESENTATIVE KOPPELMAN: That 's fine. SENATOR HOLMBERG: Now, were not having testimony but Carleen, do you understand what the committee is trying to do? If we had language like Roxanne mentioned here, is that something that would set the direction do you think to the agencies that essentially that the legislature wants you guys to work together in IT to avoid duplication and things like that which is what the Industrial Commission I would guess would want. Do you have any heartburn over that? Okay. We had a motion and we had a second for the House receding from its amendments and further amend. We are amending the bill with this language leaving the study and the \$140,000 and the \$20,000. Do you understand Roxanne exactly what the motion is? ROXANNE: Yes. I would like to clarify with you to make sure I have everything correct. SENATOR HOLMBERG: Would you tell us what your sense is what the amendment would do? ROXANNE: We're going to leave in Section 14 regarding the Bank of North Dakota transfers. Section 15 we are amending as we have discussed, Section 16 regarding the Legislative Council's study will be in the bill, the only area I am unsure of is if you want the \$20,000 out or restored? SENATOR HOLMBERG: Gone. It will not be restored. ROXANNE: Okay.

Roll call vote on that motion. Motion carried 6 Yeas, 0 No.

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2015

Senate Appropriations Committee

☐ Conference Committee

Hearing Date April 11, 2001

Tape Number	Side A	Side B	Meter #
Tape 1	x		0.0 - 16.2
Committee Clerk Signature <i>Tommy Ruetoh</i>			

Minutes:

Senator Holmberg, SB2015 Conference Committee (Industrial Commission), called the meeting to order at 10:00 a m, Wednesday, April 11th.

Roll call: Senator Holmberg, Chair; Senator Schobinger; Senator Heitkamp; Representative B. Thoreson; Representative Koppelman; and Representative Huether - all members present.

Senator Holmberg: This being our initial meeting -- suggest we start by asking the House members to explain their amendments (18041.0202).

Representative Huether: House removed sections 14, 15 and 16; and put 20 thousand dollars back in salaries and wages.

Representative B. Thoreson: House felt those sections were not necessary and the amount would not go below 170 million --- 140 not a number of concern. Felt this more appropriate in HB1015 - OMB budget.

Senator Holmberg: Felt it should be 140 million or consider it when HB1015 comes up?

Page 2

Senate Appropriations Committee

Bill/Resolution Number SB2015

Hearing Date April 11, 2001

Representative Huether: Should be base there.

Representative Koppelman: Adverse to fiscal restraint -- feeling is that it's (OMB) more where it belongs.

Senator Holmberg: Perhaps Legislative Council can give us the status of HB1015?

Roxanne Hobza, Legislative Council Staff: HB1015 provides for transfer --- as passed, section 14 of engrossed -- 140 million.

Senator Holmberg: Concur?

Representative Koppelman: Point underscores propose of HB1015 --- this would duplicate --- and this is the last Xmas tree bill --- often times the last to move through the system.

Senator Holmberg: Discussion on section 14?

Senator Heitkamp: Why would OMB be a better vehicle? This is the commission that deals with the banks?

Representative Koppelman: This deals with transfer --- Bank has limit; to a point of transfer.

Senator Holmberg: More discussion, or move on -- 1 amendments have reference to information technician coordinator --- to be shared with oil and gas divisions --- why remove -- the intent there?

Representative B. Thoreson: In a way together -- giving each division 1/2 time employee. Best to remove at this time.

Senator Holmberg: Senate sensed that when the marriage of the 2 groups; oil and gas and the geological survey happened, there could be some counseling --- the area of concern: making clear the FTE works in both areas; specifically . House perception: 2 separate 1/2 time positions --- that was not our goal. Perhaps OMB can shed some light here?

Sandy Paulson, OMB Analyst: Statement was to highlight a shared position --- perhaps it would find some efficiencies. Encourage working as a team -- not separate divisions.

Roxanne Hobza, Legislative Council Staff: Agree as Sandy stated --- a shared position; testimony given in the House was they weren't sure -- each division wanted the FTE.

Senator Holmberg: House wanted another FTE.

Roxanne Hobza: Currently sharing 1 FTE -- information technology area. Split 2 full time employees shared 50-50.

Sandy Paulson: All one budget; detail of budget to see split-- it was a way of encouraging them to work together --- take 1 FTE each place.

Senator Holmberg: Several years ago there was a suggestion for a study --- making our statement; we put these two together, wanted them to work together -- perhaps a need to revisit?

Representative Koppelman: Need to further review the amendments --- what I'm hearing today makes some sense.

Senator Holmberg: Regarding the 20 thousand -- a little history: The Senate felt they could get by -- vacancies almost always happen (well paid for state employees) and it is not unrealistic figure -- was spent on programs elsewhere? Testimony there?

Representative Koppelman: Questions raised -- why out? What plans for the money?

Senator Holmberg: We try not to just take money out -- but in paring down budgets, as in this one, it did not seem an unrealistic figure (in a 6.33 million budget).

Representative Koppelman: Ask OMB?

Sandy Paulson: Change is still support. It is not uncommon to have figures such as the rounding of 20 off budgets of this size.

Senator Holmberg: See HB1013 --- out of salary line item; not uncommon.

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Senate Appropriations Committee

Bill/Resolution Number SB2015

Hearing Date April 11, 2001

Representative Koppelman: We need the opportunity to visit our leaders, now having this information.

Senator Holmberg: Time needed? ½ hour?

Representative Koppelman: Will attempt to find them for the good of the order.

Senator Holmberg: Committee will be at ease until 10:50.

Senator Holmberg: Conference Committee called back to order; ready to finalize?

Representative B. Thoreson: Unable to find appropriate parties; request another meeting.

Senator Holmberg: Agree, meeting adjourned until further notice.

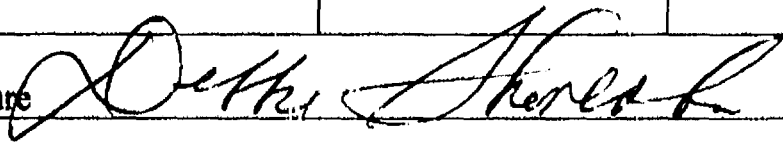
2001 SENATE CONFERENCE COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2015

Senate Appropriations Committee

☐ Conference Committee

Hearing Date April 13, 2001

Tape Number	Side A	Side B	Meter #
1		X	0.0-26.9
Committee Clerk Signature 			

Minutes:

Senator Holmberg opened the conference committee on SB 2015. Present from the Senate were Senator Holmberg, Senator Schobinger and Senator Heitkamp, and present from the House were Representative Thoreson, Representative Koppelman and Representative Huether.

Senator Holmberg stated the differences in the committee were Sections 14, 15, 16 and the \$20,000. We need to look at any agreements between us on these sections.

Representative Koppelman: In Section 15 is the past position that was shared in the technology area, we have added two now for the two positions to share.

Senator Holmberg: this is micro management.

Representative Thoreson: With two agencies that are together.

Senator Holmberg: The areas combined are in the Oil & Gas and Geological Survey divisions and provide a study for this technology person.

Representative Koppelman: They share two technology people and a degree link exists with more research. They are not together and it makes more sense to separate each entity.

Senator Holmberg: Separate is prejudging when the two were put together.

Senator Heitkamp: The Industrial Commission did not complain on what was done by the Senate, it was a solid good idea and what concerns the House?

Representative Koppelman: The House Appropriation members sees this different as well as the chairman.

Senator Heitkamp: There has been ample opportunity to disagree with the agency or commission or to object but there hasn't been any.

Senator Holmberg: Overall does the House disagree with just this technology position or all.

Representative Thoreson: No this position is same as any other being filled.

Representative Koppelman: I agree.

Representative Thoreson: HB 1015, did the Senate amend on that bill and on this bill?

Senator Holmberg: This bill needs to go out first and would like to keep it in this bill.

Representative Koppelman: We see your point on duplication and that is not off the table, the House could go along with it.

Senator Holmberg: The \$20,000 out of the \$6.35 million salary and wages, any flexibility?

Representative Koppelman: Our concern is, where did it go and why?

Senator Holmberg: From the general fund, the agency could afford reduction.

Representative Koppelman: Where could they afford this \$20,000, on something else?

Senator Holmberg: The second position was vacated on 12/00, and one is unfunded to be filled by 4/01. That agency funded the FTE from the general funds.

Page 3

Senate Appropriations Committee

Bill/Resolution Number SB 2015

Hearing Date April 13, 2001

Roxanne Hobza, Legislative Council, 35.35 position with Oil and Gas and 21.65 position from Geological Survey, with funding variety.

Senator Holmberg: A roll up agency.

Sandy Paulson, OMB, we were trying to encourage efficiency and economics.

Representative Koppelman: Two technology positions, could be unable to cooperate to do the work.

Sandy Paulson: The language is to encourage them to work together.

Representative Huether: Possible confidentiality between these two agencies.

Sandy Paulson: That has been resolved, the confidentiality issue.

Senator Holmberg: These two groups shared IT person all along, now add another IT position to follow the trend, one Oil & Gas, one Geological Survey, and then next session another. This language allows flexibility with these people or positions added.

Representative Koppelman: We can deal with the FTE, and try to give flexibility to the departments, it is dictated either way.

Senator Holmberg: Will be evolved over the years with all the issues. We will adjourn with this meeting and schedule another to try and resolve these two issues.

Tape #1, Side B, meter 26.9.

Date: 4-18-01

Roll Call Vote #: _____

2001 CONFERENCE COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2015

CONFERENCE COMMITTEE-Industrial Commission

Legislative Council Amendment Number _____

☒ recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
the (Senate/House) amendments on (S/H) page(s) 1150 - 1151

☐ having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

Action Taken Do Pass as Further Amended

Motion Made By Senator/Representative Koppelman Seconded By Senator/Representative Thoreson

Senators	Yes	No	Representative	Yes	No
Senator Holmberg	✓		Representative B. Thoreson	✓	
Senator Schobinger	✓		Representative Koppelman	✓	
Senator Heitkamp			Representative Huether	✓	

Total Yes 5 No 0 Absent 1

REPORT OF CONFERENCE COMMITTEE

SB 2015, as engrossed: Your conference committee (Sens. Holmberg, Schobinger, Heltkamp and Reps. B. Thoreson, Koppelman, Huether) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1150-1151, adopt amendments as follows, and place SB 2015 on the Seventh order:

That the House recede from its amendments as printed on pages 1150 and 1151 of the Senate Journal and pages 1231 and 1232 of the House Journal and that Engrossed Senate Bill No. 2015 be amended as follows:

Page 5, line 30, replace "FULL-TIME EQUIVALENT POSITION" with "INFORMATION TECHNOLOGY SHARED SERVICES"

Page 5, line 31, remove "new" and replace "coordinator position" with "coordinators employed by the oil and gas division and geological survey share knowledge, expertise, duties, and responsibilities in an effort to increase efficiencies and avoid duplication."

Page 6, remove lines 1 through 3

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2015 - Summary of Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Industrial Commission						
Total all funds	\$42,898,571	\$42,950,171	\$0	\$42,650,171	\$42,970,171	(\$20,000)
Less estimated income	35,585,990	35,585,990		35,585,990	35,585,990	
General fund	\$7,312,581	\$7,364,181	\$0	\$7,364,181	\$7,384,181	(\$20,000)
Bank of North Dakota						
Total all funds	\$39,280,867	\$39,280,867	\$0	\$39,280,867	\$39,280,867	\$0
Less estimated income	30,780,867	30,780,867		30,780,867	30,780,867	
General fund	\$8,500,000	\$8,500,000	\$0	\$8,500,000	\$8,500,000	\$0
Housing Finance Agency						
Total all funds	\$39,873,426	\$39,872,263	\$0	\$39,872,263	\$39,872,263	\$0
Less estimated income	39,873,426	39,872,263		39,872,263	39,872,263	
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Milit and Elevator						
Total all funds	\$21,741,294	\$21,741,294	\$0	\$21,741,294	\$21,741,294	\$0
Less estimated income	21,741,294	21,741,294		21,741,294	21,741,294	
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Bill Total						
Total all funds	\$143,794,157	\$143,844,595	\$0	\$143,844,595	\$143,864,595	(\$20,000)
Less estimated income	127,981,578	127,980,414		127,980,414	127,980,414	
General fund	\$15,812,581	\$15,864,181	\$0	\$15,864,181	\$15,864,181	(\$20,000)

Senate Bill No. 2015 - Other Changes - Conference Committee Action

This amendment amends Section 15 of the engrossed bill to encourage information technology coordinators employed by the Oil and Gas Division and the Geological Survey to share knowledge, expertise, duties, and responsibilities in an effort to increase efficiencies and avoid duplication.

Engrossed SB 2015 was placed on the Seventh order of business on the calendar.

2001 TESTIMONY

SB 2015

Department 405 - Industrial Commission
Senate Bill No. 2016

	FTE Positions	General Fund	Other Funds	Total
2001-03 Schafer Executive Budget	63.00	\$7,312,581	\$35,585,990	\$42,898,571
1999-2001 Legislative Appropriations	64.00	20,595,597	13,770,925	34,366,522 ¹
Increase (Decrease)	(1.00)	(\$13,283,016)	\$21,815,065	\$8,532,049

2001-03 Hoeven Executive Budget	63.00	\$7,384,181	\$35,585,990	\$42,970,171
Hoeven Increase (Decrease) to Schafer	0.00	\$71,600	\$0	\$71,600

¹ The 1999-2001 appropriation amounts include \$25,954, \$23,616 of which is from the general fund, for the agency's share of the \$5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and \$2,465, \$1,513 of which is from the general fund, for the agency's share of the \$1.4 million funding pool appropriated to OMB for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000.

Major Schafer Recommendations Affecting Industrial Commission 2001-03 Budget

	General Fund	Other Funds	Total
1. Provides for the following Industrial Commission administration changes:			
a. Changes funding source for lease payments to reflect lease payment revenue received from agencies, including an increase of \$1,856,554 from the general fund and \$206,337 of special funds for projects authorized by the 1999 Legislative Assembly (general fund amounts are appropriated in the various agency budgets)	(\$13,952,899)	\$16,017,790	\$2,064,891
b. Increases lignite research grants from \$10,450,000 to \$16,450,000		\$6,000,000	\$6,000,000
c. Eliminates the administrative contingency line item		(\$10,000)	(\$10,000)
2. Provides for the following Oil and Gas Division changes:			
a. Provides funding for .5 FTE data processing coordinator position, including \$25,000 of related operating expenses	\$70,800		\$70,800
b. Removes funding for 1 FTE petroleum engineer II position	(\$105,142)		(\$105,142)
c. Changes the funding source for the geophysical exploration program to the general fund instead of the land and minerals trust fund	\$245,102	(\$245,102)	\$0
3. Provides for the following Geological Survey changes:			
a. Provides funding for .5 FTE data processing coordinator positions, including \$25,000 of related operating expenses	\$70,800		\$70,800
b. Removes funding for 1 FTE drafting technician II position	(\$79,988)		(\$79,988)
4. No significant changes for the Municipal Bond Bank			

Major Hoeven Recommendations Affecting Industrial Commission 2001-03 Budget
Compared to the Bill as Introduced (Schafer Budget)

	General Fund	Other Funds	Total
1. Increases funding for the operating line item to account for increased lease payments and moving costs for the Oil and Gas Division and Geological Survey. (The Senate increased funding for operating by \$71,600 to account for this recommendation from the Hoeven executive budget.)	\$71,600		\$71,600

Major Legislation Affecting the Industrial Commission

Senate Bill No. 2023 authorizes the Industrial Commission to issue bonds in the amount of \$12,852,000 for a laboratory addition at the State Department of Health (\$2,700,000), renovation of Old Main at Minot State University (\$7,850,000), and a new Blomquist service delivery office for Job Service North Dakota (\$2,302,000). The bill also authorizes the Industrial Commission to issue bonds in the amount of \$4,639,733 for state facility emergency improvement projects at the Department of Transportation (\$353,600), North Dakota State University (\$296,348), and University of North Dakota (\$3,990,785). (This bill has been passed by the Senate.)

Senate Bill No. 2099 changes the maximum balance of the abandoned oil and gas well plugging and site reclamation fund from \$50,000 to \$250,000 effective July 1, 2003. When the balance of the fund exceeds the limit, any additional fees must be deposited in the general fund. (This bill has been passed by both the Senate and the House.)

Senate Bill No. 2165 provides that the computation for the authorized general fund lease payments for a biennium must be based on the projected sales, use, and motor vehicle excise tax collections presented at the close of the most recently adjourned regular Legislative Assembly. (This bill has been passed by both the Senate and the House.)

House Bill No. 1417 allows the Industrial Commission to issue bonds for the establishment of meatpacking plants. (This bill has been passed by the House.)

Summary of Legislative Changes Resulting From First House Action

See Statement of Purpose of Amendment (attached).



SB 2015

INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Commissioner of Agriculture

**Testimony for Senate Bill No. 2015
Senate Appropriations Committee
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
January 8, 2001**

Mr. Chairman and members of the Senate Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Senate Bill 2015 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Commissioner of Agriculture. The Industrial Commission is responsible for overseeing the Bank of North Dakota, the State Mill, the Municipal Bond Bank, the Housing Finance Agency, oil and gas and geophysical exploration regulation through its Oil and Gas Division, the Student Loan Trust, the Geological Survey and the various regulatory functions related to subsurface minerals, and the Lignite Research, Development and Marketing Program. In addition the Industrial Commission is the North Dakota Building Authority.

This afternoon I will primarily be focusing my testimony on Subdivision 1 of Senate Bill 2015 or Budget No. 405. Subdivision 1 includes the appropriations for the administrative office of the Industrial Commission as well as the Oil and Gas Division, Geological Survey, Municipal Bond Bank, Lignite Research, Development and Marketing Program and the lease (bond) payments for projects financed by the North Dakota Building Authority. Attached is a chart showing the various amounts for the different entities (Exhibit A). The directors of these divisions will be presenting their testimony as I have indicated on the schedule.

The administrative office for the Industrial Commission consists of two full-time employees. The administrative budget includes funding for these two positions along with the needed dollars for operating the office. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. This is a multi-state organization that speaks on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry.

The administrative office budget request is \$303,293, when you exclude the Lignite Research Program and the lease payments. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this noted in

Sections 4, 5, 6, 7, and 8 where authority is being requested for these agencies to transfer funds to the Industrial Commission.

To assist you in understanding the funding sources found in Subdivision 1, I have attached a separate exhibit (Exhibit B) with a breakdown of the funding. Exhibit B shows the funding sources include the General Fund dollars, non-state funds (Job Service dollars, University System building project local match, and Veterans' Home funds), transfers from the Industrial Commission agencies, Lignite Research Fund, Municipal Bond Bank funds and federal funds. No General Fund dollars are utilized for the operations of the administrative office.

Section 3 of Senate Bill 2015 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission under Chapters 4-36 and 54-17.2 and Section 54-17-25 upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 includes the lease payments (bond payments) for the North Dakota Building Authority in the amount of \$17,956,059 – see line 17 on page 1. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located at the State Penitentiary, Grafton Development Center, State Hospital, Youth Correctional Center, International Peace Garden, various buildings on the University System campuses, handicapped accessibility construction on the campuses, Southeast Human Services Center in Fargo and financing for the Veterans' Home in Lisbon.

During the 99-01 biennium the Commission completed the financing for projects authorized by the 1999 Legislature—the Animal Research Facility at North Dakota State University and the renovation at Pine Cottage on the Youth Correctional Center campus. The 1999 Legislature authorized one additional project on the UND-Williston State College campus—the Health and Wellness Center Addition. The Building Authority is planning on completing this financing in the next few months. Included in Senate Bill 2015 is an estimate of what the debt service will be for this upcoming financing.

In previous years, you may recall, that the costs for the leases (debt service) on all Building Authority financings has been included just in this bill. This year the Executive Budget has been prepared with the debt service costs shown in this bill as special funds. The lease payments have also been reflected in the budgets of the agencies that received the dollars raised through bonding. Those budgets reflect whether the source of funding is General Fund dollars, federal funds or special funds (local match dollars). The projected lease payments needed during the 2001-03 biennium are as follows:

Testimony Senate Bill 2015**Page 3****January 8, 2001**

Bond Issue		
Year	Project Name	Amount
1990/93A	University System (all campuses)	\$ 4,734,989
1990/93A	State Penitentiary	\$ 1,012,352
1990/93A	Veterans' Home	\$ 271,128
1998B/91A/86	Developmental Center	\$ 649,234
1998B/91A/86	State Hospital	\$ 566,500
1998B/91A/86	State Penitentiary	\$ 1,237,816
1998B/92A	Southeast Human Services Center	\$ 577,764
1993B	Adjutant General	\$ 73,950
1993B	Job Service	\$ 295,047
1993B	University System	\$ 2,137,775
1995A	University System	\$ 3,045,255
1998A	University System	\$ 1,038,537
1998A	Youth Correctional Center	\$ 255,107
1998C	University System	\$ 776,704
2000A	University System	\$ 428,587
2000A	Youth Correctional Center	\$ 286,320
2001A	University System (estimated)	\$ 568,994
		<u>\$17,956,059</u>

The following non-General Fund sources will be utilized to pay a portion of these costs:

Job Service North Dakota	\$ 295,047
Veterans' Home	\$ 271,128
Human Services (federal funds)	\$ 111,092
University System (90/93A)	\$ 312,500
University System (93B)	\$ 21,250
University System (95A)	\$ 735,589
University System (98A)	\$ 100,000
University System (01A)	\$ 300,000
	<u>\$2,146,606</u>

The Industrial Commission has been responsible for the Lignite Research, Development and Marketing Program since 1987. The proposed funding for this program in the amount of \$16,450,000 is shown in Subdivision 1 on line 16--Grants. John Dwyer, Chairman of the Lignite Research Council, is here to testify on this program.

Since the Industrial Commission's proposed budget was submitted to the Office of Management and Budget two of the Commission's agencies have been informed that they must relocate. Mr. Lynn Helms and Dr. John Bluemie will be discussing the impact of this development on the operations of the agencies.

Following the testimony of all the agency directors today and tomorrow I will provide you with an amendment to Senate Bill 2015. Thank you for this opportunity to present testimony on the Industrial Commission budget.

2001 - 2003 Industrial Commission Budget
(as contained in Senage Bill 2015)

	Municipal		Geological		
	Administration	Bond Bank	Oil & Gas	Survey	Total
Salaries & Wages	192,801	374,878	3,626,158	2,156,388	6,350,025
Operating	105,192	282,560	861,569	484,348	1,733,669
Equipment	5,500	13,200	95,300	40,000	154,000
405 Lignite Research	16,450,000	0	0	0	16,450,000
405 Lease Payments	17,956,059	0	0	0	17,956,059
Geophysical Exploration	0	0	254,818	0	254,818
Total	34,709,352	670,638	4,837,845	2,680,736	42,898,571
General Fund	0	0	4,717,845	2,594,736	7,312,581
Federal Funds	0	0	120,000	86,000	206,000
Special Funds	34,709,352	670,638	0	0	35,379,990
Total	34,709,352	670,638	4,837,845	2,680,736	42,898,571

**Senate Bill 2015
Subdivision One
Breakdown of Funding Sources**

Lease (Bond) Payments: (Section 11)

Higher Education Institutions	\$	12,730,841.00	
Job Service	\$	295,047.00	
Department of Human Services	\$	577,764.00	
Department of Human Services - State Hospital	\$	566,500.00	
Department of Human Services - Developmental Center	\$	649,234.00	
Department of Corrections - State Penitentiary	\$	2,250,168.00	
Department of Corrections - Youth Correctional Center	\$	541,427.00	
Adjutant General	\$	73,950.00	
Veterans' Home Improvement Fund	\$	271,128.00	
	\$	<u>17,956,059.00</u>	\$ 17,956,059.00

Transfers for Administrative Office (Sections 4,5,6,7 & 8)

State Mill	\$	65,447.00	
Bank of North Dakota	\$	85,403.00	
Housing Finance Agency	\$	56,936.00	
Municipal Bond Bank	\$	19,957.00	
Student Loan Trust	\$	75,550.00	
	\$	<u>303,293.00</u>	\$ 18,269,352.00

Lignite Research Fund	\$	16,450,000.00	\$ 34,709,352.00
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Municipal Bond Bank	\$	670,638.00	\$ 35,379,990.00
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General Fund

Oil and Gas Division	\$	4,717,845.00	
Geological Survey	\$	2,594,736.00	
	\$	<u>7,312,581.00</u>	\$ 42,692,571.00

Federal Funds

Oil and Gas Division	\$	120,000.00	
Geological Survey	\$	86,000.00	
	\$	<u>206,000.00</u>	\$ 42,898,571.00



INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Commissioner of Agriculture

**Testimony for Engrossed Senate Bill No. 2015
Government Operations Division of the
House Appropriations Committee
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
March 7, 2001**

Mr. Chairman and members of the House Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Engrossed Senate Bill 2015 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Commissioner of Agriculture. The Industrial Commission is responsible for overseeing the Bank of North Dakota, the State Mill, the Municipal Bond Bank, the Housing Finance Agency, oil and gas and geophysical exploration regulation through its Oil and Gas Division, the Student Loan Trust, the Geological Survey and the various regulatory functions related to subsurface minerals, and the Lignite Research, Development and Marketing Program. In addition the Industrial Commission is the North Dakota Building Authority.

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The administrative office budget request is \$303,293, when you exclude the Lignite Research Program and the lease payments. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this noted in Sections 4,

6, 6, 7, and 8 where authority is being requested for these agencies to transfer funds to the Industrial Commission.

To assist you in understanding the funding sources found in Subdivision 1, I have attached a separate exhibit (Exhibit B) with a breakdown of the funding. Exhibit B shows the funding sources include the General Fund dollars, non-state funds (Job Service dollars, University System building project local match, and Veterans' Home funds), transfers from the Industrial Commission agencies, Lignite Research Fund, Municipal Bond Bank funds and federal funds. No General Fund dollars are utilized for the operations of the administrative office.

Section 3 of Engrossed Senate Bill 2015 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission under Chapters 4-36 (agricultural revenue bonds) and 54-17.2 (North Dakota Building Authority) and Section 54-17-25 (Student Loan Trust) upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 includes the lease payments (bond payments) for the North Dakota Building Authority in the amount of \$17,956,059 – see line 19 on page 1. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located at the State Penitentiary, Grafton Development Center, State Hospital, Youth Correctional Center, International Peace Garden, various buildings on the University System campuses, handicapped accessibility construction on the campuses, Southeast Human Services Center in Fargo and financing for the Veterans' Home in Lisbon

During the 99-01 biennium the Commission completed the financing for projects authorized by the 1999 Legislature—the Animal Research Facility at North Dakota State University and the renovation at Pine Cottage on the Youth Correctional Center campus. The 1999 Legislature authorized one additional project on the UND-Williston State College campus—the Health and Wellness Center Addition. The Building Authority is planning on completing this financing in the next few months. Included in Engrossed Senate Bill 2015 is an estimate of what the debt service will be for this upcoming financing.

In previous years, you may recall, that the costs for the leases (debt service) on all Building Authority financings has been included just in this bill. This year the Executive Budget has been prepared with the debt service costs shown in this bill as special funds. The lease payments have also been reflected in the budgets of the agencies that received the dollars raised through bonding. Those budgets reflect whether the source of funding is General Fund dollars, federal funds or special funds (local match dollars). The projected lease payments needed during the 2001-03 biennium are as follows:

Testimony Engrossed Senate Bill 2015**Page 3****March 7, 2001**

Bond Issue		
Year	Project Name	Amount
1990/93A	University System (all campuses)	\$ 4,734,989
1990/93A	State Penitentiary	\$ 1,012,352
1990/93A	Veterans' Home	\$ 271,128
1998B/91A/86	Developmental Center	\$ 649,234
1998B/91A/86	State Hospital	\$ 566,500
1998B/91A/86	State Penitentiary	\$ 1,237,816
1998B/92A	Southeast Human Services Center	\$ 577,764
1993B	Adjutant General	\$ 73,950
1993B	Job Service	\$ 295,047
1993B	University System	\$ 2,137,775
1995A	University System	\$ 3,045,255
1998A	University System	\$ 1,038,537
1998A	Youth Correctional Center	\$ 255,107
1998C	University System	\$ 776,704
2000A	University System	\$ 428,587
2000A	Youth Correctional Center	\$ 286,320
2001A	University System (estimated)	\$ 568,994
		<u>\$17,956,059</u>

The following non-General Fund sources will be utilized to pay a portion of these costs:

Job Service North Dakota	\$ 295,047
Veterans' Home	\$ 271,128
Human Services (federal funds)	\$ 111,092
University System (90/93A)	\$ 312,500
University System (93B)	\$ 21,250
University System (95A)	\$ 735,589
University System (98A)	\$ 100,000
University System (01A)	\$ 300,000
	<u>\$2,146,606</u>

The Industrial Commission has been responsible for the Lignite Research, Development and Marketing Program since 1987. The proposed funding for this program in the amount of \$16,450,000 is shown in Subdivision 1 on line 18--Grants. John Dwyer, Chairman of the Lignite Research Council, is here to testify on this program.

The Senate amended Senate Bill 2015 and included \$71,600 in operating funds for the proposed relocation of the Geological Survey and Oil and Gas Division. (The Commission was informed that these agencies needed to relocate after the Executive Budget had been prepared.) We are very appreciative of the \$71,600 in operating funds. However, this will not cover the entire estimated costs of this relocation—moving costs as well as increased rental expenses. Mr. Helms and Dr. Bluemle will comment further on this proposed relocation. In addition the Senate reduced \$20,000 of General Fund dollars from the salaries and wages line item. We are requesting that those dollars be reinstated. Thank you for this opportunity to present testimony on the Industrial Commission budget.

2001 - 2003 Industrial Commission Budget
(as contained in Engrossed Senate Bill 2015)

	Administration	Municipal Bond Bank	Oil & Gas	Geological Survey	Total
Salaries & Wages	192,601	374,878	3,616,158	2,146,388	6,330,025
Operating	105,192	282,560	897,369	520,148	1,805,269
Equipment	5,500	13,200	95,300	40,000	154,000
405 Lignite Research	16,450,000	0	0	0	16,450,000
405 Lease Payments	17,956,059	0	0	0	17,956,059
Geophysical Exploration	0	0	254,818	0	254,818
Total	34,709,352	670,638	4,863,645	2,706,536	42,950,171
General Fund	0	0	4,743,645	2,620,536	7,364,181
Federal Funds	0	0	120,000	86,000	206,000
Special Funds	34,709,352	670,638	0	0	35,379,990
Total	34,709,352	670,638	4,863,645	2,706,536	42,950,171

Exhibit B

**Engrossed Senate Bill 2015
Subdivision One
Breakdown of Funding Sources**

Lease (Bond) Payments: (Section 11)

Higher Education Institutions	\$	12,730,841.00	
Job Service	\$	295,047.00	
Department of Human Services	\$	577,764.00	
Department of Human Services - State Hospital	\$	566,500.00	
Department of Human Services - Developmental Center	\$	649,234.00	
Department of Corrections - State Penitentiary	\$	2,260,168.00	
Department of Corrections - Youth Correctional Center	\$	541,427.00	
Adjutant General	\$	73,950.00	
Veterans' Home Improvement Fund	\$	271,128.00	
	\$	<u>17,956,059.00</u>	\$ 17,956,059.00

Transfers for Administrative Office (Sections 4,5,6,7 & 8)

State Mill	\$	66,447.00	
Bank of North Dakota	\$	85,403.00	
Housing Finance Agency	\$	56,936.00	
Municipal Bond Bank	\$	19,957.00	
Student Loan Trust	\$	75,550.00	
	\$	<u>303,293.00</u>	\$ 18,259,352.00

Lignite Research Fund \$ 16,450,000.00 \$ 34,709,352.00

Municipal Bond Bank \$ 670,638.00 \$ 35,379,990.00

General Fund

Oil and Gas Division	\$	4,743,645.00	
Geological Survey	\$	2,620,536.00	
	\$	<u>7,364,181.00</u>	\$ 42,744,171.00

Federal Funds

Oil and Gas Division	\$	120,000.00	
Geological Survey	\$	86,000.00	
	\$	<u>206,000.00</u>	\$ 42,950,171.00

**Department 471 - Bank of North Dakota
 Senate Bill No. 2015**

	FTE Positions	General Fund	Other Funds	Total
2001-03 Executive Budget	178.50	\$8,500,000	\$30,780,867	\$39,280,867
1999-2001 Legislative Appropriations	178.50	8,567,000	27,442,439	36,009,439
Increase (Decrease)	0.00	(\$67,000)	\$3,338,428	\$3,271,428

The 1999-2001 appropriation amounts include \$94,382 of other funds for the agency's share of the \$5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and \$13,304 of other funds for the agency's share of the \$1.4 million funding pool appropriated to OMB for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000.

Major Items Affecting Bank of North Dakota 2001-03 Budget

	General Fund	Other Funds	Total
1. Eliminates administration funding for the beginning entrepreneur loan guarantee program (\$10,000) and for the North Dakota higher education savings plan.	(\$67,000)		(\$67,000)
2. Decreases capital improvement funding from \$105,000 to \$30,000.		(\$75,000)	(\$75,000)
3. Increases the contingency funding from \$1.5 million to \$2.85 million for internal development of student loan software.		\$1,350,000	\$1,350,000
4. Increases equipment funding from \$500,000 to \$736,500, including \$220,000 for remittance and image processing services.		\$236,500	\$236,500
5. Provides for an 8.4 percent increase in operating expenses due in part to software purchases for remittance and image processing services and providing e-commerce and web site access to customers.		\$912,224	\$912,224
6. Funding from the general fund is provided at the same level as the 1999-2001 biennium for the following programs:			
PACE - \$6 million			
Ag PACE - \$1.5 million			
Beginning farmer - \$1 million			

Major Legislation Affecting the Bank of North Dakota

Section 11 of House Bill No. 1015 provides that the Bank of North Dakota transfer \$50 million from the Bank's current earnings and accumulated undivided profits to the general fund. No more than \$15 million of the \$50 million to be transferred may come from the accumulated and undivided profits of the Bank, and no transfer may reduce the Bank's capital structure below \$100 million.

Section 12 of House Bill No. 1015 allows for a contingency transfer of additional funds from the Bank of North Dakota to the general fund if actual 2001-03 revenues are less than projected. The additional funds transferred may not exceed the lesser of the amount of the revenue shortfall or \$25 million, and no transfer could be made which would reduce the Bank's capital structure below \$100 million.

House Bill No. 1043 provides a \$2 million general fund appropriation to the Bank of North Dakota to administer a student loan payment program available to graduates of eligible postsecondary educational institutions in the state who are residents of the state and are employed in target industries located in the state.

House Bill No. 1051 provides that the Industrial Commission establish a farmers equity trust fund at the Bank of North Dakota for use by the Agricultural Products Utilization Commission to acquire ownership interests in value-added agricultural projects or for loans to value-added agricultural projects.

Senate Bill No. 2112 authorizes the Department of Transportation to obtain a Bank of North Dakota loan for matching federal emergency relief funds and to repay the loan by the end of the biennium by requesting a deficiency appropriation.

**Department 471 - Bank of North Dakota
Senate Bill No. 2015**

	FTE Positions	General Fund	Other Funds	Total
2001-03 Schafer Executive Budget	178.50	\$8,500,000	\$30,780,867	\$39,280,867
1999-2001 Legislative Appropriations	178.50	0,567,000	27,442,439	36,009,439 ¹
Increase (Decrease)	0.00	(\$67,000)	\$3,338,428	\$3,271,428

2001-03 Hoeven Executive Budget	178.50	\$8,500,000	\$30,780,867	\$39,280,867
Hoeven Increase (Decrease) to Schafer	0.00	\$0	\$0	\$0

¹ The 1999-2001 appropriation amounts include \$94,382 of other funds for the agency's share of the \$5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and \$13,304 of other funds for the agency's share of the \$1.4 million funding pool appropriated to OMB for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000.

Major Schafer Recommendations Affecting Bank of North Dakota 2001-03 Budget

	General Fund	Other Funds	Total
1. Eliminates administration funding for the beginning entrepreneur loan guarantee program (\$10,000) and for the North Dakota higher education savings plan.	(\$67,000)		(\$67,000)
2. Decreases capital improvement funding from \$105,000 to \$30,000.		(\$75,000)	(\$75,000)
3. Increases the contingency funding from \$1.5 million to \$2.85 million for internal development of student loan software.		\$1,350,000	\$1,350,000
4. Increases equipment funding from \$500,000 to \$736,500, including \$220,000 for remittance and image processing services.		\$236,500	\$236,500
5. Provides for an 8.4 percent increase in operating expenses due in part to software purchases for remittance and image processing services and providing e-commerce and web site access to customers.		\$912,224	\$912,224
6. Funding from the general fund is provided at the same level as the 1999-2001 biennium for the following programs: PACE - \$6 million Ag PACE - \$1.5 million Beginning farmer - \$1 million			

**Major Hoeven Recommendations Affecting Bank of North Dakota 2001-03 Budget
Compared to the Bill as Introduced (Schafer Budget)**

	General Fund	Other Funds	Total
1. The Hoeven budget recommendation does not change the Schafer executive budget recommendation for this agency.			

Major Legislation Affecting the Bank of North Dakota

Section 11 of House Bill No. 1015 provides that the Bank of North Dakota transfer \$50 million from the Bank's current earnings and accumulated undivided profits to the general fund. No more than \$15 million of the \$50 million to be transferred may come from the accumulated and undivided profits of the Bank, and no transfer may reduce the Bank's capital structure below \$100 million.

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**TESTIMONY TO THE
SENATE APPROPRIATIONS COMMITTEE**

JANUARY 9, 2001

SENATE BILL 2015

ERIC HARDMEYER - BANK OF NORTH DAKOTA

Senate Bill 2015 contains five sections relative to the Bank of North Dakota. Those sections are listed below along with the page numbers which correspond in this testimony:

Section 1: Appropriations

Subdivision 2: BND Operations (pages 2-6)

Subdivision 3: Appropriations for PACE, AG PACE, and Beginning Farmer (p. 7-14)

Section 5: BND Transfer to the Industrial Commission for its administration and clerical support operations (page 15)

Section 12: BND Enterprise Fund, not Government Fund (page 15)

Section 13: PACE and Ag PACE transfers (page 15)

Section 14: Emergency provision for PACE funding (page 15)

Comments relative to each section and subdivision, along with supporting documentation, are attached.

BANK OF NORTH DAKOTA
SENATE BILL 2015, Section 1, Subdivision 2

The Bank of North Dakota's (BND) 2001-03 proposed operations budget is comprised of the five major line items outlined below. BND revenues fund all Bank expenses and profits are available to provide capital or make transfers to the General Fund.

Over the last 5 years BND has increased it's annual income as follows:

BND Income (5 year growth)				
(figures in millions)				
<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
\$23.2	\$25.5	\$28.1	\$30.5	\$32.6 (unaudited)

Income for 2000 increased 7% over 1999. The year end audit is not complete, but annual earnings will total \$32.6 million. These increases have resulted from good expense control and strong growth in BND's loan portfolio.

BND's Total Loan Portfolio (5 year growth)				
(figures in millions)				
<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
\$554	\$623	\$835	\$1,056	\$1,158

Growth in the loan portfolio also demonstrates BND's commitment to its role as North Dakota's development bank. BND has averaged financing 200 business and industrial projects per year or more than 1000 projects over the last 5 years, creating thousands of new jobs in North Dakota.

Growth in total bank assets has increased to \$1.8 billion.

BND Total Assets (5 year growth)				
(figures in millions)				
<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
\$1,068	\$1,162	\$1,609	\$1,687	\$1,808

MAJOR LINE ITEM EXPENSE CATEGORIES:

SALARIES AND WAGES

Budget 2001-2003	\$15,416,543
Budget 1999-2001	<u>14,501,839</u>
	\$ 914,704

The salaries and wages line item includes budget increases of 3% per annum the first year of the 2201-2003 biennium and 2% the next year. BND has reduced its number of FTE's (full time equivalent personnel) over the last five years from 181 to 178.5 employees, while greatly increasing loans, total assets and income.

BND continues to monitor efficiency ratios for salaries and wages and also in regard to the number of employees at the Bank. Expenditures for salaries and benefits are .42% of average assets. Industry average for banks in North Dakota is over 1.3%. Operating profit per employee at BND is \$173,000, compared to the industry average for banks in North Dakota of less than \$80,000. There are \$9.5 million in assets per employee at BND. The industry average for banks in North Dakota ranges from \$2 million to \$3 million per employee depending on bank size. These industry averages are taken from the 1999 study done by the Sheshunoff Company, a nationally recognized bank analysis and consulting firm.

OPERATING EXPENSES

Budget 2001-2003	\$11,747,824
Budget 1999-2001	<u>10,835,600</u>
	\$ 912,224

The overall increase in operating expenses is 8.42%, or 4.21% per annum.

Bank of North Dakota's appropriation request for 2001 - 2003 operating expenses increased \$912,224 compared to BND's 1999 - 2001 appropriated budget. The largest increases occur for the following items:

<u>Item</u>	<u>Increase</u>
EDP Production	\$241,824
Computer Software Purchases	\$200,000
Consulting Services	\$182,400
Software Maintenance Contracts	<u>\$376,000</u>
	<u>\$1,000,224</u>

EDP Production expense (which is \$3,741,000 or 32% of the entire operating budget) is planned to increase based on EDP development (new system and system maintenance) activities associated with the BND/SLND E-Business Initiative. This initiative essentially includes the development and implementation of systems that provide Bank of North Dakota and Student Loans of North Dakota customers with the ability to perform business activity electronically. Core business processes will be put online connecting BND's critical business systems with internal and external customers through multiple channels including the internet, intranet, e-mail, interactive voice response and fax. BND's existing static website will be replaced with a dynamic site allowing customers to interact with their accounts to exchange information and conduct transactions.

This initiative will eventually include a replacement of SLND's existing transaction processing and customer service systems which are no longer adequate to support the needs of SLND and its customers and are not cost effective to operate or support. This is further addressed in the contingency line item. When the SLND system is replaced, EDP Production expense is planned to decrease significantly, with a projected expense reduction of greater than 50% planned for the 2003 - 2005 biennium.

Computer Software Purchases include \$600,000 for BND's Remittance Processing/Imaging System. This system will provide BND with the ability to act as a lock-box processor for state agencies and other customers. This service will provide customers with mail opening, payment processing, deposit generation and payment file distribution to facilitate posting to their accounts receivable systems. In addition to generating additional revenue, implementation is expected to also result in significant savings to the State of North Dakota as duplication of services and associated expenditures are reduced. The Imaging component of the system provides customers with images of checks with their account statements instead of the actual checks. Statement preparation time is reduced as well as postage and handling costs.

Other large Computer Software Purchases include replacement of the system that supports the BND Investments Department's investment activity. The existing system is becoming obsolete and the vendor is currently not planning an upgrade.

Consulting Services include \$150,000 for services provided by external firms to assist Bank of North Dakota in the analysis, design, development, testing and implementation of systems, including security aspects, that are the core of the BND/SLND E-Business Initiative discussed above at EDP Production. These services also pass critical skills to BND's Information Technology employees for use in internal development activities going forward.

Software Maintenance Contracts include maintenance contracts for new systems discussed above, primarily the Remittance Processing/Imaging, Investments, Student Loans and E-Business systems, as well as planned increases in maintenance contracts for existing systems.

EQUIPMENT

Budget 2001-2003	\$ 736,500
Budget 1997-1999	<u>500,000</u>
	\$ 236,500

The equipment budgeted expenditures include approximately \$250,000 for purchase or replacement of equipment for operations and office furniture. It also includes \$250,000 for computer hardware needs and \$220,000 for the remittance processing equipment.

CAPITAL IMPROVEMENTS

Budget 2001-2003	\$ 30,000
Budget 1999-2001	<u>105,000</u>
	(\$ 75,000)

The budget for capital improvements has been reduced from the previous biennium. The costs to be incurred for capital improvements are for necessary maintenance and improvements to the BND facility.

CONTINGENCY

Budget 2001-2003	\$2,850,000
Budget 1999-2001	<u>1,500,000</u>
	\$1,350,000

Bank of North Dakota's Contingency request for the for 2001 - 2003 biennium is almost exclusively for the replacement of Student Loans of North Dakota's customer service and transaction processing systems. As discussed above at EDP Production, SLND's existing transaction processing and customer service systems are no longer adequate to support the needs of SLND and its customers and are not cost effective to operate or support. The existing student loan systems have put SLND at a competitive disadvantage in the marketplace and are not providing North Dakota's students and schools with the timely access to accurate information about accounts that SLND's out of state competitors currently provide.

Student Loans of North Dakota's existing systems are written in programming languages that do not lend themselves to supporting the web-based interactivity that SLND's customers expect. The systems are receiving minimal support from the vendors and are consuming substantial internal resources to keep them in production. With each passing year, the inadequate condition of the systems puts the integrity of SLND's student loan data at increased risk and threatens the accomplishment of SLND's mission to maintain systems to meet the needs of student loan borrowers.

Over the course of the past five years, BND/SLND has conducted extensive research into alternatives available to replace the existing systems which are rapidly becoming inadequate and increasingly expensive to maintain. To-date, no feasible alternatives have been identified and the most effective course of action could be to develop the system internally. Several factors contribute to the difficulty in locating an acceptable replacement:

1. Student Loans of North Dakota is very unusual in that it operates both a full service loan servicing function and a loan guaranty agency. For maximum efficiency, cost effectiveness, customer service and competitive advantage, SLND requires an integrated loan servicing and loan guaranty system.

2. Those systems that have been identified to-date as possible candidates to replace SLND's systems have been thoroughly investigated and subsequently determined to have system features that offer SLND little or no advantage over the existing systems.
3. The student loan industry continues to consolidate aggressively reducing the number of potential customers for student loan systems and acting as a disincentive to developers of new student loan systems.

BND/SLND will continue to thoroughly investigate the availability of other systems as replacements for the existing student loan system. However, customer service and economic factors require that, to stay in business and to fulfill the mission of Bank of North Dakota and Student Loans of North Dakota, action must be taken in the near term. The replacement student loan systems requested as a contingency in the 2001 - 2003 biennium will help to ensure that BND and SLND remain leaders in providing student loan services to the students, schools, parents and other internal and external customers that are served.

**BANK OF NORTH DAKOTA
SENATE BILL 2015, Section 1, Subdivision 3
PACE, AG PACE, BEGINNING FARMER**

PACE FUND - The 2001-2003 request is for \$6,000,000.

The PACE Fund was established to buy down the interest rate on loans to assist North Dakota communities in expanding their economic base by providing local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium are as follows:

1991-1993	\$5,700,000
1993-1995	4,700,000
1995-1997	4,500,000
1997-1999	4,600,000
1999-2001	6,000,000
2001-2003	<u>6,000,000</u> (Proposed)
Total	\$31,500,000

AG PACE FUND - The 2001-20-03 request is for \$1,500,000.

The Ag PACE Fund was established to buy down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income.

The Ag PACE Fund began in 1991. Money provided to the Ag PACE Fund by biennium are as follows:

1991-1993	\$ 996,000
1993-1995	400,000
1995-1997	380,000
1997-1999	397,100
1999-2001	1,500,000
2001-2003	<u>1,500,000</u> (Proposed)
Total	\$5,173,100

The reason for the increase is to expand Ag PACE to provide financing for producers investing in value added ag processing or irrigation for the first time.

BEGINNING FARMER REVOLVING LOAN FUND - The 2001-2003 request is for \$1,000,000.

The Beginning Farmer Revolving Loan Fund was established to make direct loans or buy down the interest rate on loans to beginning farmers for the first purchase of farm real estate.

General Fund dollars appropriated for buying down the interest rate on these loans by biennium are as follows:

1991-1993	\$1,000,000
1993-1995	1,000,000
1995-1997	950,000
1997-1999	921,500
1999-2001	1,000,000
2001-2003	<u>1,000,000</u> (Proposed)
Total	\$5,871,500

A more detailed explanation of each program and the performance statistics are attached.

PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION (PACE)

The PACE program was established in 1991 to assist North Dakota communities in expanding their economic base. The program is available to all cities and counties throughout North Dakota for business projects that create new wealth (i.e. manufacturing, processing and targeted services industries). The program provides low interest loans to business entities through a partnership effort between the local community and the State. The maximum buy down amount permitted to be provided by the State is \$250,000 per biennium and the borrower must create at least one job per \$75,000 of total borrowing within the first year. The local community must also put up part of the buy down in each case thereby sharing the cost. This cost is less for smaller and more distressed communities, as they pay a lower percentage of the buy down amount than do larger or economically stronger communities.

The PACE program has been an important component of business financing in over 50 communities throughout North Dakota. The program can be tied to the creation of over 8,100 new jobs and another 263 are committed to be created within the next year.

The PACE program works well because it has clearly defined guidelines and measurable cost and benefits. The well defined guidelines enable the effective and fair administration by the Bank of North Dakota and the effective marketing and utilization by the economic development community. As of December 31, 2000 the delinquency/default performance of the Fund was as follows:

Volume of PACE loans	\$215,300,000
Number of PACE loans	381
Number of delinquent PACE loans	7
Percentage of delinquent PACE loans	1.23%
Number of default PACE loans	12

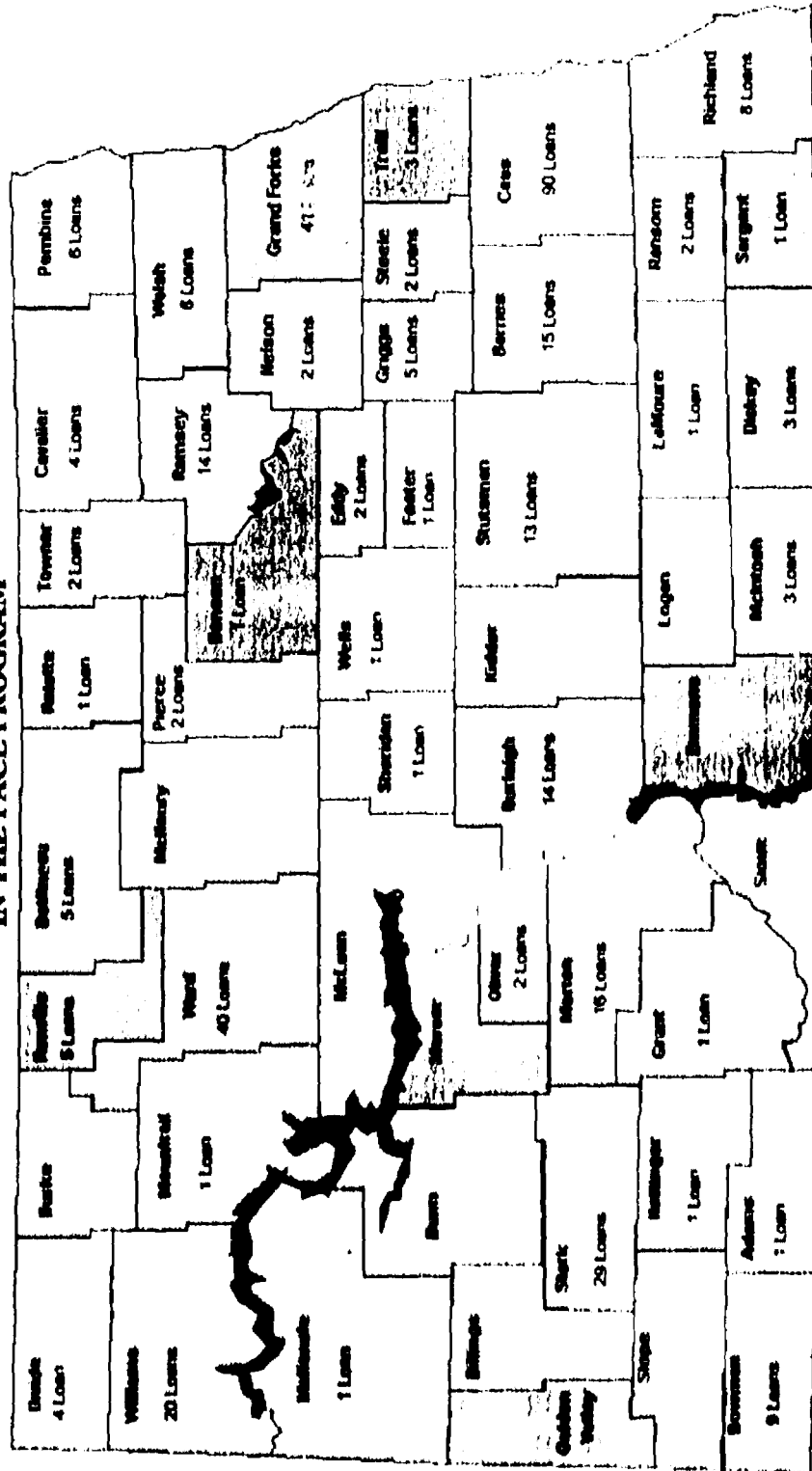
PACE LOAN PROGRAM

(S Million)

	<u>FUNDED LOANS</u>	<u>COMMITTED LOANS</u>	<u>TOTAL LOANS</u>
NUMBER	381	12	393
AMOUNT	\$ 215.3	\$ 20.8	\$ 236.1
BUYDOWN	\$ 30.8	\$ 2.0	\$ 32.8
JOBS	8,155	263	8,418

9-2001 Biennium Baydown Fund	
Total Available Funds	\$6,854,793
Baydown funds - Funded/Committed Loans	\$6,003,836
Remaining Baydown Funds	\$ 850,957

COUNTIES WHICH HAVE PARTICIPATED IN THE PACE PROGRAM



This graph depicts loan activity in the PACE Loan Program from its inception on March 2, 1990 to January 1, 2001

**AGRICULTURAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION
(AG PACE)**

The sister program to PACE is AG PACE. Developed to meet the needs of farm diversification, the program is designed to assist projects which are not involved in traditional agriculture or livestock.

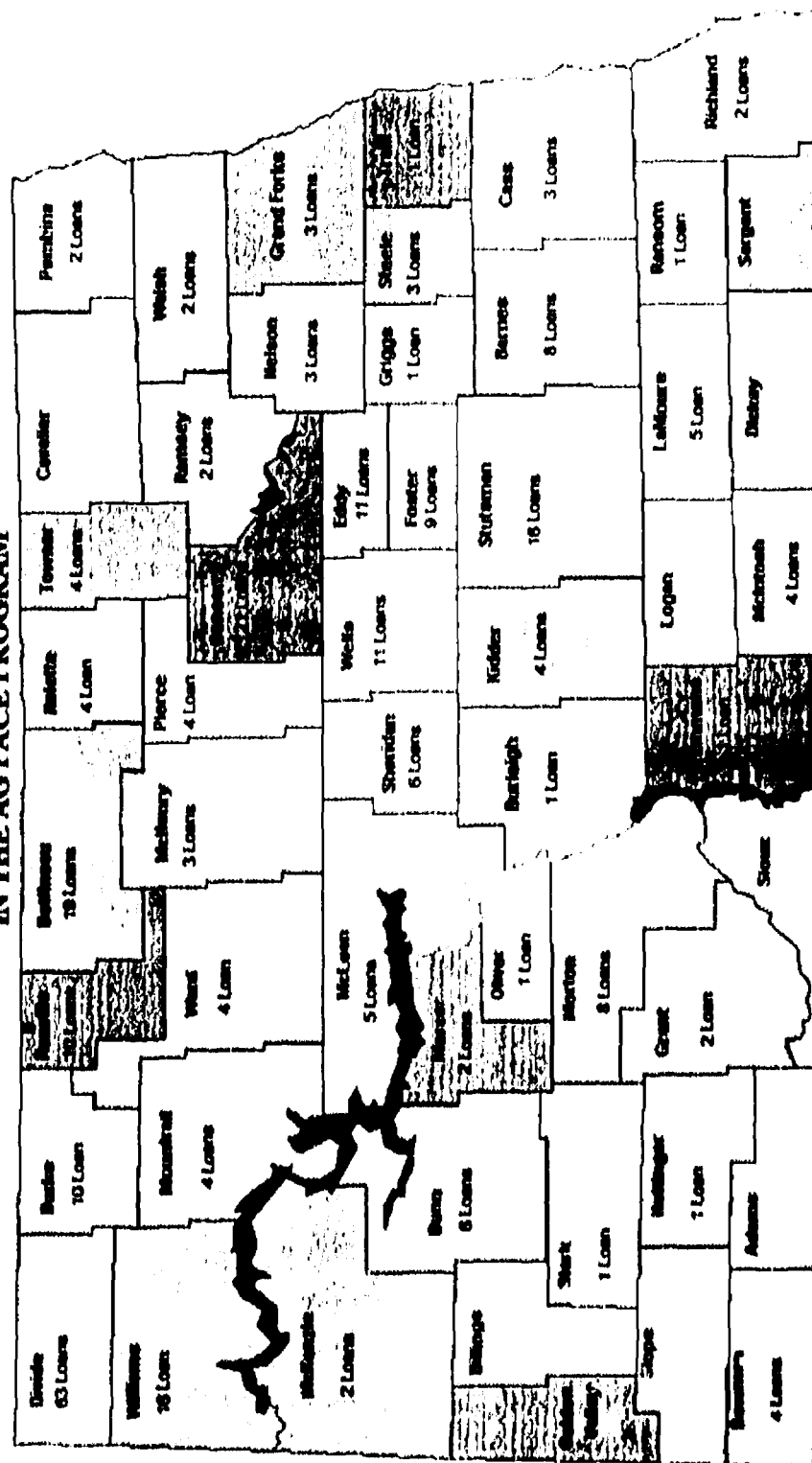
By December 31, 2000, the program had funded or committed to fund 293 different loans in communities like Harvey, Hebron, Crosby, and Pettibone. The projects in the program range from beef processing to wild game ranches and from pasta manufacturing to crop irrigation systems. By December 31, 2000, over \$11,100,000 in loans were funded under the Ag PACE program. As of 12/31/00, the delinquency/default performance of the fund was as follows:

Balance of Ag PACE loans	\$11,149,330
Number of Ag PACE loans	293
Number of delinquent Ag PACE loans	3
Percentage of delinquent Ag PACE loans	1.21%
Number of default Ag PACE loans	0

1999-2001 Biennium Baydown Fund	
Total Available Funds	\$1,559,371
Baydown funds - Funded/Committed Loans	\$ 648,323
Remaining Baydown Funds	\$ 911,048

	<u>FUNDED LOANS</u>	<u>COMMITTED LOANS</u>	<u>TOTAL LOANS</u>
NUMBER	293	7	300
AMOUNT	\$ 11,149,330	\$ 213,960	\$ 11,363,290
BUYDOWN	\$ 2,525,230	\$ 46,042	\$ 2,571,272

COUNTIES WHICH HAVE PARTICIPATED IN THE AG PACE PROGRAM



This graph depicts loan activity in the AG PACE Loan Program from its inception on July 1, 1991 to January 1, 2001

NOTE: Each AG PACE loan represents the creation of a new-firm business or the expansion of an on-farm business (non-traditional agriculture).

BEGINNING FARMERS REVOLVING LOAN FUND

The beginning Farmer Revolving Loan Fund permits Bank of North Dakota to make direct loans to beginning farmers for the first time purchase of farm real estate. A beginning farmer is any person who meets all of the following criteria:

- 1) The person is a resident of North Dakota whose principal occupation is or will be the production of an agricultural commodity on a family farm.
- 2) The person intends to use the real estate to be purchased for agricultural purposes.
- 3) The person has a net worth, including that of any dependents and spouse, of less than \$200,000.

The loan amount cannot exceed \$150,000 or 75% of the appraised value and the loan term must be 25 years or less. By December 31, 2000, the program had funded 690 loans for \$50,486,000 and committed to another 15 loans for \$1,484,000. As of 12-31-00, the delinquency/default performance of the fund was as follows:

Volume of Beginning Farmer loans	\$50,486,000
Number of Beginning Farmer loans	690
Number of delinquent Beginning Farmer loans	4
Percentage of delinquent Beginning Farmer loans	.65%
Number of default resulting in a loss	0

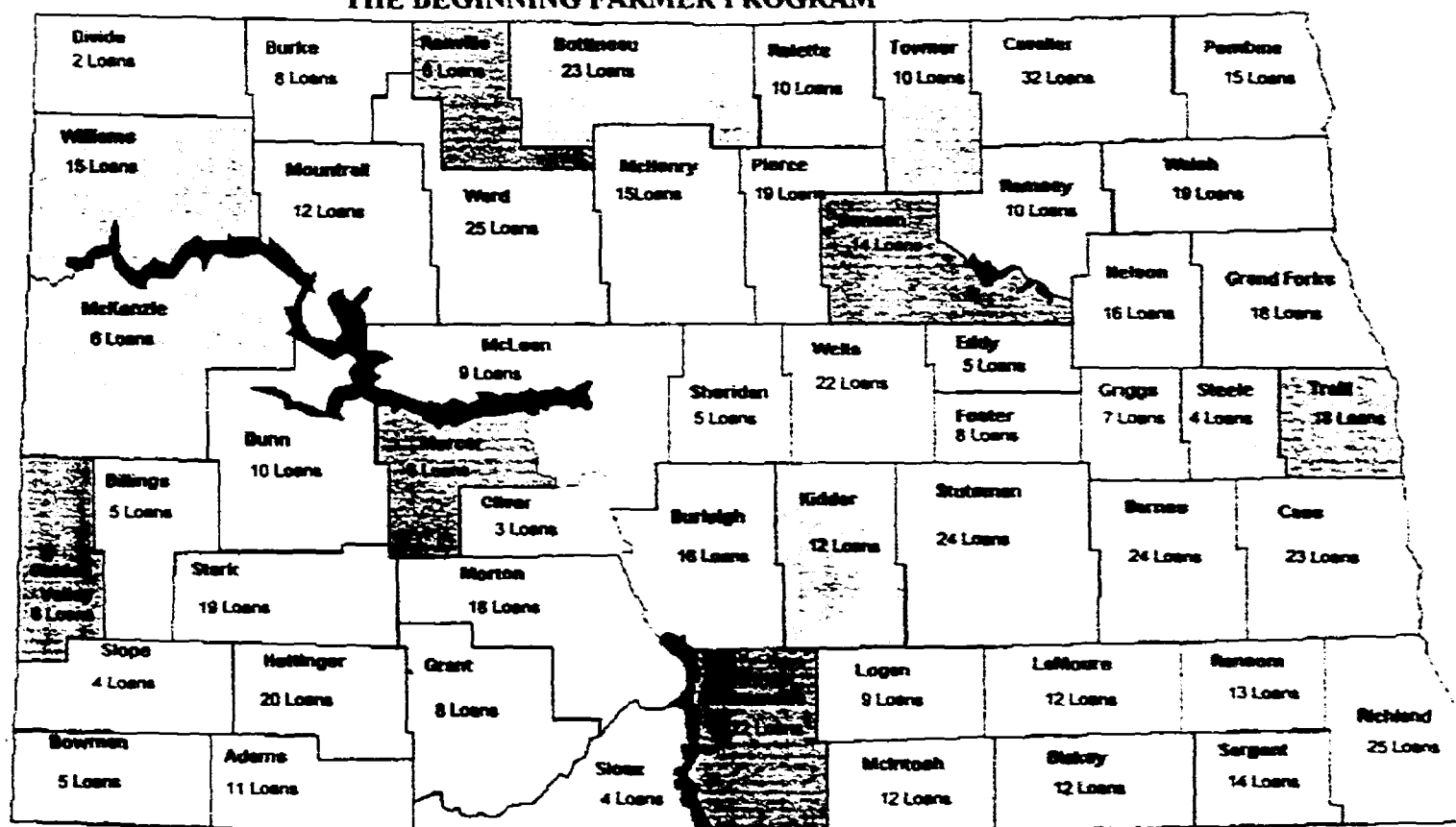
BEGINNING FARMER LOAN PROGRAM

	<u>FUNDED LOANS</u>	<u>COMMITTED LOANS</u>	<u>TOTAL LOANS</u>
NUMBER	690	15	705
AMOUNT	\$ 50,486,144	\$ 1,464,881	\$ 51,951,025
BUYDOWN	\$ 4,572,064	\$ 142,147	\$ 4,714,211

1999-2001 Biennium Buydown Fund

Total Available Funds	\$1,410,238
Buydown funds - Funded/Committed Loans	\$ 945,799
Remaining Buydown Funds	\$ 464,439

FARM OPERATIONS WHICH HAVE UTILIZED THE BEGINNING FARMER PROGRAM



This graph depicts loan activity in the New Beginning Farmer Loan Program from its inception on July 1, 1991 to January 1, 2001
Includes loans made out of the Revolving Fund

SENATE BILL 2015, SECTION 5
Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs. For the 2001-2003 biennium, the amount to be transferred is \$85,403.

SENATE BILL 2015, SECTION 12
BND Enterprise, not Government Fund

This language is included to clarify that appropriations for the PACE, Ag PACE, and the Beginning Farmer Programs go directly to those dedicated funds, not to BND for its operations. BND is an enterprise fund, not a government fund (or general fund agency), that is, it generates revenues to cover all of its own operations. The appropriations for PACE, Ag PACE and the Beginning Farmer Programs are passed through BND because it manages the PACE, Ag PACE, and Beginning Farmer dedicated funds.

SENATE BILL 2015, SECTION 13
PACE and AG PACE transfers

This allows for the transfer of unobligated funds between the PACE and Ag PACE programs after January 1, 2003 and ending June 30, 2003. In the event that there is a demand for funds from one fund that is fully obligated, funds may be transferred from the unobligated funds from the other fund.

SENATE BILL 2015, SECTION 14
Emergency provision for PACE funding

The buy down funding for the PACE Program is requested with an emergency provision so that it is available as soon as possible. The reason for the emergency measure is that all PACE Funding for the 2001-2003 biennium has been allocated and there are projects awaiting funding.

March 7, 01
testimony -
Pages 1-14 identical to
January 9, 2001
testimony

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SENATE BILL 2015, SECTION 13
PACE and AG PACE transfers

This allows for the transfer of unobligated funds between the Beginning Farmer and Ag PACE programs after January 1, 2003 and ending June 30, 2003. In the event that there is a demand for funds from one fund that is fully obligated, funds may be transferred from the unobligated funds from the other fund.

SENATE BILL 2015, SECTION 14
BND transfers to the General Fund - Limitations

This limits the amount of transfers that could be made under HB 1015 so that the Bank's capital structure may not be reduced below \$140,000,000.

SENATE BILL 2015, SECTION 17
Emergency provision for PACE funding

The buy down funding for the PACE Program is requested with an emergency provision so that it is available as soon as possible. The reason for the emergency measure is that all PACE Funding for the 2001-2003 biennium has been allocated and there are projects awaiting funding.

BANK OF NORTH DAKOTA

(IN THOUSANDS)

YEAR	AVERAGE TOTAL ASSETS	LOANS	ALLOWANCE	CAPITAL	PRIMARY CAPITAL	PRIMARY CAPITAL RATIO	INCOME	TRANSFERS TO GENERAL FUND
12/31/91	884,184	266,854	12,162	92,917	105,079	11.88%	16,414	14,000
12/31/92	897,456	313,873	12,664	114,119	126,783	14.13%	22,340	
12/31/93	888,366	305,552	12,900	100,000	112,900	12.71%	17,530	23,217
12/31/94	945,952	393,756	15,348	100,206	115,554	12.22%	18,031	
12/31/95	951,410	487,297	17,214	76,000	93,214	9.80%	21,639	23,100
12/31/96	1,026,156	554,001	17,707	98,477	116,184	11.32%	23,191	
12/31/97	1,065,352	623,532	17,442	128,888	146,330	13.74%	25,544	50,000
12/31/98	1,356,962	835,654	18,921	139,931	158,852	11.71%	28,137	
12/31/99	1,583,866	1,056,232	20,106	139,275	159,381	10.06%	30,459	29,600
12/31/00	1,660,061	1,156,614	22,424	153,045	175,469	10.57%	32,582	
06/30/01	Est. 1,700,000	Est. 1,200,000	Est. 22,000	Est. 168,000	Est. 190,000	Est. 11.18%	Est. 15,000	Est. 50,000
12/31/01	Est. 1,735,000	Est. 1,236,000	Est. 22,000	Est. 168,000	Est. 190,000	Est. 10.95%	Est. 16,000	
12/31/02	Est. 1,770,000	Est. 1,316,000	Est. 22,000	Est. 168,000	Est. 190,000	Est. 10.73%	Est. 32,000	
06/30/03	Est. 1,800,000	Est. 1,356,000	Est. 22,000	Est. 172,000	Est. 194,000	Est. 10.78%	Est. 16,000	Est. 60,000

3-7-01
SS 2015

**Department 473 - Housing Finance Agency
Senate Bill No. 2015**

	FTE Positions	General Fund	Other Funds	Total
2001-03 Executive Budget	38.00		\$39,873,425	\$39,873,425
1999-2001 Legislative Appropriations	33.00		23,715,484	23,715,484
Increase (Decrease)	5.00	\$0	\$16,157,941	\$16,157,941

The 1999-2001 appropriation amounts include \$22,872 of other funds for the agency's share of the \$5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and \$665 of other funds for the agency's share of the \$1.4 million funding pool appropriated to OMB for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000.

Major Items Affecting Housing Finance Agency 2001-03 Budget

	General Fund	Other Funds	Total
1. Provides for the following 5 new FTE positions due to program growth in the rental housing for low-income families program:			
1 FTE document processing specialist I		\$57,999	\$57,999
1 FTE housing program specialist I		\$36,413	\$36,413
1 FTE housing program specialist II		\$79,705	\$79,705
1 FTE account/budget specialist I		\$74,078	\$74,078
1 FTE budgeted - Pending classification		\$102,911	\$102,911
2. Increases salaries and wages (\$108,186), operating expenses (\$62,890), equipment (\$50,000), and grants (\$15,851,000) line items due to program growth in the rental housing for low-income families program.		\$16,072,076	\$16,072,076
3. Adjusts the operating expenses line item to account for \$51,780 in inflationary costs, \$21,520 in increased information technology costs, and (\$491,680) in reduced operating fees and services.		(\$418,380)	(\$418,380)
4. Provides the director a market equity salary increase of \$186.08 per month effective January 1, 2002 (the amount included in the executive budget is \$1,162 more than the required amount of \$3,911).		\$5,073	\$5,073

Major Legislation Affecting the Housing Finance Agency

At this time, no major legislation has been introduced affecting this agency.

**Department 473 - Housing Finance Agency
Senate Bill No. 2016**

	FTE Positions	General Fund	Other Funds	Total
2001-03 Schafer Executive Budget	38.00		\$39,873,425	\$39,873,425
1999-2001 Legislative Appropriations	33.00		23,715,484	23,715,484
Increase (Decrease)	5.00	\$0	\$16,157,941	\$16,157,941

2001-03 Hoeven Executive Budget	38.00		\$39,873,425	\$39,873,425
Hoeven Increase (Decrease) to Schafer	0.00	\$0	\$0	\$0

The 1999-2001 appropriation amounts include \$22,872 of other funds for the agency's share of the \$5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and \$665 of other funds for the agency's share of the \$1.4 million funding pool appropriated to OMB for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000.

Major Schafer Recommendations Affecting Housing Finance Agency 2001-03 Budget

	General Fund	Other Funds	Total
1. Provides for the following 5 new FTE positions due to program growth in the rental housing for low-income families program:			
1 FTE document processing specialist I		\$57,999	\$57,999
1 FTE housing program specialist I		\$36,413	\$36,413
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3. Adjusts the operating expenses line item to account for \$51,780 in inflationary costs, \$21,520 in increased information technology costs, and (\$491,680) in reduced operating fees and services.		(\$418,380)	(\$418,380)
4. Provides the director a market equity salary increase of \$186.08 per month effective January 1, 2002 (the amount included in the executive budget is \$1,162 more than the required amount of \$3,911).		\$5,073	\$5,073

**Major Hoeven Recommendations Affecting Housing Finance Agency 2001-03 Budget
Compared to the Bill as Introduced (Schafer Budget)**

	General Fund	Other Funds	Total
1. The Hoeven budget recommendation does not change the Schafer executive budget recommendation for this agency.			

Major Legislation Affecting the Housing Finance Agency

At this time, no major legislation has been introduced affecting this agency.



Housing Finance Agency

**PO Box 1535
Bismarck, ND 58502-1535**

Pat S. Fricke, Executive Director

INDUSTRIAL COMMISSION
*Governor John Hoeven
Attorney General Wayne Stenehjem
Commissioner of Agriculture Roger Johnson*

SB 2015

January 8, 2001

North Dakota Housing Finance Agency

Division of the State Industrial Commission

Budget No. 473.0

Testimony of Pat S. Fricke, Executive Director

Senate Appropriations Committee

Budget 473.0 of SB 2015 Section 1, Subdivision 5 covers the revenues associated with the various housing programs administered by the Housing Finance Agency (HFA) solely through Special Funds. The HFA has not utilized state General Funds of any type since its 1980 creation by initiated measure. The \$39,873,425 executive recommendation for the 2001-03 biennium represents a 68% increase from the last appropriation. Nearly all of the increase is federal rental assistance funds. HFA staffing is recommended at 38, an increase of 5 FTE.

Current housing programs of the HFA are briefly described in the attached program summary. Nearly all of HFA programs involve partnerships with other entities in their delivery to program beneficiaries. These partnerships include lenders, Realtors, homebuilders, property developers, community action agencies, regional councils, apartment owners, non-profit organizations, other state and federal agencies. Funding of HFA programs is derived primarily from two general sources: 1) revenue bonds, and 2) federal funds. Total bonds issued to date is \$2,170,140,741. Provisions are included for the associated administrative costs or administrative fees are assessed participants as appropriate. The assets, liabilities, and revenues resulting from bond issues of the HFA are not appropriated as they are not public funds and are held in trust by various bond trustees. The November 30, 2000 assets of these various bond funds were approximately \$860,000,000. HFA administrative costs of these bond financed programs (included herein) are accrued on a monthly basis and received from the Trustees. The HFA's largest single program, commonly referred to as the first-time homebuyer program, since its inception, has funded approximately \$1.2-billion in loans representing nearly 21,500 homeowners. At present, over 11,000 loans remain outstanding with over \$580,000,000 in principal balance.

Annual new loan production is presently projected at approximately 1,600 loans representing \$100,000,000 of loan principal. From the start of the program in 1982 through 1995, average annual loan production was about 1,000 loans of \$50,000,000 in loan principal. During FY 1997-98, we were able to respond to the Red River Valley flood recovery efforts and had record loan production of nearly 2,500 loans of \$160,000,000 in FY 1998. Presently, annual new loan demand is +/- 1,600 loans of \$100,000,000. The loan program is funded through the issuance of Mortgage Revenue Bonds. The interest we pay bond investors is exempt from both federal and state income tax. The investors require a lower interest rate which is passed on to the benefit of our borrowers. We maintain a minimum of 1/2 of 1% rate below the conventional interest rate markets. Through the use of unique bond structuring, we have developed a means of offering reduced interest rate lending programs. These innovative bond structures have enabled interest rate reductions during general interest rate market fluctuations, funding for the zero interest rate Start downpayment assistance, a zero interest rate funding for Habitat for Humanity home loans, reduced interest rate programs for targeted lower income borrowers, and a special disaster recovery program following the 1997 Red River Valley flood.

Several years ago, the HFA adopted a policy which requires HFA single family loans to be serviced by in-state mortgage loan servicers. This policy was adopted in response to difficulties our borrowers were having with servicers located out of state and also as a result of the exodus of mortgage servicers from the state. This policy has resulted in better and more localized service to our borrowers and has improved the credit quality of the loan portfolio by reducing the delinquency rate to the 3.5% to 4.5% range. Currently, the Agency services nearly 3/4ths (9,500) of the total single family portfolio. This has doubled from 1997 and is expected to continue to grow in the future. This activity has become a significant source of net operating revenues for the HFA.

The HFA's largest appropriated funds activity involves the administration of federally funded U.S. Department of Housing & Urban Development (HUD) housing programs. Total disbursements for grants is projected at \$34,064,040, of which \$32,480,040 is for rental assistance for the benefit of over 3,900 very low income tenants in over 180 projects located throughout the state which were originally developed through the HUD Section 8 New Construction/Substantial Rehabilitation or Moderate Rehabilitation Programs. These properties were developed and owned by the private sector or non-profit organizations beginning in the late 1970's and early 1980's. Approximately \$1,000,000 is projected for the HFA's DCA and HARP Programs from HUD HOME or recycled program funds. DCA provides a zero interest, deferred payment loan of up to \$2,050 to assist first-time homebuyers with their downpayment and closing costs. The HARP Program assists low income households in achieving homeownership by covering part of the acquisition and rehabilitation costs. This program is administered in cooperation with local community action agencies throughout the state. The remaining \$540,000 in appropriated grant funds are budgeted for the HFA's Helping HAND and Homebuyer Education Programs (HomeSmart) funded from HFA net operating revenues. The HFA has been instrumental in obtaining grant funds to facilitate a Homebuyer Education Task Force in establishing homebuyer education programs across the state, primarily through community action agencies. Helping HAND grants are awarded to Habitat for Humanity chapters and through community action agencies and tribal governments to address local unmet low income housing needs.

The HFA administers the Low Income Housing Tax Credit created by the U.S. Congress in 1986 as part of the IRS Tax Code Section 42. The tax credit is an incentive for the development of rental housing for low income occupants and currently is the only viable production program available for the creation of affordable rental housing. Through a competitive process, the HFA allocates the annual tax credit authority to project applicants and is required to perform compliance monitoring regarding program requirements for the total compliance period which extends out to 30 years. To date, nearly 3,300 units have been developed or are being developed utilizing the tax credit. The redevelopment of part of the Grafton complex to senior citizen apartments (Villa de Remer) is an example of tax credit utilization. All four North Dakota Indian Reservations have projects utilizing the tax credits. Other HFA activities include a bond finance program for multifamily housing developments, purchase and sale of single family home loans, real estate loan application processing, other contracted grant and housing services, and an annual housing conference.

Since the inception of the Housing Finance Agency, the HFA and Industrial Commission have frequently relied on Section 2 of the Appropriations Bill, which appropriates any additional or unanticipated funds, which may become available to the HFA during the biennium. As an example of utilization of this section, the HFA has recently contracted with HUD to administer additional rental assistance contracts. These new contracts doubled our federal grants.

Section 5 of the bill provides a transfer of \$56,936 during the biennium from the Housing Finance Agency to the Industrial Commission for the purpose of defraying Industrial Commission administrative costs.

The Agency's workload continues to increase as a result of continued program and portfolio growth. We are constantly searching for ways of improving our operating efficiencies in being able to do more with less. We frequently implement new procedures or technology in efforts to streamline Agency operations. Some of the increased workload continues to be addressed by overtime, temporary employees or contract labor. The 1999 legislature approved only two of the five FTE proposed in the executive recommendation. This SB 2015 contains an increase of five FTE which will alleviate the current overtime and temporary labor arrangements and provide the HFA with the additional staff needed to address continued program growth. One of the five new positions is planned for a Program Development position to assist management with its strategic plan initiatives, new program research and development, and coordination with other housing program partners, program outreach and marketing, training, etc.

I must emphasize the Housing Finance Agency is not a state General Fund agency. The HFA operates very efficiently solely on the revenues generated from the administration of the various housing programs. The HFA operates similar to a profit-motivated business in order to produce net revenues and to fund the credit requirements of our financing programs. HFA financial reserves are utilized to provide a credit enhancement to the bond issues which fund the HFA's lending programs. Immediately following the 1997 flood, our Moody's Aa3 bond rating was threatened. However, Moody's removed the Agency's bonds from their credit watch list as a result of negotiations and specialized reporting procedures.

The HFA and Industrial Commission adopted a Strategy and Business Plan for the HFA which focuses HFA resources and priorities toward the HFA's mission to "make housing more affordable for North Dakota's low and moderate income residents by providing financing, management, information, and other appropriate assistance".

The HFA Advisory Board, comprised of housing industry representatives, meets monthly and provides invaluable information and recommendations for the Agency and Industrial Commission regarding HFA programming.

The HFA will be relocating this month to 1500 East Capitol Avenue. Please stop by at your convenience.

In summary, the HFA is North Dakota's housing finance agency providing residential real estate financing and housing assistance to literally thousands of North Dakotans with our local partners solely through Special Funds and at no cost to the state's General Fund.



North Dakota Housing Finance Agency Housing Programs

1600 East Interstate
PO Box 1535
Bismarck, ND 58502
www.ndhfa.state.nd.us

701-328-8080
Fax: 701-328-8090
ND Toll Free:
1-800-292-8621
1-888-366-6888 (TTY)

The North Dakota Housing Finance Agency (NDHFA) was created in 1980 by an Initiated Measure approved by a majority of North Dakota voters. The NDHFA is authorized to provide financing for qualified residential real estate by utilizing the proceeds of tax exempt bonds to fund mortgage loans. The HFA is also authorized to establish other housing programs, generally for the benefit of low and moderate-income households, utilizing federal and other funding sources.

The Industrial Commission of North Dakota, consisting of the Governor, Attorney General, and Commissioner of Agriculture oversees the NDHFA with advice from a six-member citizen Advisory Board. NDHFA is committed to providing decent, safe, and affordable housing to low and moderate income North Dakotans.

HOMEOWNERSHIP PROGRAMS

HOME MORTGAGE FINANCE PROGRAM (HMFP)

Commonly known as the First-Time Homebuyer Program, this program provides low interest rate mortgages for first-time homebuyers in North Dakota. Participating North Dakota lenders originate the loans and sell them to NDHFA. The loans are either serviced by the participating lender or NDHFA. To qualify, applicants must not have owned a home in the past three years; meet income limits, which vary based on county and family size; meet normal credit underwriting standards; and intend to occupy the property as their principal residence. The purchase price of the property must be within program limits.

DOWNPAYMENT AND CLOSING COSTS ASSISTANCE PROGRAM (DCA)

DCA provides a zero interest rate deferred payment loan up to \$2,050 to assist first-time homebuyers with down payment and closing costs. Applicants must be receiving a single family mortgage loan from NDHFA; have an annual income of 80 percent or less of the median income (adjusted for family size) for the county in which the property is located; and cannot have cash assets exceeding 10 percent of the purchase price of the home. The purchase price of the home cannot exceed the limits in effect at the time of purchase.

START PROGRAM

The Start Program provides a 10-year, zero interest rate loan not to exceed three percent of the purchase price of the home or \$3,000 (whichever is lower) to assist first-time homebuyers with their down payment requirement. Applicants must be receiving a Home Mortgage Finance Program (HMFP) loan. In addition to meeting the income and purchase price limits of the HMFP, borrowers cannot have cash assets exceeding 10 percent of the purchase price.

HOMEKEY PILOT PROGRAM

HomeKey provides a two percent reduction of the HMFP loan interest rate during the first three years and a one percent reduction during the next two years. HomeKey is limited to HMFP borrowers with household income equal to or less than 50 percent of the applicable HMFP income limit. The purpose of the program is to enhance the purchasing power of lower income households through lower interest costs with an ultimate goal of expanding such households' participation in the HMFP.

HOMESMART PROGRAM

HomeSmart is a homebuyer education incentive program which is designed to help first-time homebuyers prepare for home ownership. NDHFA borrowers, who have successfully completed an NDHFA approved homebuyer education program, receive a \$100 grant if they purchase a home with an NDHFA loan within 12 months of completing the course.

RURAL REAL ESTATE MORTGAGE PROGRAM (RREM)

RREM is a secondary market for certain mortgage loans, other than those eligible for the HMFP, secured by residential real estate located in North Dakota and originated by North Dakota lenders. Eligible loans include the RHS Section 502 Guaranteed Loans and Direct Leveraged loans, as well as, the HUD Section 184 Indian Home Loan Guarantee Program. In some instances, income and purchase price limits apply and, in all cases, the property must be owner-occupied. RREM loans are purchased from participating lenders and are sold to Fannie Mae.

HOMEOWNERSHIP ACQUISITION AND REHABILITATION PROGRAM (HARP)

HARP is a cooperative program between NDHFA and the North Dakota Community Action Agencies. The agencies purchase and rehabilitate homes for resale to low income households. The goals are to increase homeownership opportunities for low-income households, provide education and counseling to prepare them for homeownership and improve neighborhoods by rehabilitating distressed properties.

COMMUNITYPARTNERS PILOT PROGRAM

CommunityPartners is a program to help local communities create new single-family homes for households with lower incomes. A two percent reduction on the interest rate is offered for the first seven years of the mortgage and a one percent reduction for the next three years.

HABITAT FOR HUMANITY LOAN PURCHASE PROGRAM

The program creates a unique partnership whereby the Habitat for Humanity affiliate builds and sells a home to a selected family, a private lender finances the purchase of the home with a zero interest loan and NDHFA purchases the loan from the lender. The transaction provides the local Habitat affiliate with immediate return of the dollars invested in constructing the home, which can be immediately committed to building another home. The Habitat loans are serviced by NDHFA.



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HOMEOWNERSHIP PROGRAMS (continued)

APPLICATION PROCESSING SERVICE (APS) (for lenders)

NDHFA provides application processing, loan underwriting, closing document preparation, loan closing disbursement, and final packaging and delivery services to inexperienced participating lenders.

RENTAL PROGRAMS

LOW INCOME HOUSING TAX CREDITS (Housing Credits)

The Low Income Housing Tax Credit program provides incentives for the production and rehabilitation of rental housing. This program allows owners who invest in low-income housing and accept income and rental restrictions to receive federal tax credits. Under this program, owners of low income housing are entitled to receive an annual tax credit for up to 10 years based on various requirements such as the amount of capital invested and the level of commitment to low-income tenancy. In exchange for housing credits, owners must agree to rent the units to households whose incomes, based on HUD-published median income limits, qualify them as low-income. The housing credit program is designed to compensate the property owner for charging rents that are generally lower than would be feasible without the credits.

MODERATE REHABILITATION PROGRAM (Mod Rehab)

The HUD Section 8 Moderate Rehabilitation Program was designed for the renovation of existing substandard housing units and enables North Dakota households with very low income the ability to afford safe and decent housing through the use of rent subsidies. NDHFA's primary role is the regulatory oversight of these low-income multifamily projects and the distribution of HUD rental assistance funds.

CONTRACT ADMINISTRATION

NDHFA administers contracts for HUD project-based Section 8 housing developments located throughout North Dakota. Construction of these developments was completed in the late 1970's and early 1980's. NDHFA's primary role is the regulatory oversight of these low-income multifamily projects and the distribution of HUD rental assistance funds.

MARK-TO-MARKET RESTRUCTURING PROGRAM

The Mark-to-Market program objectives are to restructure the debt and HUD rental assistance of certain multifamily properties insured by FHA with three basic goals: 1) Social, to preserve the affordable housing stock; 2) Economic, to reduce the cost of Section 8 subsidies and minimize FHA claims; and 3) Administrative, to increase operating efficiency and ensure competent management with oversight delegated to a national network of decentralized Participating Administrative Entities (PAE). NDHFA is the PAE for North Dakota.

AFFORDABLE HOUSING DISPOSITION PROGRAM (AHDP)

NDHFA has agreed to monitor the Resolution Trust Corporation (RTC) properties sold under their Affordable Housing Disposition Program (AHDP) in North Dakota. Under the AHDP, the buyers of RTC properties agree to meet the affordability guideline established by the program which were designed to assure the property serves families in need of affordable housing.

NDHFA serves as the clearinghouse and technical assistance advisor to disseminate information about properties available in North Dakota. NDHFA also does compliance monitoring of properties sold with deed restrictions that must be maintained as affordable housing.

GRANT PROGRAMS

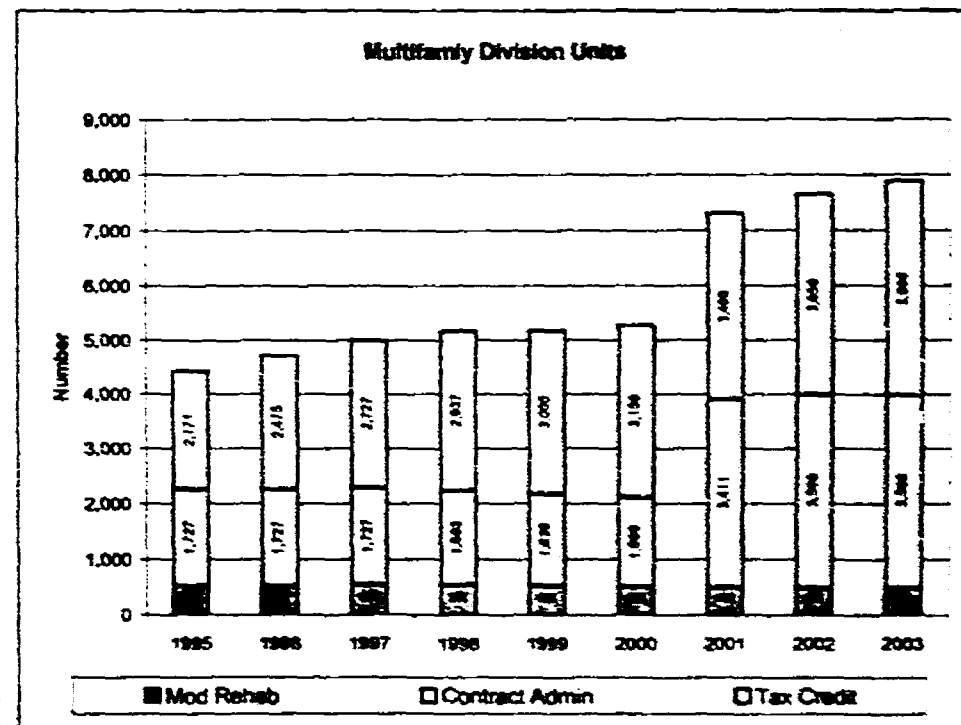
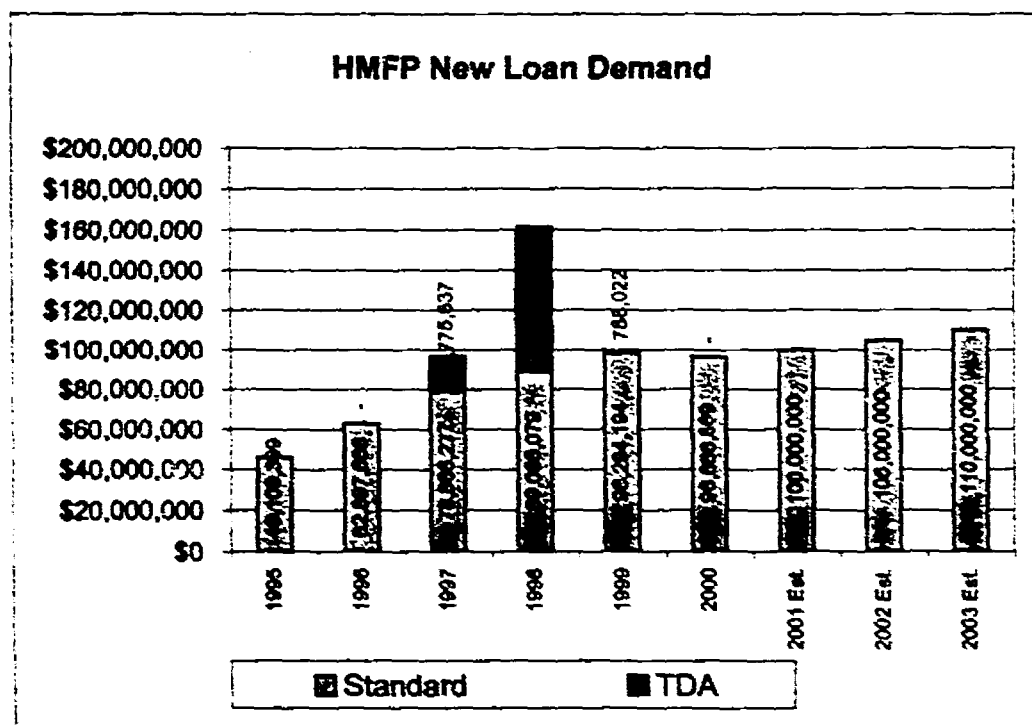
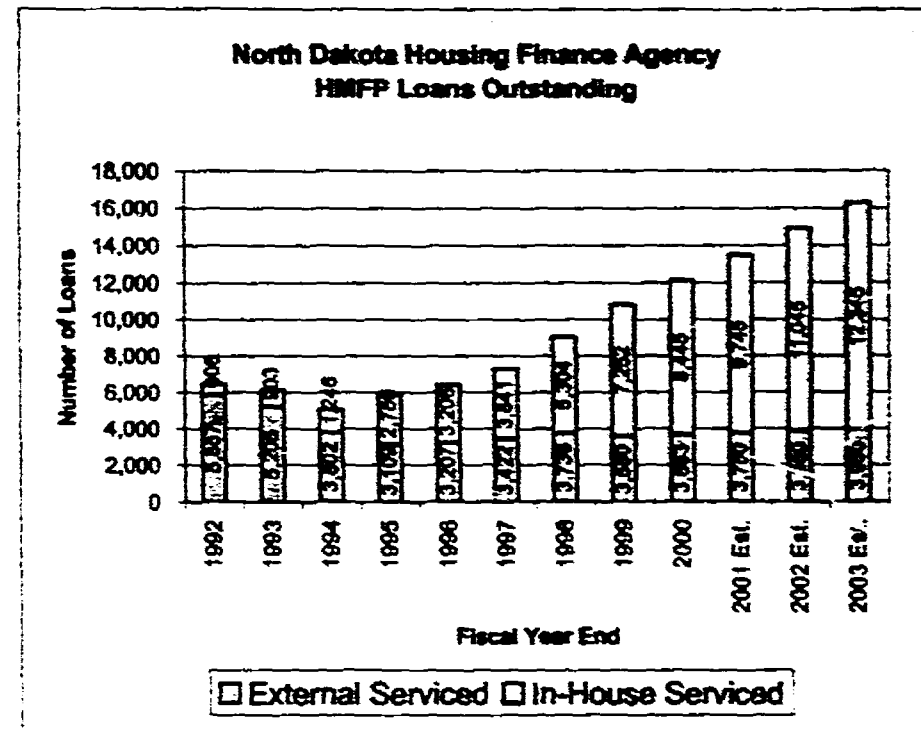
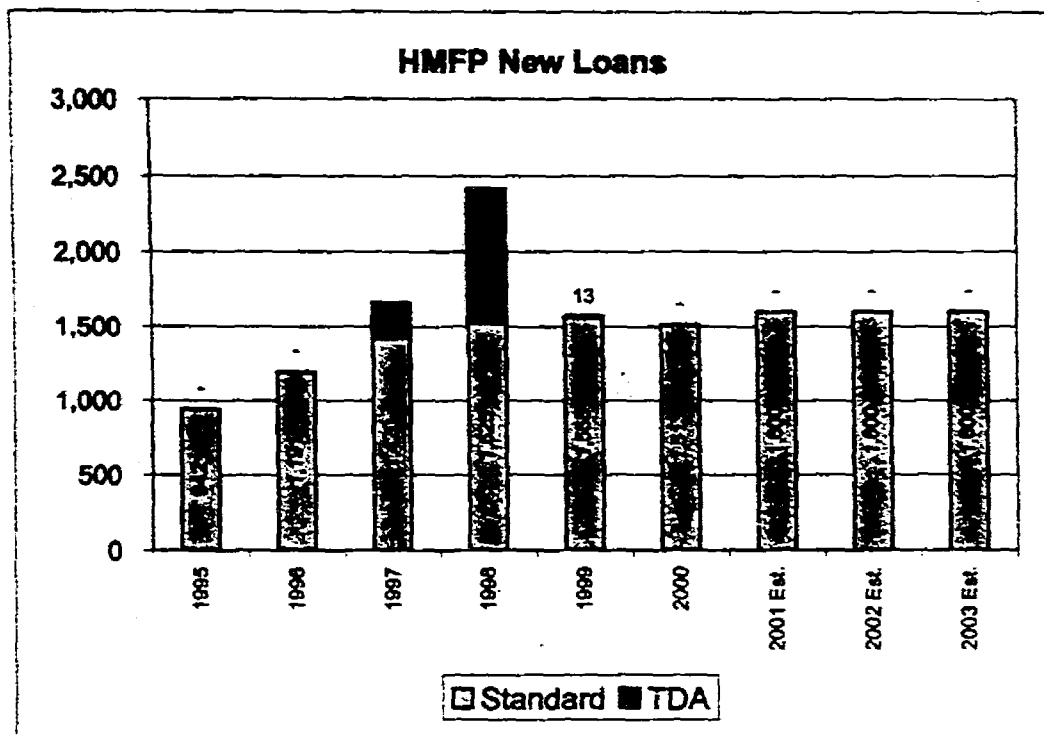
HELPING HOUSING ACROSS NORTH DAKOTA (Helping HAND)

This grant program provides local Habitat for Humanity chapters, tribal governments, and Community Action Agencies with a source of funds to assist in addressing critical housing needs of low-income individuals. Selection criteria is reviewed and updated annually.

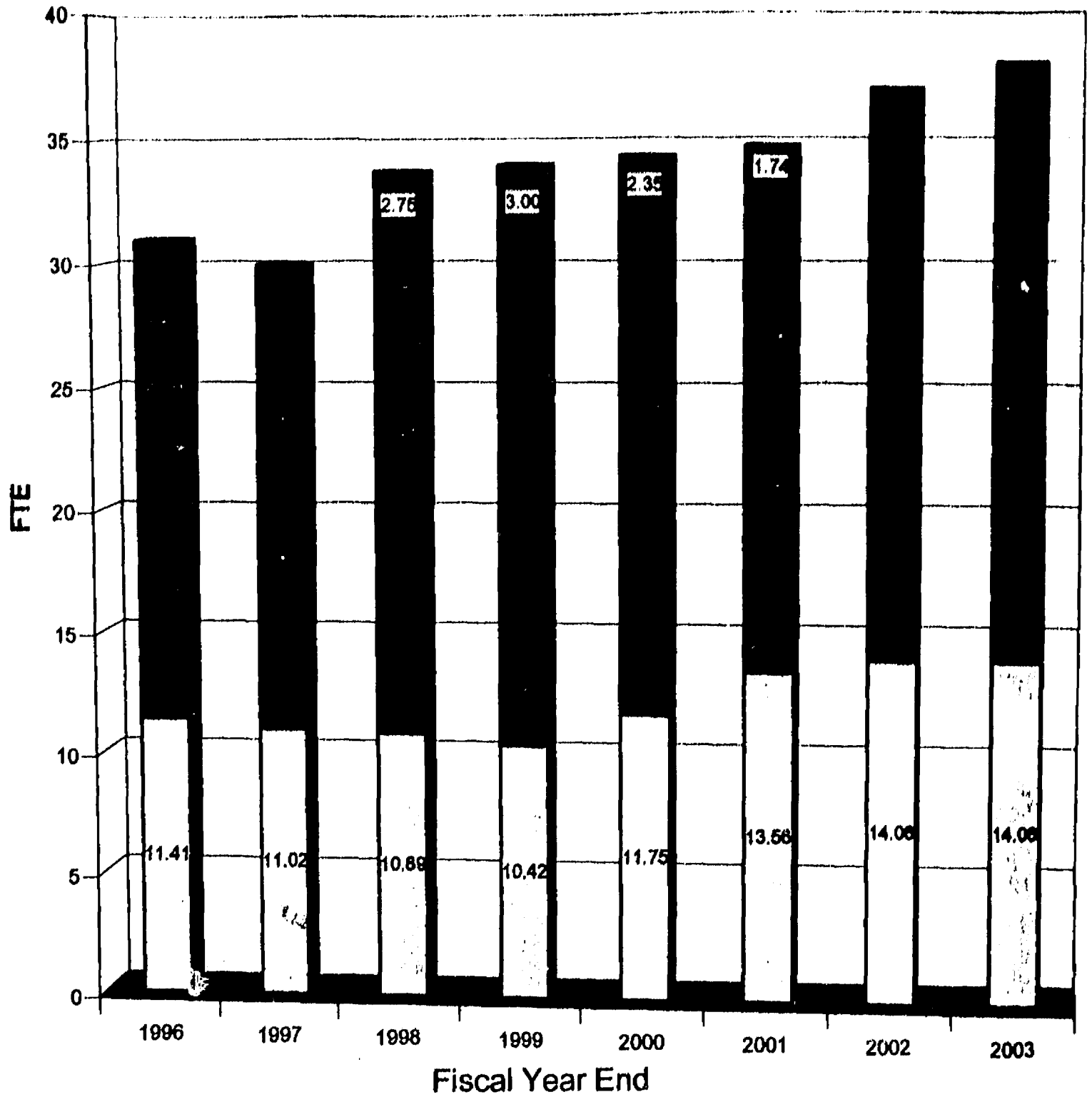
RENTAL REHABILITATION ASSISTANCE PROGRAM (RRAP)

This grant program provides funds for property improvements to rental units that address the needs of people who have physical disabilities. Preference is given to rental housing organizations that address the physical requirements of Section 504 of the Rehabilitation Act of 1973, with improvements that benefit individuals participating in the North Dakota Department of Human Services Developmental Disabilities or Vocational Rehabilitation Division programs and have a dollar-for-dollar match. Non-profit organizations have priority over for-profit organizations.

All grant funds must be used to provide decent, safe, and sanitary rental housing for very low-income residents.



NDHFA Departmental Staffing



Projected

- Overtime, Temporary, & Contract
- Misc. Programs
- In House Servicing
- SF Bond Admin.
- Multifamily



Housing Finance Agency

*PO Box 1535
Bismarck, ND 58502-1535*

Pat S. Fricke, Executive Director

INDUSTRIAL COMMISSION
*Governor John Hoeven
Attorney General Wayne Stenehjem
Commissioner of Agriculture Roger Johnson*

Engrossed SB 2015

March 7, 2001

North Dakota Housing Finance Agency

Division of the State Industrial Commission

Budget No. 473.0

Testimony of Pat S. Fricke, Executive Director

Government Operations Division of the House Appropriations Committee

Budget 473.0 of Engrossed SB 2015 Section 1, Subdivision 5 covers the revenues associated with the various housing programs administered by the Housing Finance Agency (HFA) solely through Special Funds. The HFA has not utilized state General Funds of any type since its 1980 creation by initiated measure. The \$39,872,263 executive recommendation for the 2001-03 biennium represents a 68% increase from the last appropriation. Nearly all of the increase is federal rental assistance funds. HFA staffing is recommended at 38, an increase of 5 FTE.

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Section 6 of the bill provides a transfer of \$56,936 during the biennium from the Housing Finance Agency to the Industrial Commission for the purpose of defraying Industrial Commission administrative costs.

The Agency's workload continues to increase as a result of continued program and portfolio growth. We are constantly searching for ways of improving our operating efficiencies in being able to do more with less. We frequently implement new procedures or technology in efforts to streamline Agency operations. Some of the increased workload continues to be addressed by overtime, temporary employees or contract labor. The 1999 legislature approved only two of the five FTE proposed in the executive recommendation. This SB 2015 contains an increase of five FTE which will alleviate the current overtime and temporary labor arrangements and provide the HFA with the additional staff needed to address continued program growth. One of the five new positions is planned for a Program Development position to assist management with its strategic plan initiatives, new program research and development, and coordination with other housing program partners, program outreach and marketing, training, etc.

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In summary, the HFA is North Dakota's housing finance agency providing residential real estate financing and housing assistance to literally thousands of North Dakotans with our local partners solely through Special Funds and at no cost to the state's General Fund.

SB 2015
Lignite R & D Program Funding

I. Lignite Industry Update

A. Current Lignite Industry In North Dakota

- 30 million tons of lignite coal
 - ◆ Serves 2 million people with electricity
 - ◆ Serves 223,000 homes with SNG (Synthetic Natural Gas)
 - ◆ Produces 1,300 tons per day of agricultural fertilizer
- 18,000 people employed / each direct job means 5 indirect jobs

B. Annual Economic Contribution to North Dakota

- \$1.3 billion in business volume / each dollar spent multiplies into three dollars for our economy
- \$475 million in personal income
- \$60 million in state tax revenues

II. What is the future for North Dakota's lignite industry?

A. Lignite exists in an extremely competitive market

- Competes against all forms of generation in Mid-Continent Area Power Pool – MAPP
 - ◆ Montana & Wyoming subbituminous coals
 - Stanton Station / Leland Olds Station
- Power exchanged on a cost-saving basis
- Power sold on ½ mill KWH margin (45 cents per ton for lignite)

B. Environmental issues impacting our competitiveness

- EPA proposed new standards for Regional Haze and Nitrogen Oxide that penalize lignite
- EPA recently issued regulatory finding to limit mercury emissions; however, limited technology is currently available to control Hg emissions
- Proposed Kyoto Treaty limits CO₂ emissions to 1990 levels by 2008-2012, a reduction of 5 million tons of lignite annually
 - ◆ **Solution:** Sound Science and new technologies that are cost effective and improve efficiencies

C. Other regional factors impacting our competitiveness

- Emission Fees
- Externalities (Minnesota has resurrected the externality issue)
- Portfolio generation mandates

D. The Bottom Line

- The future of North Dakota's lignite industry depends on our ability to use lignite....
 - ◆ More cleanly
 - ◆ More efficiently
 - ◆ More economically

III. Why is lignite research, development and marketing important for our industry and state?

- Solves problems for our *existing* facilities so we can maintain jobs, economic activity and tax revenue
 - ◆ Maintains competitive position – Examples are:
 - Cost-effective reclamation
 - Increase in boiler efficiencies
 - ◆ Preserves existing markets – Examples are:
 - NO_x controls for cyclone boilers (2,000 megawatts impacted)
 - Regional marketing plan
 - ◆ Develops new lignite-fired power plants that will create additional jobs, tax revenue and business volume
- *The bottom line:*
R & D provides opportunities for existing operations and future lignite development

IV. Lignite Vision 21 Project

A. What is Vision?

- Base load electric power generation that:
 - ◆ Utilizes state-of-the-art mining technologies
 - ◆ Utilizes new & innovative cost-effective generation technologies
 - ◆ Utilizes latest environmental technologies that improve efficiency & reduce emissions
 - ◆ Utilizes lignite to competitively meet energy growth demands of our region

B. What is the Market Potential?

- Increased demand for electricity
 - ◆ Mid-Continent Area Power Pool (MAPP) projects generation deficit in 2002
 - I-94 corridor (St. Paul to St. Cloud) is high growth area
 - Utilities estimate 5% annual growth in electrical demand
 - ◆ Southwest Power Pool (SPP) projects generation deficit in 2006

C. What are Lignite's Strengths?

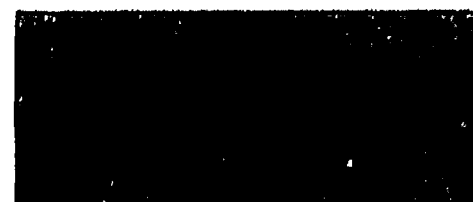
- Abundant resource – 1,000-year supply
 - ◆ Reliable
- Among lowest cost plants in United States
- Closer to electrical markets -- 500 miles further for MT & WY competition

Key Factor

- *Healthy lignite business climate – North Dakota wants lignite business!!*

D. What is in it for State? Why is it important?

- One 500 megawatt power plant means:
 - ◆ 3 million more tons of coal
 - ◆ 1,300 more jobs
 - ◆ \$140 million more business volume
 - ◆ \$6 million more tax revenue



E. What is North Dakota's Commitment?

- Unqualified support from Industrial Commission (Governor, Attorney General & Ag Commissioner)
 - ◆ Agency support shortens lead times / reduces risk
- \$10 million in *matching* funds for development phase to be requested/subject to continuing R&D appropriation and Industrial Commission approval
- Support from Legislature Critical to Success

F. What is Status?

- Phase I Studies Complete – 8/1/00
 - ◆ Environmental
 - Issues & potential solutions identified
 - ◆ Generation Technology
 - Evaluated various options in terms of economics / environmental
 - ◆ Transmission
 - Tentative route identified
 - Export capability of 800 MWs
- Marketing Activities On-Going (7-0-01) to:
 - ◆ Establish aggressive economic targets
 - ◆ Identify electrical energy wholesale customers
 - ◆ Identify equity owners

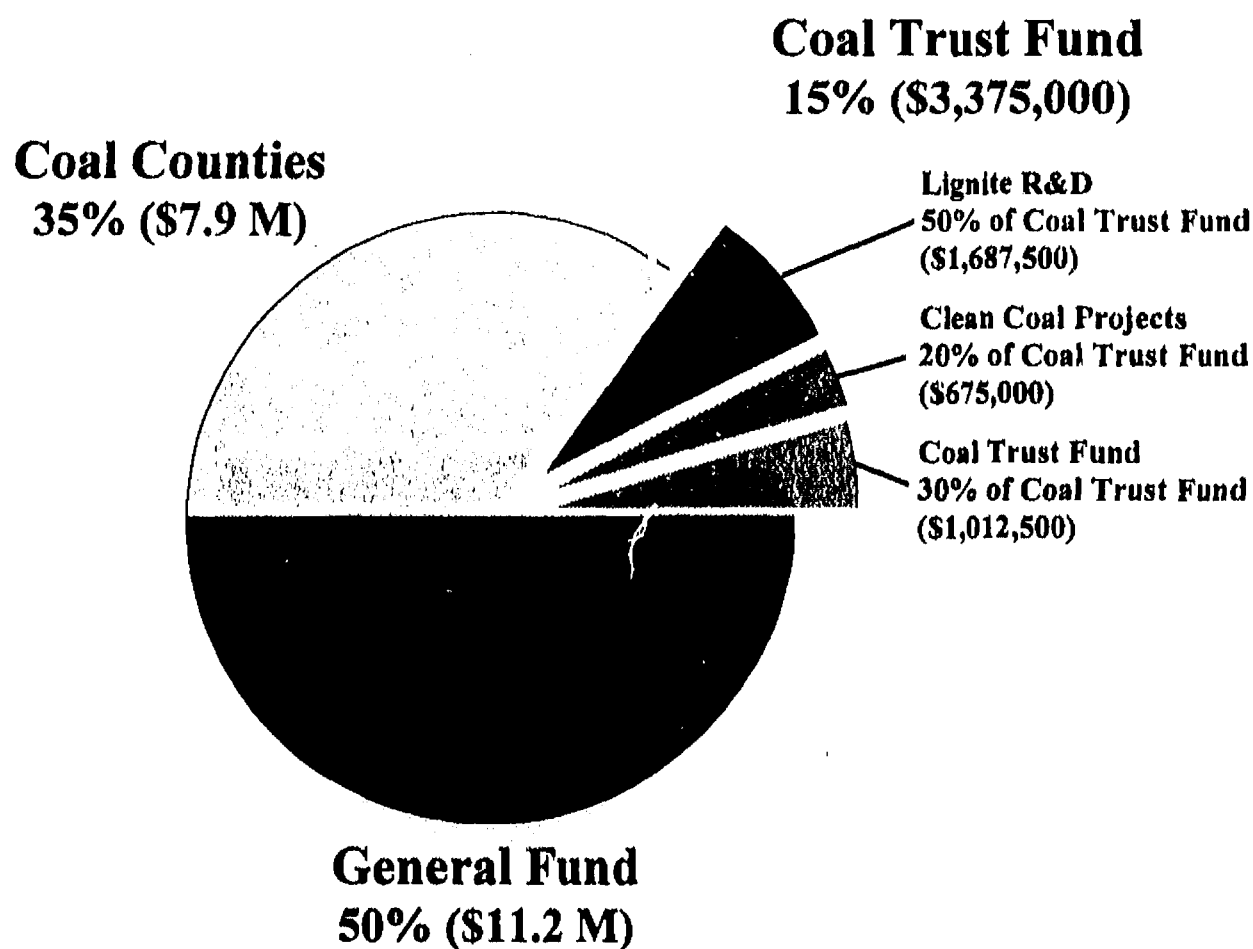
G. What is Ahead?

- Need Commitment From Project Developer(s)
- 2001-2003 – Detailed Project Feasibility Studies & Permitting
- 2005-2008 – Construction
- 2008 – Commercial Operation

January 8, 2001

John Dwyer, Chairman
Lignite Research CouncilV. What are Funding Sources of R&D Program?**Summary of Lignite R&D Funding
ND Coal Severance Tax****Annual Revenue and Distribution**

(Assumes 30 million tons of annual production)

Summary of Annual Revenue

Lignite R&D (50% of Coal Trust Fund)
Clean Coal Projects (20% of Coal Trust Fund)
2 Cents per ton R&D tax
Total Annual R&D Revenue

\$1,687,500
675,000
600,000
\$2,962,500

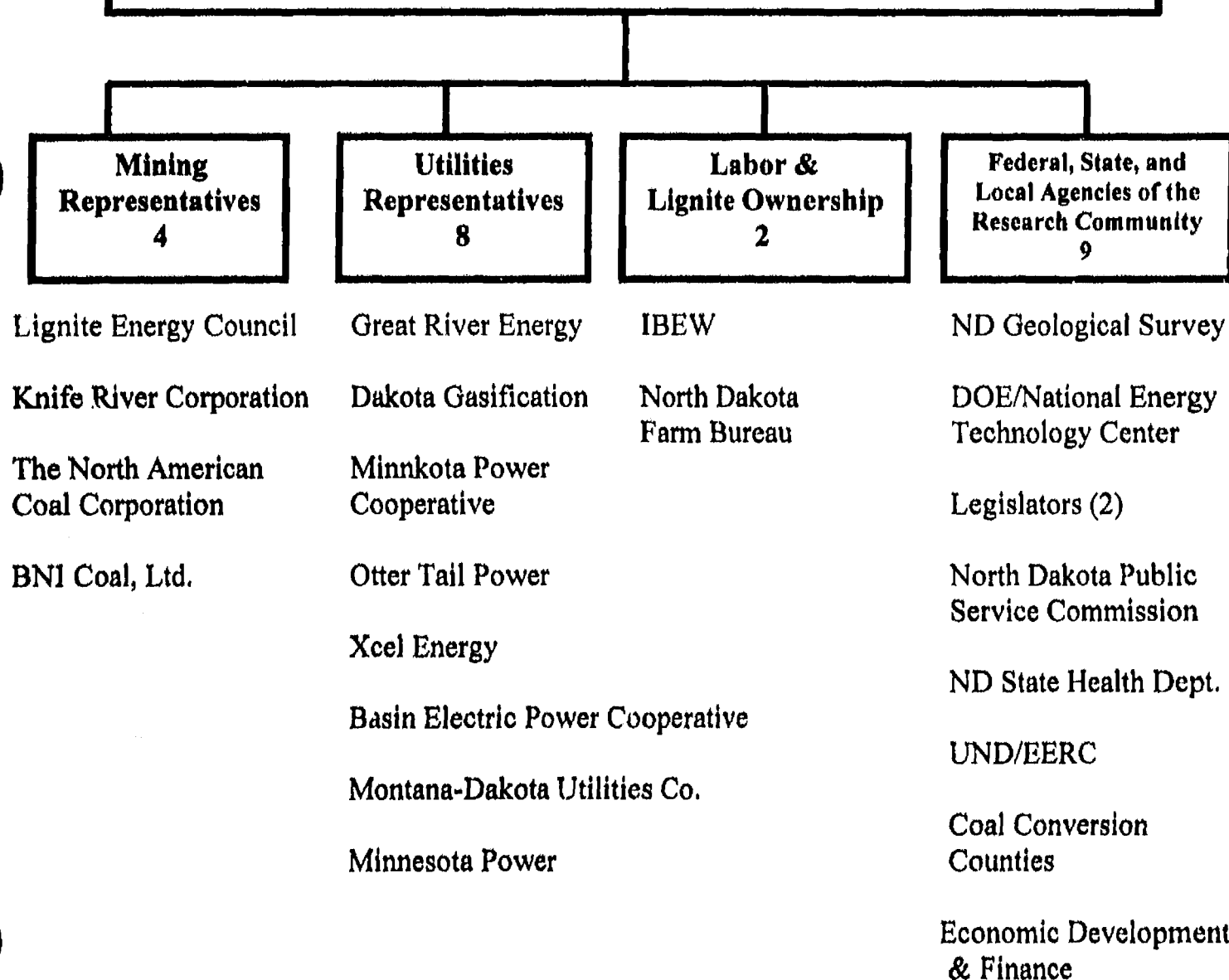
VI. How is North Dakota's R&D Program administered?

A. Partnership between the private and public sectors

B. Roles of Industrial Commission & Lignite Research Council

- Industrial Commission
 - ◆ Administers research, development, and marketing program
 - ◆ Approves or disapproves research and development projects and activities
 - ◆ Accepts and distributes funds and enters into contracts
- Lignite Research Council is an advisory group to the Industrial Commission
 - ◆ Provides advice on policy and guidelines
 - ◆ Provides recommendations on project funding
 - ◆ Members are representatives from both the private and public sectors

Lignite Research Council



VII. What is money used for? What are the benefits?

A. Summary of Research, Development & Marketing Program - Three Primary Areas of Focus

B. Research Projects – What are the benefits?

- Byproduct Diversification at Great Plains Synfuels Plant Increases Plant Revenues for Dakota Gasification Company (DGC)
 - Cresylic Acid - Pesticides & copper wire enamel
 - Phenol - Plywood & chipboard
 - Naphtha - Solvents & gasoline additive
 - Catechols - Food flavoring & pharmaceuticals
 - Asphalt substitutes - Asphalt binders & tars
 - Agricultural Fertilizer - anhydrous ammonia and ammonium sulfate
- Reclamation Projects Result in Cost-Effective Practices While Achieving Environmental Goals (NDSU)
 - Reducing amount of Suitable Plant Growth Material
 - Mixing Prime & Nonprime top soils
 - Management practices on reclaimed lands
- Combustion / Environmental Projects Help Solve Problems
 - Nitrogen oxide (NO_x) controls (2,000 MW impacted) (Cyclone Users Group - Coyote, Leland Olds & Milton R. Young Stations) WIN / WIN
- Coal Quality Management Systems Increase Efficiencies
 - BNI/Minnkota Station (Microbeam Technologies)
 - Knife River Coal Mining/Coyote Station (EERC)

C. Marketing Activities – What are the benefits?

- Development and implementation of marketing plan helps preserve and enhance use of lignite-produced electricity in region
 - ◆ Messages
 - Lignite-produced electricity is clean
 - North Dakota one of handful of clean air states
 - Electrotechnologies benefit the environment
 - Lignite-produced electricity is good for the region's economy
 - Businesses are more competitive with affordable electricity
 - Also part of economic development efforts
 - Four of top 25 low-cost power plants in U.S.
 - Our region's electricity costs about half that of national average

D. Demonstration Projects – What are the benefits?

● **Anhydrous Ammonia**

- ◆ \$129 million anhydrous ammonia project at the Great Plains Synfuels Plant/ND investment of \$12.2 million (loan & grant funds)
- ◆ Byproduct diversification - produces 80% of North Dakota's 1994 consumption (300,000 tons annually)
 - Anhydrous Ammonia – generated \$40 million in revenue in 1998; estimated production of 345,000 tons in 1999
 - Ammonium Sulfate – generated \$12.8 million in revenue in 1998; estimated production of 175,000 tons in 1999
- ◆ 470 construction jobs (includes construction jobs for ammonium sulfate project) & 200 new permanent jobs (40 direct and 160 indirect)
- ◆ Diversifies Great Plains revenue - Preserves existing production, jobs & tax revenue (7 million tons of coal/4,000 jobs/\$17.5 million in tax revenue)

● **Gypsum Plant**

- ◆ Use waste product (scrubber sludge) to produce 100,000 tons of by-product gypsum which is used for wallboard and soil amendment
 - Reduces disposal costs and acreage needed for waste areas
 - Increase revenues from byproducts

● **Lignite Vision 21 Project**

- ◆ Means 1,300 jobs;
- ◆ \$140 million more business volume; and
- ◆ \$6 million more tax revenue.

VIII. How was \$10.2 million R&D appropriation allocated in present biennium (1999 to 2001)?

<u>1999 to 2001 Biennium</u>		<u>Amount (\$)</u>
Appropriated		\$10,450,000
Expended (Estimated)		
Research Activities	\$2,742,649	
Demonstration	\$2,992,351	
Marketing	\$500,000	
Administration	<u>\$400,000</u>	
Subtotal		<u>\$6,635,000</u>
Balance (Appropriated less expended Funds)		\$3,815,000
Additional Production and returned project commitments (estimated)		<u>\$6,350,000</u>
Carry over (Balance plus Additional Production)		<u>\$10,165,000</u>

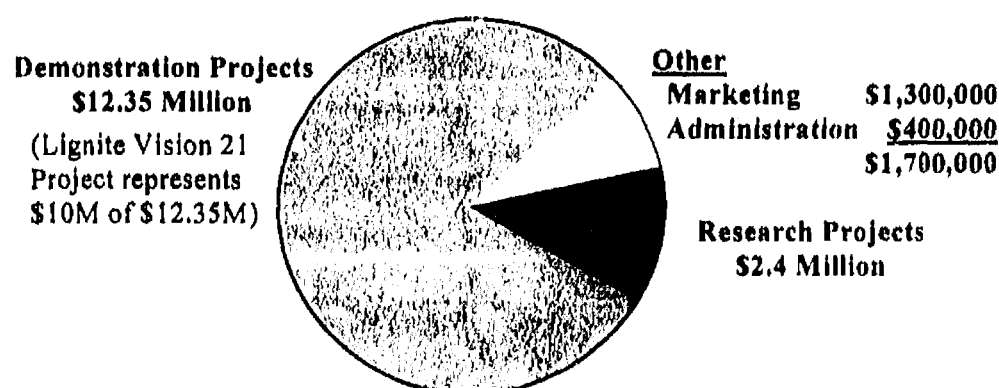
NOTE: Industrial Commission Commitment of \$10 million for Lignite Vision 21 Project included in carryover funds of \$10,165,000.

IX. What is proposed for 2001 - 2003 Biennium for lignite R&D program?

A. Governor's Industrial Commission budget of \$16.45 million consists of:

Carry over Funds	\$10,165,000
New Trust Fund Revenue (50% + 20%)	\$4,725,000
Two Cent per ton R&D Tax	\$1,200,000
Interest	<u>\$360,000</u>
Total	<u>\$16,450,000</u>

January 8, 2001

John Dwyer, Chairman
Lignite Research Council**X. What is proposed for 2001 - 2003 Biennium for lignite R&D program? (Cont.)****2001-2003 Lignite R&D
Proposed Appropriation**

Total Amount = \$16,450,000

B. How will \$16,450,000 be allocated in 2001 to 2003 biennium?**XI. Summary**

- **Research Program** - Each dollar in state funds has generated another five dollars in total research funds to solve critical challenges facing the industry, which enhances the environmental performance and efficiency in lignite power plants, results in cost-effective reclamation and leads to development of new products and markets;
- **Marketing Program** - Has preserved lignite markets through partnership with North Dakota in the Minnesota externality proceedings, identified new markets for byproducts, developed a regional lignite marketing plan, and completed initial studies for Lignite Vision 21 Project;
- **Demonstration Program** - Resulted in coal demonstration projects which have or will provide new markets for by-products (*anhydrous ammonia project, gypsum project*) and laid ground work for future development of *Lignite Vision 21 Project*;
- **Bottom Line** - State's Lignite R & D Program has resulted in an *effective partnership* to preserve and enhance jobs, economic growth, and tax revenue for the benefit of industry, the research community, and our state.

Additional information is also available on the R&D Program Web site:**<http://www.state.nd.us/ndic/lrc-infoP.htm>**

STATE OF NORTH DAKOTA'S INVOLVEMENT



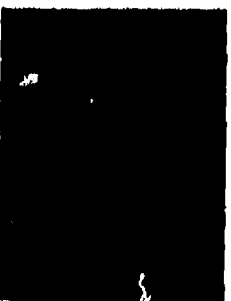
"...The Lignite Vision 21 Project means hundreds of good paying jobs for North Dakotans. The technology required by the project means a direct link between industry and our institutions of higher learning. This kind of opportunity is what it takes to keep our best and brightest young people in North Dakota. That's why it's so important that we as state leaders do all we can to streamline the permitting processes, reduce risk and move forward as quickly as possible to ensure a successful investment..."

Governor John Hoeven



"...I'm pleased the Industrial Commission is committed to doing everything possible to encourage and expedite the Vision 21 Project. This project represents a very real opportunity for North Dakota to shine as a leader in clean coal technologies, providing abundant energy to our region in an environmentally responsible manner..."

Attorney General Wayne Stenehjem



"...Mining, power generation and transmission have become as much a part of North Dakota's landscape as the waving wheat fields and pastures. With our Lignite Vision 21 Project, the lignite industry will continue to be good stewards of our natural resources in producing energy, just as farmers and ranchers are good stewards of the resources they use in producing our food. Best of all, the lignite industry has proven to be a great partner with agriculture in diversifying the economy of our state. Their solid record of reclamation makes us all proud to have them as a part of our state..."

Agriculture Commissioner Roger Johnson

The North Dakota Industrial Commission, made up of the state's Governor, Attorney General and Agriculture Commissioner, shares the vision of a growing, vibrant lignite industry. Their recognition of the importance of the lignite industry to the state's future is pivotal in bringing the Lignite Vision 21 Project to reality. Involved from the very beginning, the Industrial Commission's leadership for the Lignite Vision 21 Project will help earn the trust and support of investors, consumers and the general public. As the state's leading economic development advocates, their bipartisan effort ensures a measure of success not otherwise attainable.

The North Dakota Legislature has also emphasized in state law that it is an essential state governmental policy "...to assist with the development and wise use of North Dakota's vast lignite resources by supporting a lignite research, development and marketing program that promotes economic, efficient and

clean uses of lignite and products derived from lignite in order to maintain and enhance development of North Dakota lignite..." (NDCC 54-17.5-01).

The state of North Dakota, through its Industrial Commission and the Legislature, has an effective public/private partnership with the lignite industry.

The lignite industry appreciates the opportunity to work with Governor John Hoeven, Attorney General Wayne Stenehjem and Agriculture Commissioner Roger Johnson, who share this vision of a state-of-the-art, coal based electric generating station for our region.


**LIGNITE VISION 21
PROJECT**

The State of North Dakota has made a significant commitment to the Lignite Vision 21 Project through matching funds and an attractive package of tax incentives.

Matching Funds

In August 2000, the North Dakota Industrial Commission recommended a commitment of up to \$10 million in matching demonstration project funds be made available to the Lignite Vision 21 Project. The matching funds are from the 10-cent-per-ton check-off from the coal severance tax, which is designated for research and development purposes as part of the state's Lignite Research, Development and Marketing Program.

The Industrial Commission, made up of the state's Governor, Attorney General and Agriculture Commissioner, is responsible for approving distributions of these funds. The Commission has entered into a public/private partnership with the Lignite Energy Council in developing the Lignite Vision 21 Project, recognizing it as the state's largest economic development project.

Tax Incentives

The State of North Dakota's tax incentives include:

- **Corporate Income Tax Credit:** A 1% "new business wage and salary" credit for the first three years and 1/2% for years four and five (1969, NDCC 57-38-30.1).
- **Sales and Use Tax Exemptions:** An exemption from the state's 5% sales and use tax on all production equipment and tangible personal property used in construction (1991, NDCC 57-40.2-04.2).
- **Coal conversion tax exemption:** An exemption from the coal conversion tax. This tax, which is in lieu of property tax, includes two elements:
 - 1) An installed capacity tax of 1/4 mill times 60% of the installed capacity times the number of hours in the tax period. Present law provides a New Coal Plant Exemption from the State General Fund portion (65%) of this 1/4 mill tax for the first five years. The county may also grant an exemption from their share (35%) of the 1/4 mill installed capacity tax for up to five years (1991, NDCC 57-60-02).
 - 2) A production tax (1/4 mill per kWh of electricity generated). Present law provides a 100% exemption on the 1/4 mill production tax for the first five years of operation (1991, NDCC 57-60-02).

These tax incentives carry an estimated value of \$20 million for a 500 megawatt plant.



**LIGNITE VISION 21
PROJECT**

ADVANCED GENERATION

Present advances in generation will play a key role in the feasibility of the Lignite Vision 21 Project. Black & Veatch, a world leader in energy engineering, has been commissioned to provide cost, performance and emissions analyses of advanced generation technologies that have significant performance histories. Black & Veatch's study encompasses extensive reviews of technologies that are being demonstrated worldwide, particularly in Japan and Germany.

The technologies under review include conventional pulverized coal technologies (subcritical, supercritical and ultra supercritical), fluidized bed and integrated coal gasification combined cycle operations. As the list of potential sites is narrowed, more in-depth, site-specific analyses will also be conducted. Finally, these fuel sources will be studied to determine the most favorable generation and environmental characteristics of each.



LIGNITE VISION 21
PROJECT

TRANSMISSION

Transmission stability and reliability are the dominant electric power development issues throughout the nation. An ongoing, comprehensive review of the power flow of the Mid-Continent Area Power Pool region is being conducted by ABB Power Technology. Their analyses will identify any additions and improvements necessary to absorb the increases in power generated by a new plant.

The first phase of this study has identified an export route that will service the additional generation and enhance reliability. Site-specific analysis and recommendations regarding line losses and stability issues will be made as the project develops. System operation will also be studied to recommend any necessary solutions to bottlenecks, should any occur, that would hinder proper operation.



LIGNITE VISION 21
PROJECT

ENVIRONMENT

In determining the feasibility of the Lignite Vision 21 Project, our foremost concern is current and future environmental regulations. An independent environmental analysis by RDI, Inc. has concluded that the environmental impact of this project, specifically on levels of Prevention of Significant Deterioration (PSD), Sulfur Dioxide (SO_2), Nitrogen Oxide (NO_x), Carbon Dioxide (CO_2) and Regional Haze (RH) will be within manageable levels.

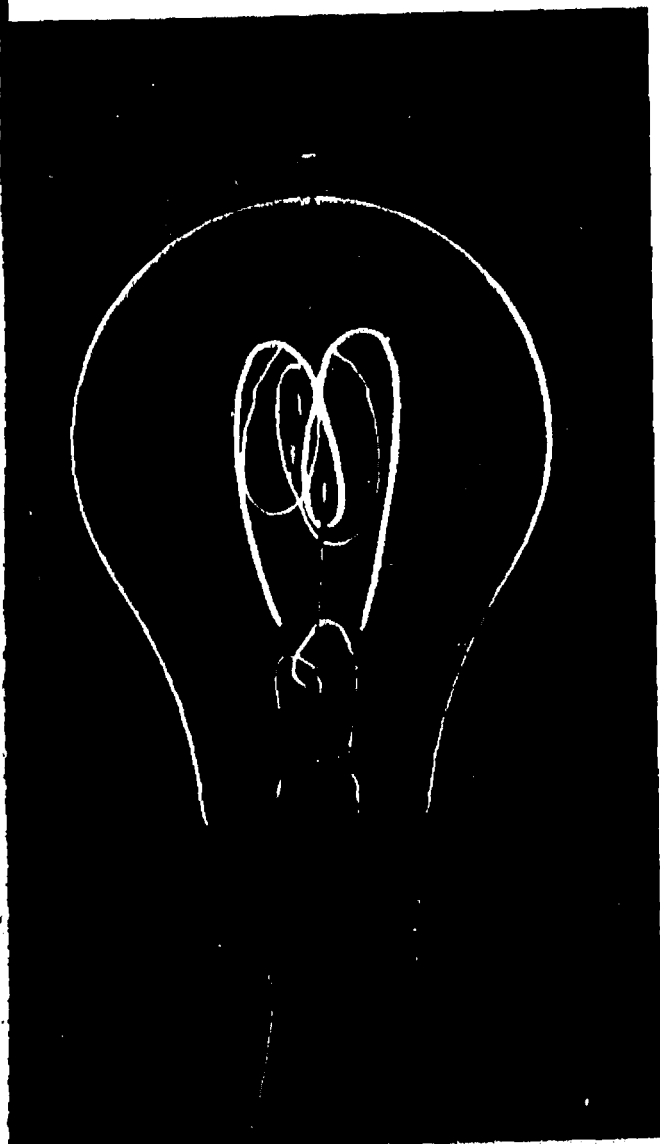
To address the environmental concerns related to the addition of a another power plant in North Dakota, the Lignite Vision 21 Project would apply the latest in clean-coal technologies, including Best Available Control Technology (BACT). The project would also use source offsets to achieve proper emission controls and would investigate newly developed control technologies to achieve regulatory objectives.

The Lignite Vision 21 Project will work with state and federal regulators on initiatives to assist project development during the detail analysis required by permitting and monitoring. Additional analyses will be conducted to tailor site-specific solutions as the project develops. Working with regulators to apply these latest technologies allows us to meet all environmental regulations, control operation and maintenance costs and remain competitive.




LIGNITE VISION 21
PROJECT

ECONOMIC VIABILITY



ECONOMIC VIABILITY

The Lignite Vision 21 Project has established aggressive economic targets because the power plant and the electricity it produces must be competitive in today's market, particularly in light of oncoming industry deregulation. These economic targets are:

- Plant Cost: \$1,000/kW (Current Standard Plant)
- Operation and Maintenance: 2.3 mills/kWh (0.2-0.3¢/kWh)
- Fuel Cost: 60¢/million Btu
- Transmission Costs: 3.5 mills/kWh (0.3-0.5¢/kWh)

The total cost range for the above economic target falls in the 32-38 mills per kWh range, which is what the plant must attain to compete in today's market.

Ultimately, the Lignite Vision 21 Project has to demonstrate the highest standards of generation technology, transmission and environmental controls while meeting or exceeding the economic targets listed above.

WHAT IS THE LIGNITE VISION 21 PROJECT?

The Lignite Vision 21 Project is the culmination of unprecedented commitment and cooperation among government agencies, elected leadership and the lignite industry. It is a vision of a vibrant economy, fueled by environmentally responsible power generation and transmission. The goal of the Lignite Vision 21 Project is nothing short of the finest coal-fired electrical generating plant in the world, employing the latest clean-coal technology to provide energy for a rapidly growing region.

The Industrial Commission is investing substantial resources in research and marketing strategy development to address four issues of critical importance to the future of North Dakota and our region:

1. Advanced Generation. First and foremost, this project seeks to meet rapidly growing demand for electrical energy. Technological advances have made low-grade coal like lignite a more viable, safer and cleaner fuel for electrical generation. These new technologies will be employed in a power plant that meets high generation output goals at low cost-to-performance ratios with substantially reduced emissions.

2. Transmission. Transmission in our region is now nearing capacity. The Lignite Vision 21 Project is addressing the expected increase in demand on our transmission infrastructure by contracting for a comprehensive review and analysis and recommending additions and improvements in the delivery system. An export route has already been identified that will service the expected additional generation while increasing stability and reliability. More analyses are required to identify and solve any remaining system issues that will need to be addressed.

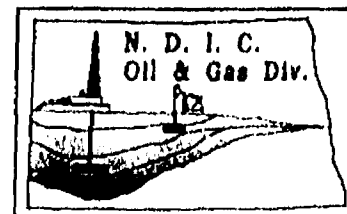
3. Environment. International pressure to reduce greenhouse gas emissions, combined with our nation's increasing reliance on imported fossil fuels, point to the need for more environmentally effective power technology

While it would be anticipated that new generation facilities would impact North Dakota's environment, this new plant's emissions are projected to be less than 10% of the total emissions from some existing plants. The lignite industry has proven itself a responsible partner in developing North Dakota's natural resources. In fact, North Dakota is one of only a select number of states in the nation to meet all federal ambient air quality standards. The Lignite Vision 21 Project continues that tradition with comprehensive environmental analysis as an integral component of every stage of development. One of the most exciting aspects of the Lignite Vision 21 Project is the commitment to use new technologies to provide solutions that address both energy and environmental concerns.

4. Economic viability. The technologies being developed and demonstrated by the Lignite Vision 21 Project must prove economically viable to investors. It has been shown that current generating capacity will fail to provide the necessary power for our rapidly growing population. For example, metropolitan Minneapolis-St. Paul, Minnesota and its transportation corridors to St. Cloud, Duluth and Rochester, is the third fastest growing energy demand area in the nation. Clearly, electricity generated by the Lignite Vision 21 Project will be in great demand.

Energy will undoubtedly play a key role in our region's future. An important component of this project is that it will demonstrate that both environmental and economic goals can be met. The Lignite Vision 21 Project is a vision of prosperity, stability and progress for our region in the 21st century.





Senate Bill 2015
Senate Appropriations Committee
Testimony By
Lynn D. Helms
Director
Oil & Gas Division
North Dakota Industrial Commission

Mr. Chairman and members of the committee, my name is Lynn Helms and I am the Director of the Oil & Gas Division of the North Dakota Industrial Commission.

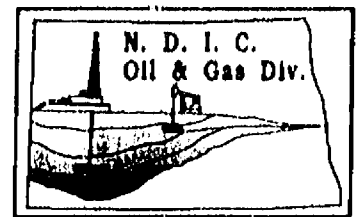
SERVICES PROVIDED

The Industrial Commission is the oil and gas regulatory commission for the state of North Dakota. The Oil & Gas Division is the agency that provides the technical expertise needed for creating and enforcing statutes, rules, regulations, and orders of the Commission pertaining to geophysical exploration, drilling, development, production of oil and gas, and disposal of oil field brine and other oil field wastes.

To accomplish this, the Oil & Gas Division maintains a staff of technical people trained in engineering and geology, inspectors in the field for enforcement, and support personnel who acquire, compile, and analyze geological, engineering, production and reservoir data.

The Oil and Gas Division has field offices in Minot, Williston, and Dickinson. These offices provide each field inspector with a computer terminal for access to our database, phone facilities, well and log files, and office space for preparing paper work and meeting with individuals from industry or the public.

The Oil & Gas Division maintains an office in Bismarck with a current staff consisting of myself, the Assistant Director, a Field & Reclamation Supervisor, a Horizontal Drilling & Underground Injection Control Manager, a Geophysical Program Supervisor, an Underground Injection Control Supervisor, a Horizontal Drilling Supervisor, 1 Geologist, 1 Petroleum Engineer, and 1.5 Data Processing Coordinators. This group provides technical support for the Industrial Commission, and other state agencies, along with the acquisition and analysis of geological, production, and reservoir data required for decision making with respect to drilling, well spacing, unitization, protection of correlative rights, and underground injection control. The Bismarck office staff also includes 11 clerical and support persons who compile, store, and access geophysical exploration, production, and well information data for dissemination to other governmental agencies (State Auditor's Office, State Tax Department, State Health Department, State Land Department, OMB, and counties), industry, royalty owners, and the public. GRAY PAGE



The field inspection staff consists of 15 full time positions.

Thirteen field inspectors oversee the operation of approximately 5,000 producing, brine injection, shut-in, and temporary abandoned wells. They are also responsible for monitoring drilling operations on approximately 150 new wells per year; proper plugging, abandonment, and reclamation of approximately 100 wells and well sites per year; and inspection of approximately 3,000 producing facilities each month.

Special technical oversight is provided for underground injection of oil field brines and other fluid wastes under a program delegated to the Oil & Gas Division from the EPA. Approximately 45-50% of production in the state is from Enhanced Oil Recovery (EOR) projects involving underground injection. In addition North Dakota oil and gas wells produce an average of 85 million barrels of brine per year that must be re-injected in a manner that will protect North Dakota's fresh water resources.

One full time field inspector position is assigned to supervise and witness meter proving on approximately 265 oil and 1,670 gas meters. GREEN PAGE

Regulation of geophysical exploration by the Oil & Gas Division began July 1, 1997. One full time field inspector and one program coordinator in the Bismarck office oversee seismic programs involving approximately 220 square miles and 15,000 drill holes each year. YELLOW PAGE

We are making great progress in moving the Oil & Gas Division into the electronic age.

We have expanded our website to provide electronic transfer of data to industry, other agencies, and the public.

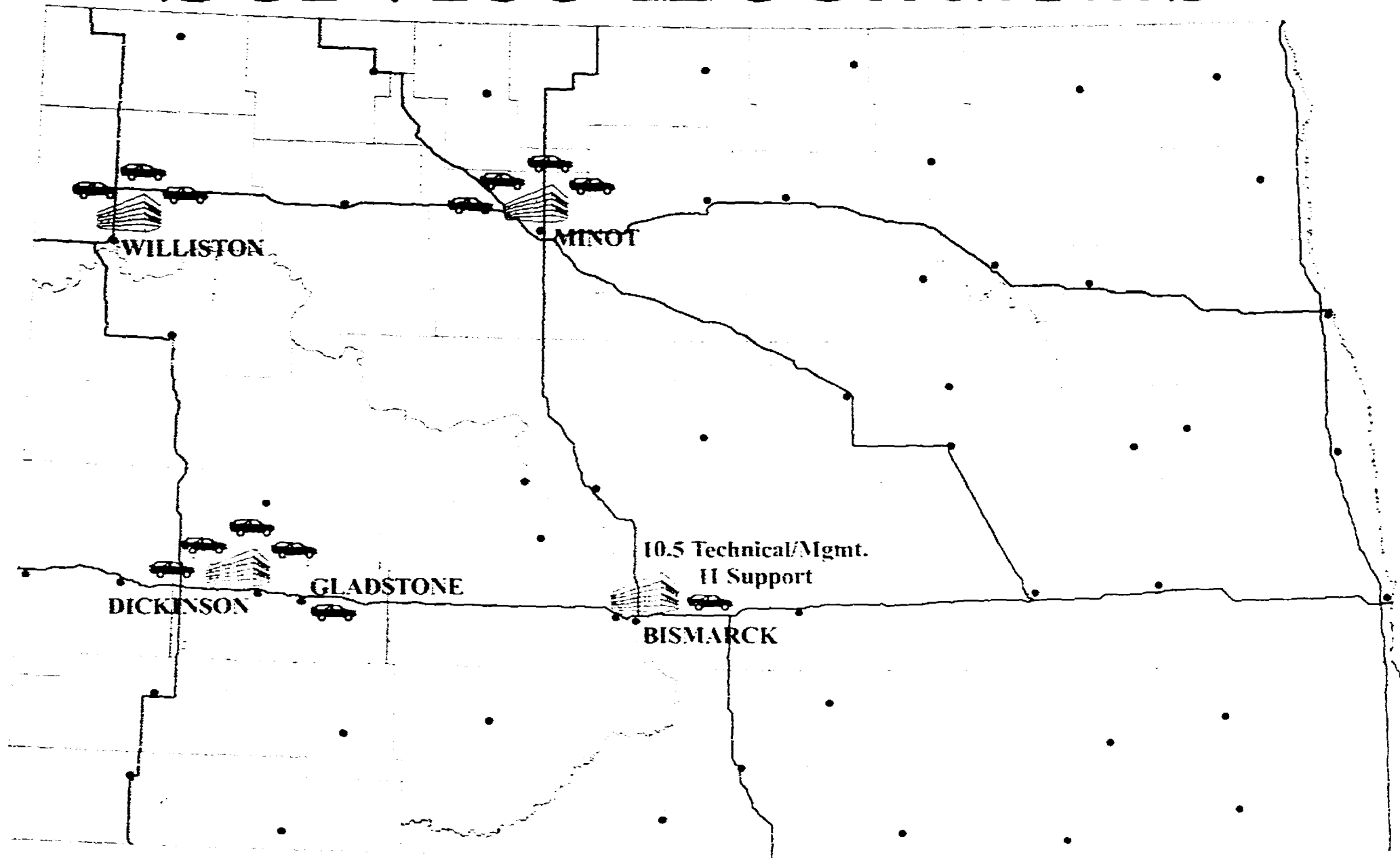
We will soon provide for electronic filing of forms and data collection.

We have converted almost 1/2 our paper files and field inspector data to electronic format.

We have upgraded our engineering and geology hardware and software systems.

This will require continued software and hardware upgrades for networking, website development, well log digitizing, digital data storage, GIS/GPS mapping, and document scanning/entry/storage/retrieval.

Oil and Gas Division Service Locations



Number of Tests Witnessed 2000

Daryl Gronfur

NDIC Oil and Gas Division Metering Program Specialist

Date Printed: 12/19/2000

Type of Test	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
CORIOIS METER TEST			3	4	3	4	2	4	3				23
CORIOIS TRUCK METER PROVI		4	3	7	4	4	2	2	6				32
GAS ALLOCATION METER TEST					1			1		2			4
GAS METER TEST	6	15	15	7	5	10	9	12	18	11	8	2	118
GAS METER TUBE INSPECTION						1							1
LACT METER PROVING	6	8	33	12	14	8	11	6	29	27	20	16	190
OIL ALLOCATION METER TEST				1				1					2
TURBINE METER TEST		1					3						4
VRU GAS METER TEST					1					1			2
WATER DRAW						5							5
Total number of Tests per month	12	28	54	31	28	32	27	26	56	41	28	18	381
Check Meter installation	24	55	146	98	24	23	64	61	51	90	44	21	701

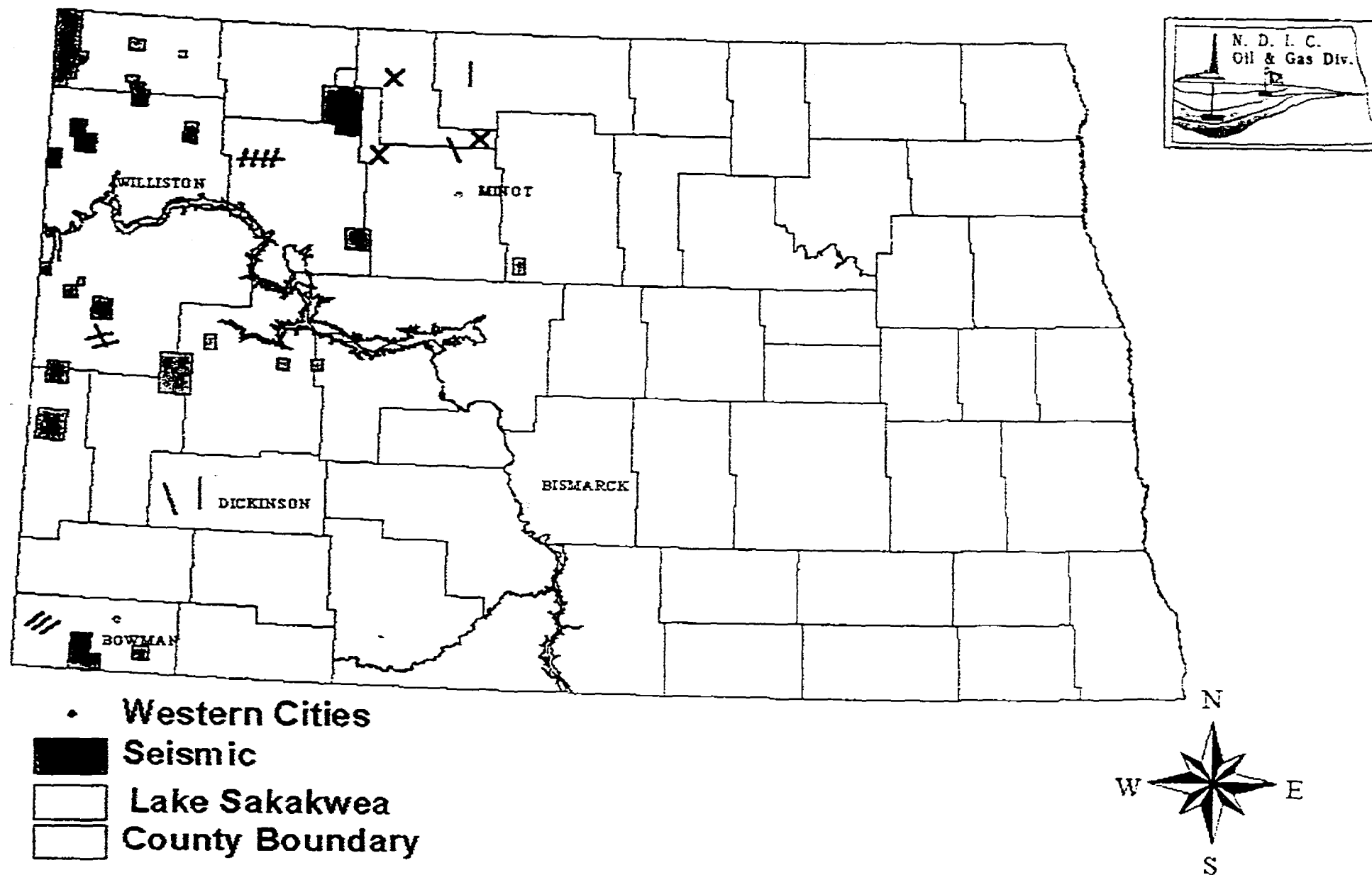
WITHIN THE PAST 12 MONTHS

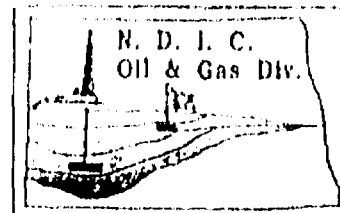
- 88 PERCENT OF LACTS WITNESSED
- 7 PERCENT OF GAS METERS WITNESSED
- 3 PERCENT OF OIL ALLOCATION METERS WITNESSED
- 10 PERCENT OF GAS ALLOCATION METERS WITNESSED

TOTAL NUMBER OF

- LACTS 184
- GAS SALES METERS 1623
- OIL ALLOCATION METERS 80
- GAS ALLOCATION METER 39

Seismic Programs Permitted Since July 1997





EXPLANATION OF PROGRAM COSTS -- TAN PAGE

The base salary line item in our agency budget is the projection of present salaries minus 1 FTE pursuant to OMB guidelines. This FTE is currently vacant due to a retirement and was reclassified to create an Environmental / Reclamation Supervisor position. The agency has functioned acceptably but not as efficiently as possible for 4 years with the Field Supervisor handling these added duties. It was necessary to eliminate this FTE to achieve the "no increase" budget pursuant to OMB guidelines.

The base operating expense line for our agency along with optional adjustment requests are pursuant to OMB guidelines. Increases of 40% in our motor pool mileage rate, 70% in ITD device connection fees, and 270% in ITD data line fees to the District Offices required significant belt tightening in Professional Development, Professional Supplies, and Maintenance Supplies.

The base equipment line for our agency contains no increase from the current biennium pursuant to OMB guidelines.

The executive budget recommendation contains some optional adjustments that I need to discuss:

1) The first optional adjustment is for a Data Processing Coordinator to be shared with the North Dakota Geologic Survey. This is part of both agencies approved information technology (IT) Plan. Another Data Processing Coordinator is critical to the Oil & Gas Division's mission because the workload for network maintenance, programming, web site development, software upgrades, hardware upgrades, and database development exceeds the existing 1.5 FTE with minimal backup available in case of illness or leave time. We are seeking someone who is a PC network specialist as this is the direction we have moved with the agency hardware and software.

2) The second optional adjustment is a \$245,102 funding source change for the Geophysical Exploration Program from special funds (State Land and Minerals Trust Fund) to general fund. This change will allow the Oil & Gas Division to manage the program and personnel more efficiently.

3) The third optional adjustment is a \$25,000 operating expense increase to defray approximately 25% of the increase in motor pool mileage and ITD fees. This additional money will allow the agency to maintain our technology and field inspection programs up to a rig count of approximately 20.

4) The final optional adjustment does not appear in your current executive budget recommendation. It is a \$71,567 operating expense increase to be shared with the North Dakota Geologic Survey. This adjustment will defray approximately 50% of the cost of moving the agencies. We were informed, after this budget was finalized, that our current office lease will expire 7/1/2001 and can not be renewed. John Bluemle will be discussing in a little more detail the results of our search for available space.



2001-2003 BIENNIUM -- BLUE PAGE

We have recently passed through a product price crisis followed by very high oil prices and most recently a drop of about \$10/barrel within the last 6 weeks. Oil price is now at the world supply / demand equilibrium and is expected to be relatively stable at approximately \$20/barrel average for North Dakota sweet crude through this biennium.

Fortunately 44% of North Dakota's production comes from EOR projects and another 20% from horizontal wells. Both yield long term, stable, oil and gas production. Oil production is expected to average 95,000 barrels per day in this biennium.

The workload of the Oil and Gas Division is increasing as idle wells are returned to production, drilling rig count has moved back into the 15-20 range, and more unitization/EOR proposals of increasing complexity are being filed.

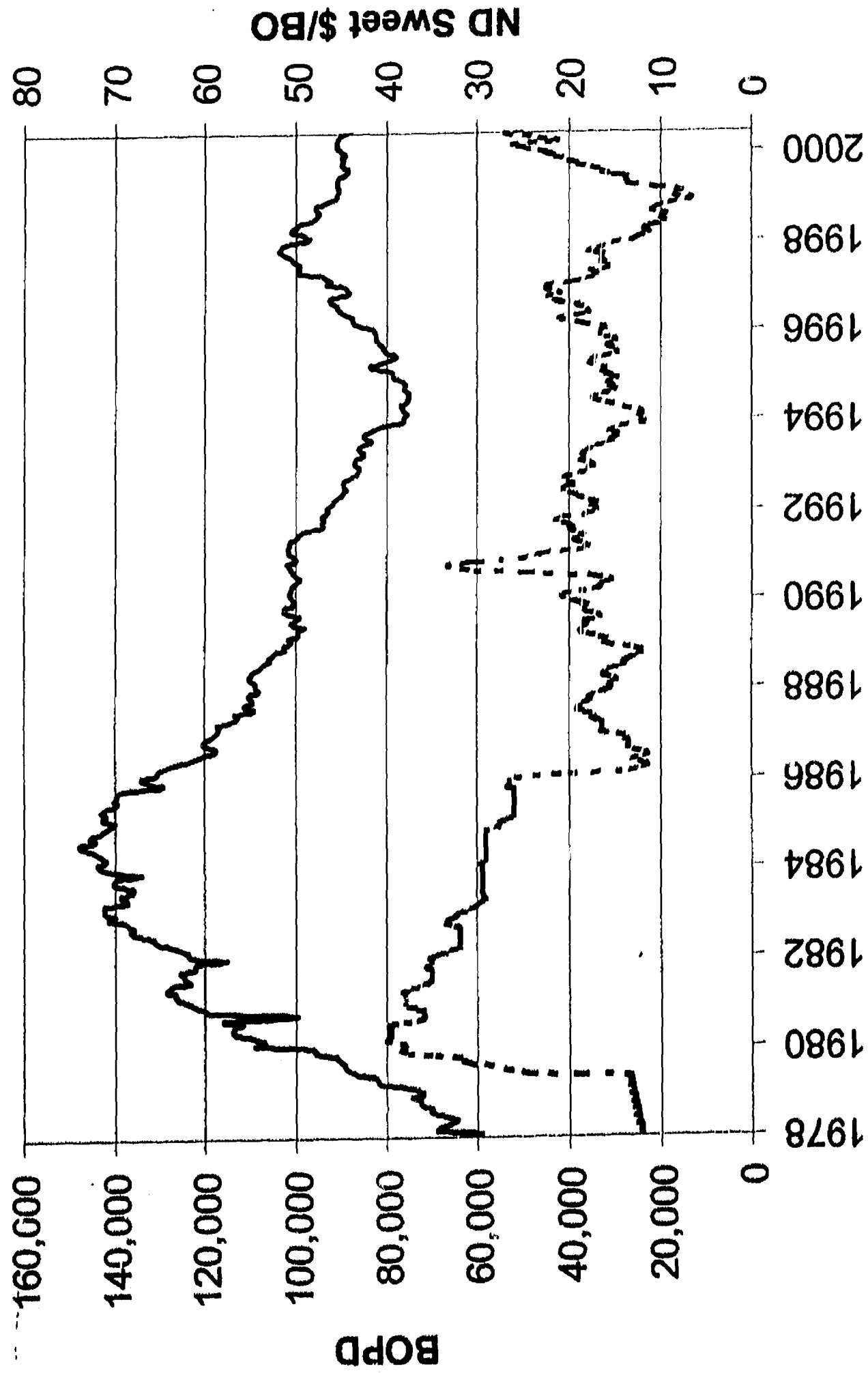
Future critical issues are the need for competitive salaries and professional development for experienced personnel, computerization of information for electronic storage and dissemination, implementation of information technology initiatives, and lack of growth in federal funding for mandated programs.

AGENCY STATISTICAL DATA

The Oil and Gas Division statistical information is presented in a series of 8 charts at the back of this section. WHITE PAGES

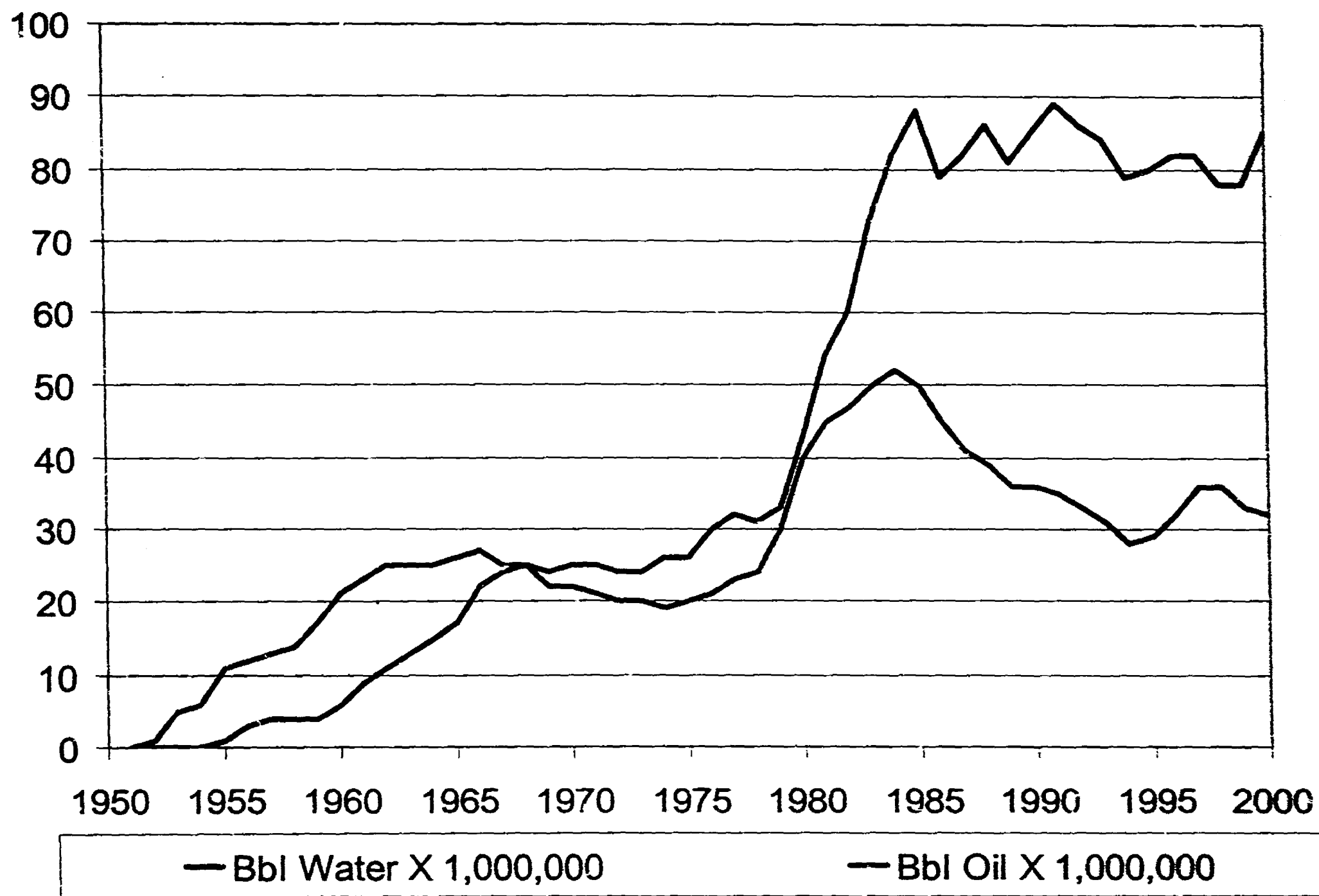


North Dakota Daily Oil Produced and Price



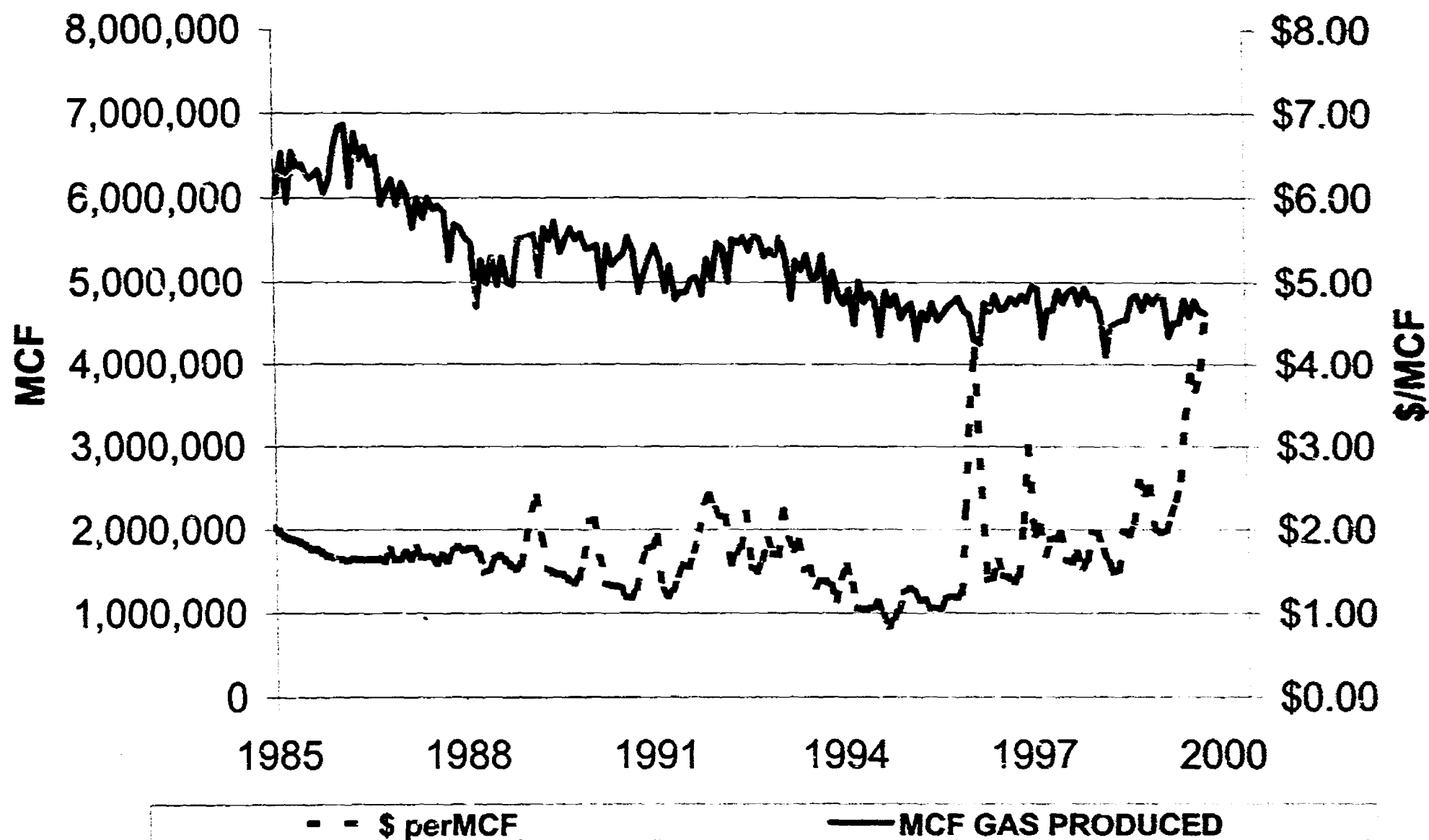


North Dakota Oil vs Water Production



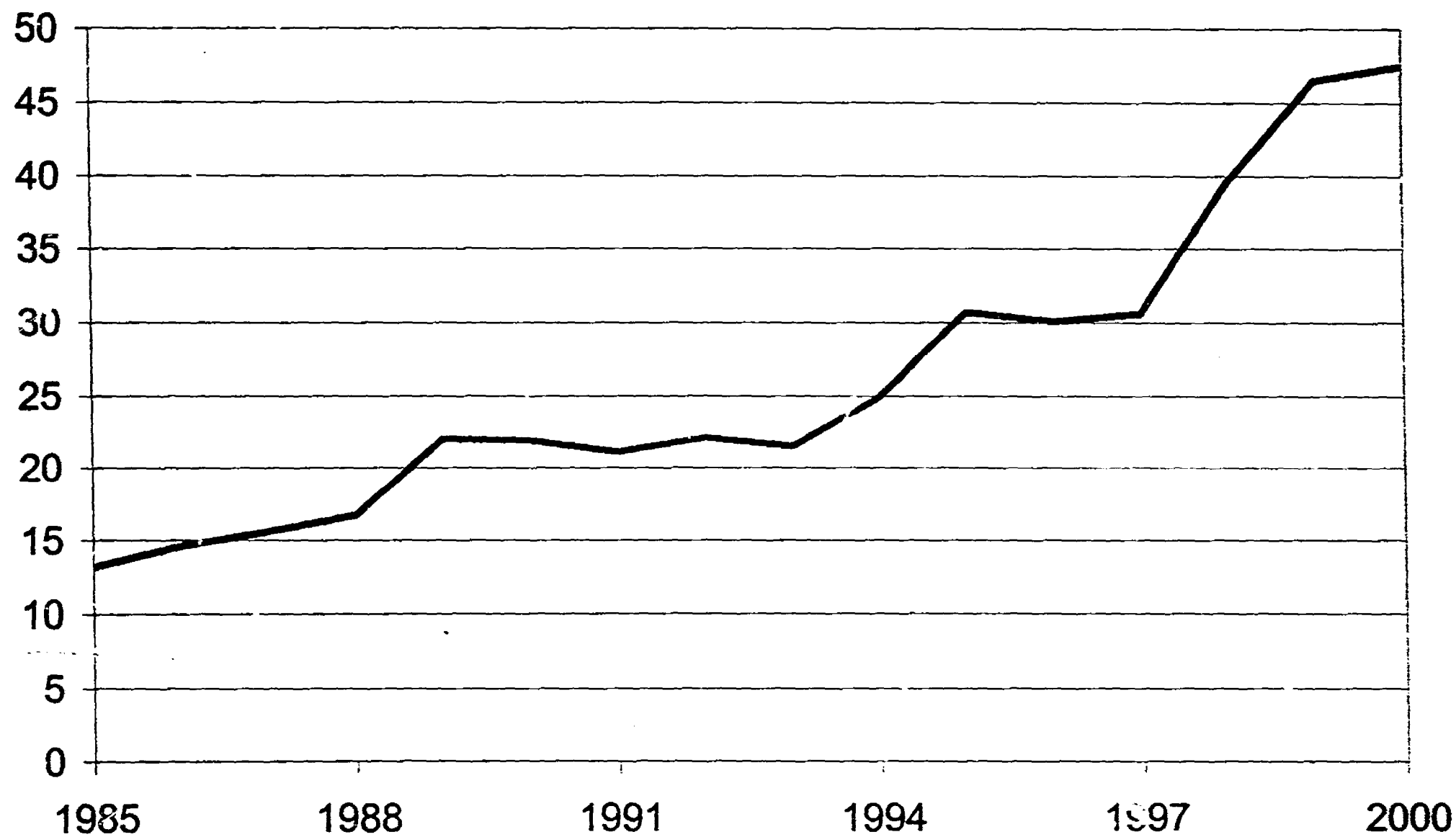


North Dakota Monthly Gas Produced and Price



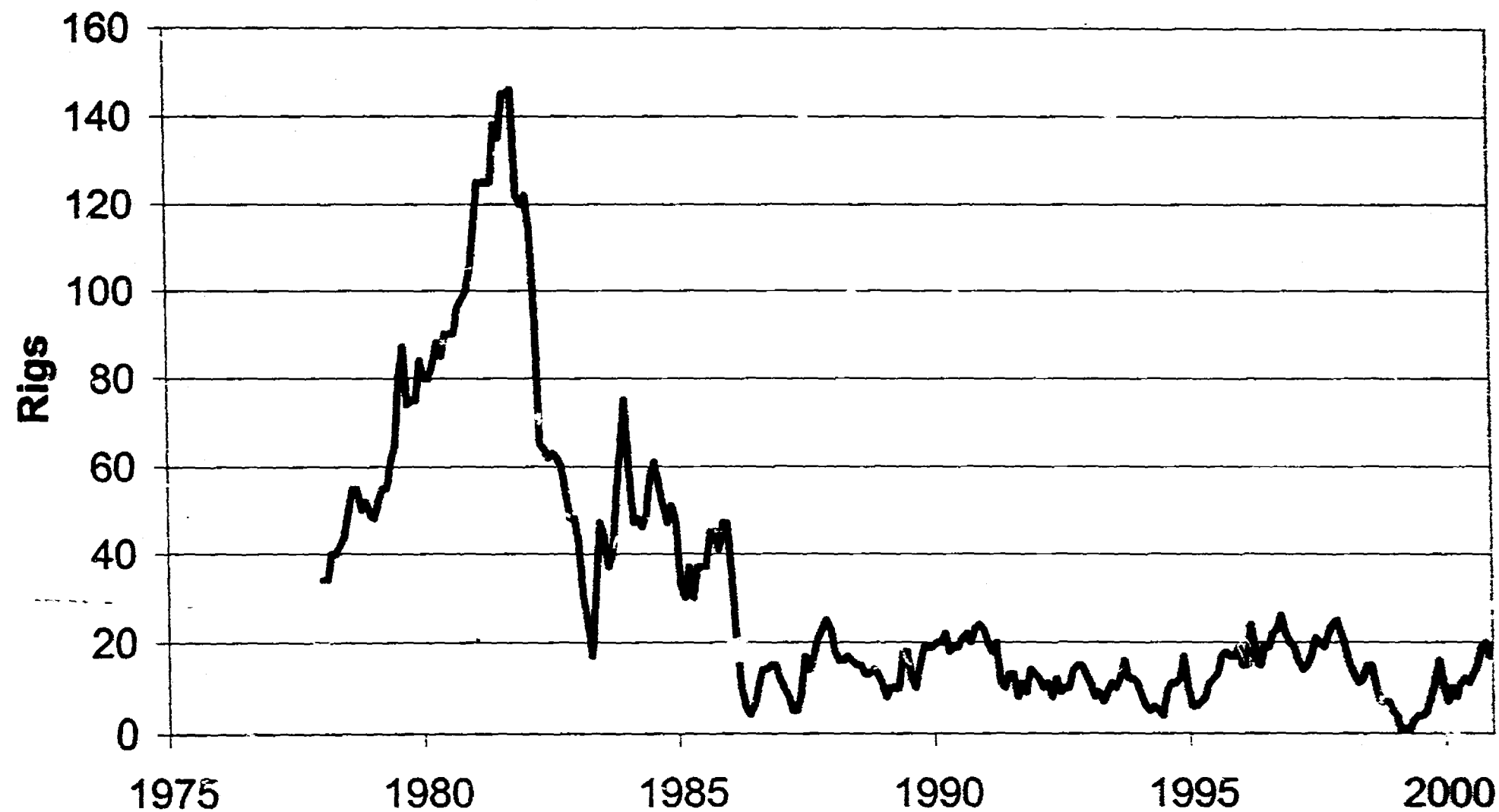


North Dakota % Production From Units



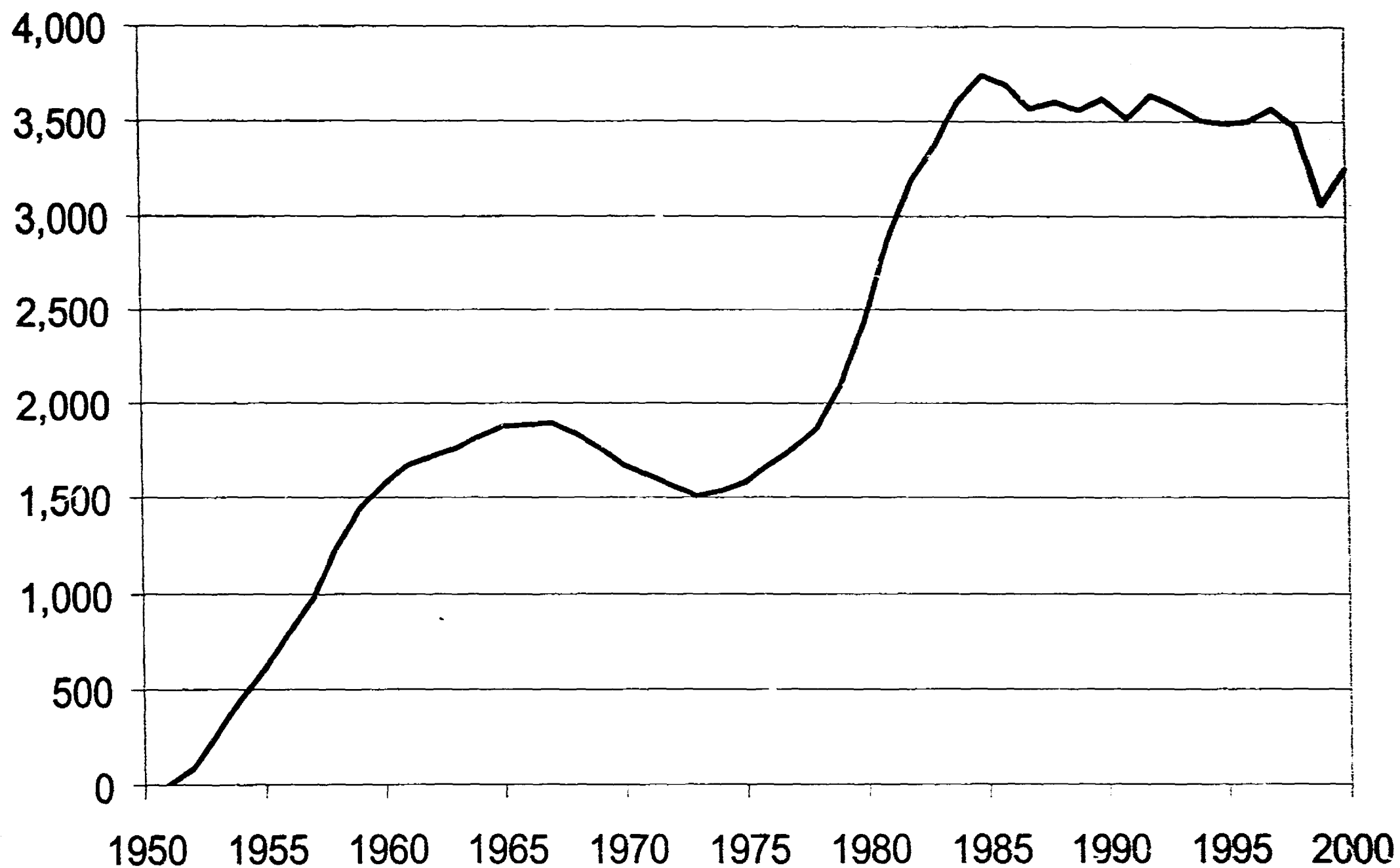


North Dakota Average Monthly Rig Count



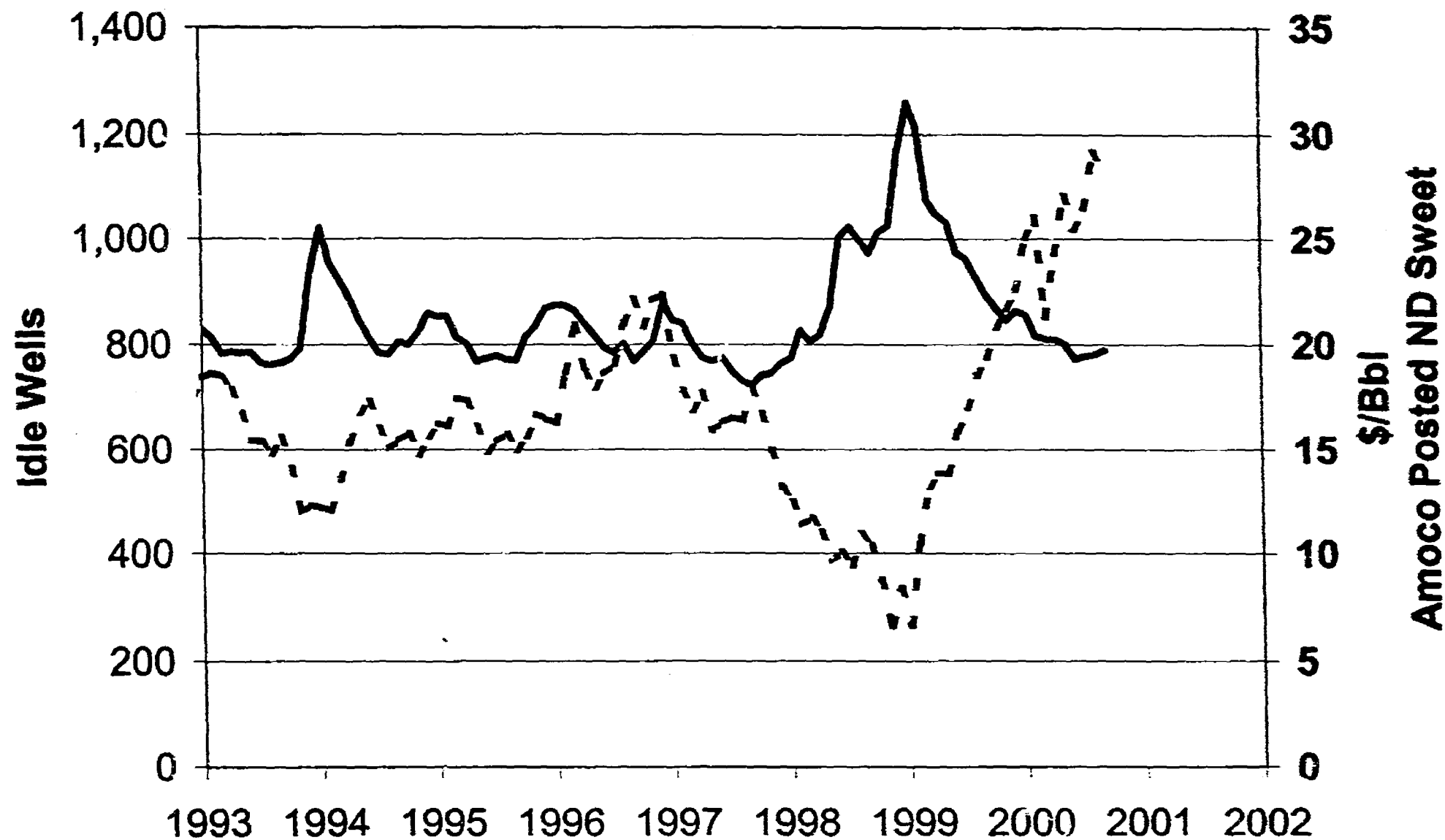


North Dakota Wells Producing Each Year



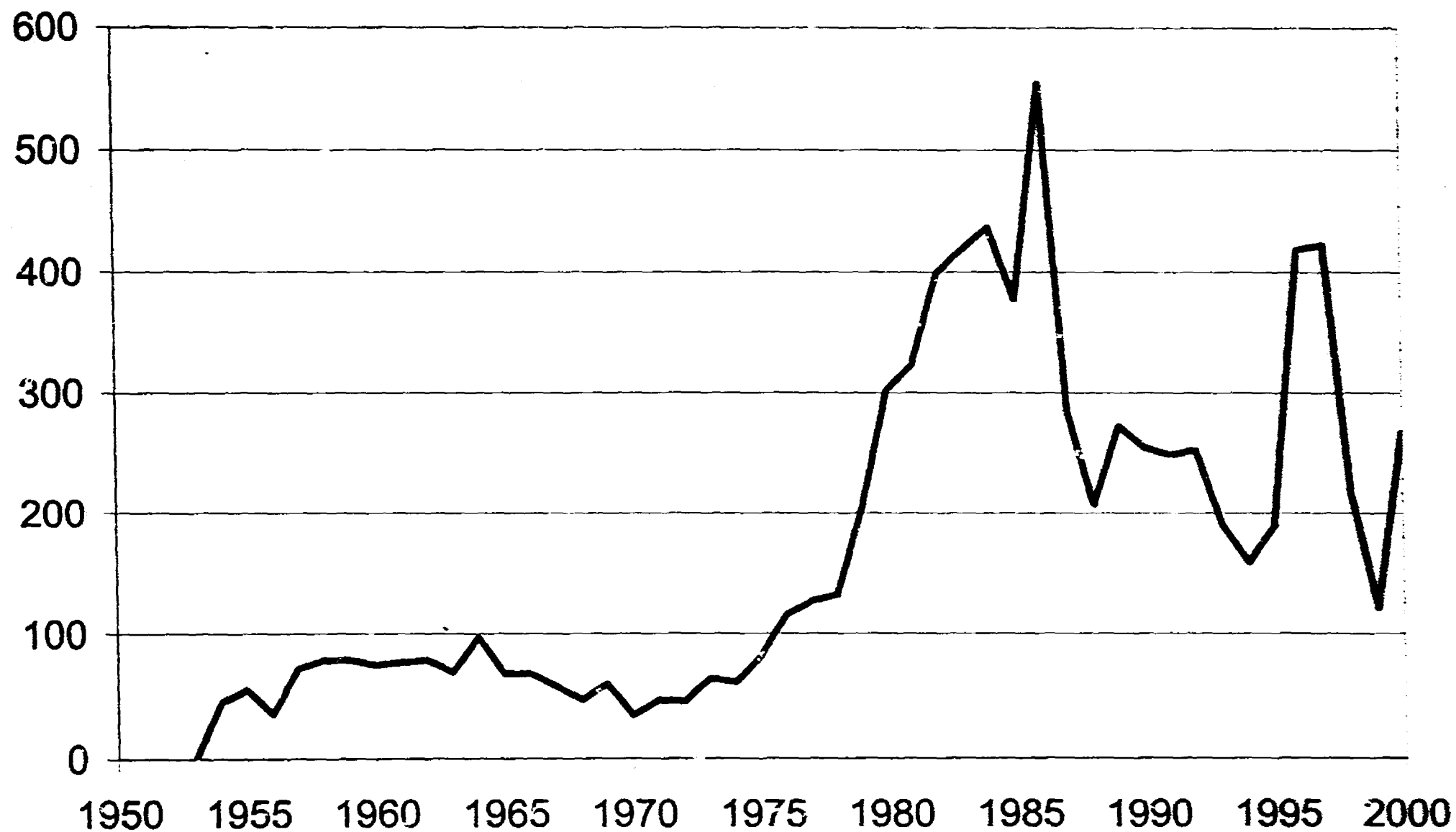


North Dakota Idle Wells





North Dakota Industrial Commission Cases Heard



OUR MISSION

The North Dakota Geological Survey (NDGS) was established by an action of the State Legislature in 1895. The Legislature directed the Survey to provide for a thorough geological and natural history survey of the State, with particular emphasis placed on the evaluation of mineral resources. Such resource studies continue, but over the years our mission has grown and is now three-fold:

1. Investigate the geology of North Dakota.
2. Administer regulatory programs and act in an advisory capacity to other state agencies.
3. Provide geologic and mineral resource information to the people of North Dakota.

Our mission means that Survey geologists and staff have a wide variety of roles. The NDGS geologists work to develop and conserve our state's natural resources; our staff maintains a sediment core and sample library as well as a number of geologic databases and the ND state fossil collection. Survey geologists investigate geologic hazards and environmental issues; and our staff provides geologic and natural resource information to the public in the form of publications, maps, reports, public education, and one-on-one discussions.

TECHNICAL INVESTIGATIONS

The NDGS staff undertakes a wide variety of technical investigations concerning geologic history, mineral resources, environmental issues, hydrogeology, and paleontological resources. Many geologic investigations are conducted in cooperation with other government agencies. Basic geological research, such as the study of the stratigraphy and structural development of North Dakota, is an important part of these investigations.



Geologic Mapping is a critical first step in natural resource evaluation, planning and management. Our current emphasis is on detailed (1:24,000 scale) geologic mapping. Creating multi-purpose geologic maps depicting geologic hazards such as landslide and flood-prone areas, and surficial geology is an ongoing focus of NDGS geologists.



Mineral Resource investigations include both energy and non-energy minerals, such as petroleum, lignite, salt, uranium, sand, and gravel. Our investigations define the nature and extent of new and old mineral resources. The purpose of these investigations is to: 1) provide technical information to the public; 2) promote new exploration and development ideas, opportunities, and technologies; and 3) provide expert technical information to regulatory and policy makers at all levels of government (city, county and state).

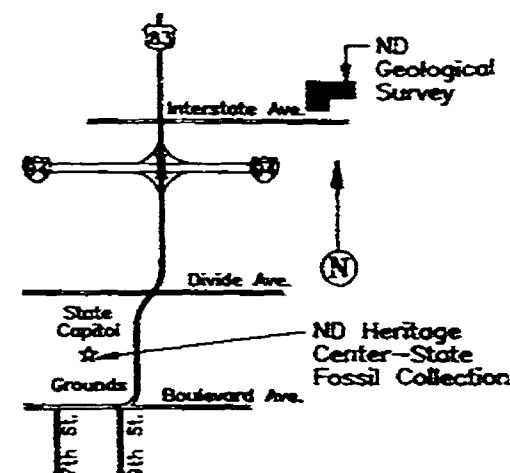


Environmental investigations are conducted in response to requests for information and to prevent groundwater contamination from oil and gas drilling fluids, herbicides, municipal wastewater impoundments, large-scale farming operations, and landfills. Many of these studies have been conducted in conjunction with the ND Department of Health. Identifying potential geologic hazards, such as landslides and flood-prone areas, is also an important aspect of environmental geology.

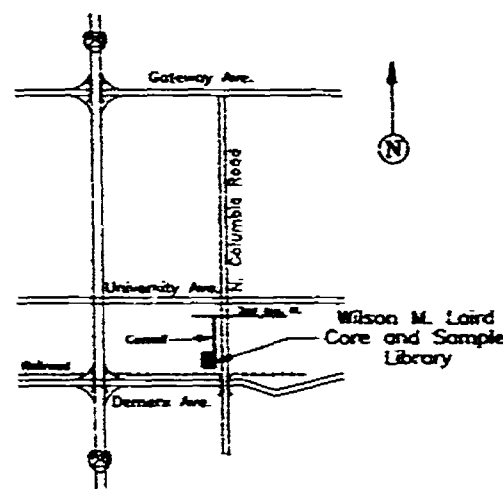


The Fossil Resource Management program of the NDGS has two main objectives: 1) To promote public understanding and awareness of the importance of North Dakota's fossil resources through educational activities; and 2) To identify and preserve North Dakota's significant fossil sites and specimens. Information about North Dakota's fossils is incorporated into the State's overall resource management plan.

OUR LOCATIONS

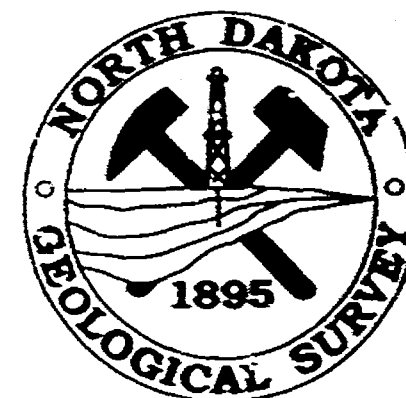


CITY OF BISMARCK



CITY OF GRAND FORKS

NORTH DAKOTA GEOLOGICAL SURVEY



State of North Dakota

Industrial Commission

John Hoeven, Governor

Wynne Stenehjem, Attorney General

Roger Johnson, Commissioner of Agriculture

John P. Blumie, State Geologist

ADMINISTER REGULATORY PROGRAMS

The North Dakota Industrial Commission, acting through the office of the State Geologist, has regulatory authority over core and drill samples, lignite exploration, geothermal resources, paleontological resources, subsurface minerals, and Class III injection wells.

State law requires permits for lignite exploration, subsurface mineral exploration and development, paleontological resource investigations on state land, installation of geothermal energy systems (ground source heat pumps), and use of Class III injection wells. In addition, these programs may require reports to be filed with the NDGS. Please contact the NDGS if you have any questions regarding permits or regulatory programs.

In addition to direct regulatory authority, the Geological Survey acts as an advisor, providing geological information to other state, local, and federal agencies to assist them in their regulatory duties. The Survey also advises the U.S. Forest Service, Army Corps of Engineers, Bureau of Land Management, and Bureau of Reclamation on issues regarding management of paleontological resources on these federally administered lands in North Dakota.

The State Geologist serves as an advisor on a number of boards, including the North Dakota Air Pollution Control Advisory Board, the Water Pollution Control Board, the Lignite Research Council, and the Interstate Oil & Gas Compact Commission.



PROVIDE GEOLOGIC INFORMATION TO THE PUBLIC

The Geological Survey serves as the primary source of geologic information in the State. Geological information is available in the form of:

- *NDGS technical publications and maps,
- *NDGS Educational Series publications,
- *Comprehensive collections of cores, samples, and fossils,
- *Lignite and subsurface mineral records,
- *Digital soil survey coverages,
- *Digital geologic coverages,
- *NDGS Newsletter,
- *Workshops and field trips.

This geological information is used regularly by industry, academic, and government personnel as well as by persons wanting to learn more about the geology and mineral resources of North Dakota. NDGS geologists respond to thousands of e-mail, letter, and telephone inquiries each year. NDGS geologists also meet with hundreds of visitors every year responding to their technical questions.

The *List of Publications*, available upon request, contains a complete listing of publications of the NDGS.

EARTH SCIENCE INFORMATION CENTER

The NDGS is an affiliate of the Earth Science Information Center (ESIC) network, coordinated by the U.S. Geological Survey. As an ESIC affiliate, the NDGS provides geologic, hydrologic, topographic and land-use maps, aerial, satellite and radar images, and geodetic data, not just for North Dakota, but for all 50 states. The NDGS also serves as a topographic map sales outlet and a clearinghouse for digital spatial data.

GIS CENTER

The NDGS GIS Center utilizes ARC/INFO geographic information system (GIS) software to produce and manipulate map data. The use of a GIS allows our geologists to quickly and accurately bring together the vast amounts of data needed to provide answers to the many natural resource and environmental questions faced by the State's decision makers. Digital geologic and soil survey data are also available to the public from our GIS Center.

SOIL COMPILATION PROGRAM

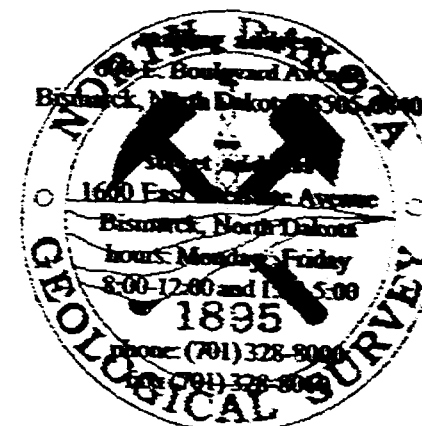
The NDGS has a cooperative agreement with the U.S. Natural Resources Conservation Service to compile and digitize all of the soil maps in North Dakota. The final soil maps include both a paper copy and a digital version. The digital versions are beneficial to farmers engaged in activities such as precision farming and are useful to city, state, federal, and county governments, as well as to private consultants.

SURVEY STAFF

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NORTH DAKOTA GEOLOGICAL SURVEY

John P. Blaznik, State Geologist



Wilson M. Laird Core & Sample Library
P.O. Box 8156 University Station
Grand Forks, North Dakota 58202-8156
phone: (701) 777-2231
fax: (701) 777-2857

The Wilson M. Laird Core and Sample Library is located on the campus of the University North Dakota in Grand Forks.

Web Site:
<http://www.state.nd.us/ndgs/>



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North Dakota Geological Survey

INDUSTRIAL COMMISSION

John Hoeven - Governor, Chairman

Wayne Stenehjem - Attorney General

Roger Johnson - Commissioner of Agriculture

John P. Bluemle, State Geologist

TESTIMONY BEFORE THE SENATE APPROPRIATIONS COMMITTEE January 8, 2001

Introduction

Mr. Chairman and members of the Committee. My name is John Bluemle. I am state geologist and director of the North Dakota Geological Survey, a division of the Industrial Commission. I've been with the Geological Survey for 39 years, the past eleven years as state geologist.

The North Dakota Geological Survey shares rented office space and some staff with the Oil and Gas Division of the Industrial Commission. Our two agencies are located in the Jones-Lindberg Building, which is owned by and located just north of Basin Electric Company on East Interstate Avenue. Basin has cancelled our lease and we will be moving to a new location next summer.

Two of our staff people have their offices at the Heritage Center in our paleontology laboratory. In addition to our offices here in Bismarck, we have a large core and sample library in Grand Forks on the UND campus and three people are stationed there. Core and samples from wells drilled for oil and gas are housed in the core library.

The Geological Survey's mission is threefold:

- 1) to investigate and report the geology of North Dakota emphasizing the state's energy resources and stressing applied research leading to economic benefits or quality of life improvements for residents of the state;
- 2) to provide public service, and to collect, create, and disseminate geologic and map-related information; and
- 3) to administer regulatory programs for the ND Industrial Commission and act in an advisory capacity to other state, federal, and local agencies.

The green-colored sheet included with my testimony lists all of the Geological Survey's statutory duties. The blue sheets summarize our activities.

Regulatory Responsibilities

The Geological Survey is not primarily a regulatory agency, but we do have several specific regulatory duties which I have listed here:

- Oil well core and drill samples (+ other subsurface samples); Wilson M. Laird Core and Sample Library in Grand Forks
- Coal exploration
- Geothermal resources
- Paleontological (fossil) resources
- Subsurface minerals
- Class III Injection wells (solution mining)
- Conflict resolution regarding subsurface mineral production.

Our main regulatory responsibility relates to oil-well core and samples and to our core and sample library. We regulate coal exploration. We issue permits for commercial geothermal installations, such as those being installed at schools and public buildings. We oversee the collecting of fossil resources on public lands. We regulate subsurface mineral production.

We evaluate the occurrence and economic value of minerals on State of North Dakota land for the Land Department. This involves mainly oil and gas.

Technical Investigations

Beginning on page 2 of my blue sheets, I've listed most of the various kinds of technical investigations our geologists conduct.

Most of our studies are intended to either directly or indirectly lead to future economic benefits to the State. Some of our work is intended to increase our basic technical knowledge of the geology of North Dakota; some is intended to provide citizens with basic information about the State.

About a third to a half of our total agency effort is directed at understanding the geology of the rocks that produce oil and gas. We also identify and evaluate other economic minerals, such as clay, lignite, salt, potash, sodium sulphate, Leonardite, cement rock, and gravel. We investigate the geologic hazards relating to landfills and lagoons. We identify, map, and evaluate areas prone to slumping and landsliding. We have recently responded to increased numbers of requests from companies seeking information about methane occurring in coal – coalbed methane.

Our geologists are currently dealing with a variety of technical topics – the geology, flooding and fluctuating level of Devils Lake; detailed geologic mapping in the Bismarck-Mandan and Grafton areas; climate change; our fossil resources; and various others.

Since 1997, we have had five technical staff persons devoted exclusively to compiling and digitizing county soils maps for North Dakota. We work with the Natural Resources

Conservation Service in this effort. When we took over the soils program in 1997, we projected that it would take ten years – we still expect to complete the work by 2007.

Public Information

Last year we responded to about 5,000 requests for information about North Dakota geology. We have an extensive Internet Home Page that includes a variety of kinds of geologic data and general information about the geology of North Dakota.

Our geologists give a lot of public presentations. We produce a variety of educational materials, including guidebooks, maps, and other non-technical publications and exhibits. We work with the various universities and colleges in North Dakota in providing various kinds of public information.

We recently received a donation of leaf fossils, along with a monetary donation of \$200,000 to insure their proper preparation and display, and to pay for the cost of renovating our paleontology laboratory. We restored a fossil mosasaur (a 65-million-year old ocean-dwelling beast) and a champsosaur (a 55-million-year old crocodile-like animal), and both of these are now displayed at the Heritage Center. We have also helped with displays for the State Museum at Pembina and we have worked with private museums like the Pioneer Trails Museum in Bowman, the Dickinson Dinosaur Museum, and the Paul Broste Rock Museum in Parshall.

The Geological Survey operates the North Dakota Earth Science Information Center – ESIC for short – providing a variety of topographic and natural resource maps and other kinds of earth-science information to the public. Through our ESIC office, we act as a clearing house for the sale of air photos, topographic maps, and other kinds of maps. We sold about 6,000 maps last year. We also operate North Dakota's global positioning system (GPS) base station at Bismarck State College.

Discussion

We collect and store all oil-well core and samples and make it available for study in our core and sample library in Grand Forks. Most of the usage is by oil industry and private consultants, as well as by our own geologists. We have a more complete collection of all the oil-well cores that have been cut in our State than does any other state. In fact, we have about 90 miles of core stored in our core library and samples and cuttings representing about 100 million feet of drilling in North Dakota.

Our core collection is one of the most important "tools" the State offers for promoting oil and gas exploration and development in North Dakota. Virtually all of the exploration for oil and gas that takes place in North Dakota benefits from core studies done at our core library. Much of the exploration simply would not happen if the core wasn't available for

study.

Most of you are probably aware of the fact that 2001 is the Fiftieth Anniversary of the discovery of oil in North Dakota. It would be hard to overstate the importance of that event in our State's history – economically and socially. We are busy with plans to help in commemorating the occasion.

For each of the past eight years, we have worked closely with our counterparts in Saskatchewan, the Saskatchewan Energy and Mines, in organizing and running an annual Williston Basin Horizontal Well Workshop. The workshops alternate between North Dakota and Saskatchewan. The Ninth Annual Workshop will be in Regina, April 29 - May 1 and I again expect 500 or more oil-industry people to attend.

The Horizontal Well Workshops have been especially effective in bringing Americans and Canadians together to discuss geologic and engineering topics of mutual and specific interest and to share ideas about horizontal drilling in the Williston Basin. Our goal was to encourage horizontal drilling and, by all measures, we have successfully accomplished that. Also, as a result of the Workshops, Canadian companies have greatly increased their investment in North Dakota.

As the Geological Survey, probably our most basic and important task is to map the geology of North Dakota. This is how we determine where our mineral resources are located and what they are worth. It's also the way we identify geologic hazards so they can be dealt with effectively. And it's how we learn about North Dakota's geology, where the fossils are found, why our climate is changing, and any number of other earth-science issues.

Geologic mapping is recognized as being so important to our nation's well-being that, about ten years ago, Congress passed a National Mapping Program and has increased funding substantially for it every year since. Money is available to pay for approximately half of the cost of geologic mapping by those state geological surveys that have a means of matching the federal funding. This is funding that is provided exclusively to state geological surveys and most of the state surveys are utilizing the funding to the fullest. We've been able to apply for only about a quarter of what is available to us, because we don't have sufficient staff to do the work (or to provide the match). Part of our problem is our very small staff, part of the problem is the rapid turnover we've seen in recent years, and part of our problem is the very short field seasons we have to accomplish our work – a problem that has been recently compounded by repeated natural disasters, mainly flooding.

North Dakota Geological Survey Budget

We currently operate with a total FTE staff of 22.15. Our budget for the 1999 - 2001 biennium is 2.5 million dollars. This is distributed among salaries (\$1,977,062), operating (\$485,209), and equipment (\$39,020) and comes from the following sources:

General Fund:	\$2,422,291
Federal Funds:	79,000
Special Funds:	None

In order to comply with Governor Schafer's 100% budget guideline and to meet projected increased costs, we had to make cuts in several areas, which included deleting one FTE position from our staff. However, the Governor's Executive Budget recommended approval of our request for an information technology coordinator, to be shared between the Geological Survey and the Oil and Gas Division (half an FTE position assigned to each agency).

The Executive Budget calls for a net loss of 0.5 FTE positions for the North Dakota Geological Survey during the next biennium.

Increased motor pool costs will make it necessary for us to cut back on our field operations. Rental costs for our office space will increase. We will have to pay a new risk-management fee next biennium. Information Technology Division rates for data processing will increase, along with ITD telecommunications costs for analyst charges. We need to deal with these substantial ITD increases in order to maintain our present computer capability, which includes considerable specialized cartographic GIS applications - it is not typical and routine GIS work.

Under Governor Schafer's Executive Budget recommendation for 2001 - 2003, our overall budget allowance would increase slightly, from \$2,508,291 to \$2,680,736. The breakdown is as follows:

Salaries:	\$2,156,388	General Funds:	\$2,594,735
Operating:	484,348	Federal Funds:	86,000
Equipment:	40,000		

Amendment to Senate Bill 2015

We were recently notified that we are losing our lease for the existing office space we have been renting from Basin Electric Company for the past 3½ years. We learned this too late to take into account in our budget preparation. After a thorough analysis of space available in Bismarck and Mandan, we have determined that new office space is going to cost us somewhat more than we have been paying and we have not yet found a definite place to

rent. We are also facing expenses for moving and for wiring the state computer network system in our new office space, wherever that may be.

OMB has recommended the addition of \$71,567 for the Geological Survey and Oil and Gas Division – \$35,800 to each agency to cover these additional costs relating to our moving. This is included in an amendment to Senate Bill 2015.

This is a bare minimum, but we hope it will be adequate to make it possible for our two agencies to move into new office space.

STATUTORY DUTIES OF THE NORTH DAKOTA GEOLOGICAL SURVEY

John P. Bluemle, State Geologist

Complete listing of the statutes governing the North Dakota Geological Survey and the state geologist. I've included a very brief description for each statute. Listed numerically by Chapter.

NDCC 15-05-07 Leasing Coal, Oil, Gas, and Other Rights (Determine where coal exists)

The state geologist helps the board of university and school lands determine the quantity and description of lands containing coal.

NDCC 15-05-16 Leasing Coal, Oil, Gas, and Other Rights (Reports)

The state geologist or state department of health, if requested by the board of university and school lands, must evaluate land that may contain minerals.

NDCC 23-20.2-03 Disposal of Nuclear and Other Waste Material

The state geologist oversees operations relating to the disposal of radioactive waste.

NDCC 23-25-02(2) Air Pollution Control

The state geologist serves on the air pollution control advisory council.

NDCC 23-29-07.6 and 07.7 Solid Waste Management

The state geologist develops preconstruction site reviews for solid waste disposal facilities and the state geologist reviews existing municipal waste landfills [the latter work has been completed]

NDCC 23-33-10 Groundwater Protection; Wellhead Protection Program

The state geologist assists in the Health Department's wellhead protection program.

NDCC 38-08-04(1-k) Control of Gas and Oil Resources (Core and Samples)

The state geologist requires filing of cores and samples with the NDGS. The NDGS maintains a Core and Sample Library (also 54-17.4-04).

NDCC 38-08-04.2 Control of Gas and Oil Resources

The industrial commission may designate the state geologist as the chief enforcement officer.

NDCC 38-11.1 Oil and Gas Production Damage Compensation

The state geologist provides a letter of notice to surface owners concerning the right of compensation for damages caused by oil and gas operations.

NDCC 38-12 Regulation, Development, and Production of Subsurface Minerals
This chapter covers minerals not included in the oil and gas and coal regulatory programs.

NDCC 38-12.1 Exploration Data
Drilling for coal exploration or evaluation is regulated under this chapter.

NDCC 38-14.1-03 (12) Surface Mining and Reclamation Operations
The state geologist assists in promulgating regulations for the protection of water resources affected by surface coal mining operation.

NDCC 38-15 Resolution of Conflicts in Subsurface Mineral Production (also see NDCC 38-12).
The state geologist acts as supervisor charged with enforcing industrial commission orders ... if there is a conflict between the Oil and Gas Conservation Act and production of other natural resources.

NDCC 38-19 Geothermal Resource Development Regulation
Geothermal (ground source) commercial heating and cooling systems require a permit from the NDGS. A permit is not required for private residential systems.

NDAC 43-02-02.1 Underground Injection Control Program (Class III Injection Wells) (authority under NDCC 38-12-02).
Regulates solution mining of salts. State geologist supervises enforcement of regulations and orders of the commission applicable to the underground injection control program for Class III disposal wells.

NDCC 54-17.3 Paleontological Resource Protection
Paleontological resources, on land owned by the State of North Dakota and its political subdivisions, are protected and managed under this chapter.

NDCC 54-17.4 Geological Survey
This is the new enabling legislation, passed in 1989, at the time the Geological Survey was moved from Grand Forks to Bismarck. The original enabling legislation dates to 1895.

NDCC 61-28-03 Control, Prevention, and Abatement of Pollution of Surface Waters
The state geologist serves on the state water pollution control board.

NORTH DAKOTA GEOLOGICAL SURVEY

General Background and Staff

Mission

The NDGS has a three-fold mission:

- 1) to investigate and report the geology of North Dakota emphasizing the state's energy resources and stressing applied research leading to economic benefits or quality of life improvements for residents of the state;
- 2) to provide public service, and to collect, create, and disseminate geologic and map-related information; and
- 3) to administer regulatory programs for the ND Industrial Commission and act in an advisory capacity to other state, federal, and local agencies.

Regulatory Programs:

- Oil well core and drill samples (+ other subsurface samples); Wilson M. Laird Core and Sample Library in Grand Forks
- Coal exploration
- Geothermal resources
- Paleontological (fossil) resources
- Subsurface minerals
- Class III injection wells (solution mining)
- Conflict resolution regarding subsurface mineral production.

NDGS Staff

Survey staff currently consists of 22.15 FTE staff. In addition to the State Geologist, these include:

- nine geologists
- a business manager (shared with the Oil and Gas Division)
- 12 technical support people.

Five of our technical support staff are devoted exclusively to compilation and digitizing of soils data. During the 1997 Legislative Session the NDGS was assigned responsibility for compiling and digitizing soils maps in North Dakota. Since that time, NDGS and the Natural Resource Conservation Service (NRCS) have been participating in a cooperative project to compile and digitize the soil resources of North Dakota (prior to 1997, the North Dakota Soil Conservation Committee was the state agency dedicated to this project).

Core and Sample Library

In addition to our offices and warehouse in Bismarck, the NDGS maintains the Wilson M. Laird Core and Sample Library on the campus of the University of North Dakota in Grand Forks. We maintain about 90 miles of core there, along with samples and cuttings representing about 100 million feet of drilling in North Dakota. The core library is used extensively by oil explorationists, students and researchers from all over the world, as well as by our own geologists. All of our core library services are provided without charge. We have three FTE employees at our Core and Sample Library in Grand Forks.

Agency Statistics

(Summary: The demand for Survey services is generally increasing; core-library usage is recently up sharply, indicating future increased oil-industry activity)

NDGS staff responded to 3,877 documented requests for information during 1999 and 2,789 requests during the first six months of 2000. Requests for information during 1999 were up 6% over 1998 and they are

currently up about 50% over 1999.

North Dakota is currently seeing an increase in oil exploration. Recent user trends at the Survey's core library presage further oil-industry activity; oil companies study core in preparation for future exploration and development work. If crude prices remain at reasonable levels, this should hold true in the coming months.

Technical Geologic Studies, Activities, and Techniques

(Summary: this is a partial listing of technical projects of NDGS staff. Most of our studies are designed to either directly or indirectly lead to future economic benefits to the State; our main emphasis is on oil and gas resources and on environmental concerns; some studies are intended to increase our basic technical knowledge of the geology of North Dakota; others are intended to provide citizens with basic information about North Dakota).

Oil and Gas Studies. The NDGS assesses the amount of undiscovered hydrocarbon resources in the State. Resource assessments are useful for long-range planning and attracting new business. We provide current summary data from our studies for interested parties. We have four full-time petroleum geologists. Our main goal is to point out opportunities for new exploration.

The Geological Survey concentrates on three areas of oil and gas investigations:

- Regional studies of oil- and gas-producing formations to identify new producing trends or to provide new reasons to re-examine existing trends
- Detailed studies of existing oil and gas fields
- Analog studies in the search for oil fields similar to known ones or as a geologic framework for secondary-recovery projects to recover remaining oil after depletion using conventional production techniques

Wilson M. Laird Core and Sample Library. Our Core and Sample library on the UND campus in Grand Forks contains the most complete collection of oil-well core for any state in the United States. Study of core samples in our Core and Sample Library is a primary tool for oil-industry people. NDGS petroleum geologists also use the core in their studies.

Oil and Gas Reserves Estimates.

- We provide estimates of Williston Basin gas reserves as part of our membership in and involvement with the National Potential Gas Committee
- We provide a two-year summary of oil and gas activity in North Dakota (provided biennially, prior to the biennial meeting of the North Dakota Legislature - currently in press)
- We advise the US Geological Survey on their national assessments, which they conduct every five years
- We provided estimates of the undiscovered hydrocarbon resources to the US Forest Service for the Little Missouri National Grasslands.

Annual Horizontal Drilling Workshop. Since 1993, the NDGS, in cooperation with the Saskatchewan Energy and Mines, has organized and hosted the International Williston Basin Horizontal Well Workshop. The 9th Workshop will be held in Regina, April 29 - May 2, 2001. We can expect over 500 Americans and Canadians to attend. The series of workshops has:

- 1) resulted in much more rapid dissemination of horizontal drilling technology than would have otherwise occurred, and
- 2) resulted in greatly increased Canadian investment in the North Dakota oil and gas industry.

Coal-Assessments. The NDGS has, for six years, had a cooperative program with the USGS, funded in part by the National Coal Resource Data System (NCRDS) and the National Coal Assessment Program. The Survey digitally compiled 12,000 non-confidential coal holes from our files into the NCRDS database. We have now begun to enter picks of coal intervals on gamma logs from oil and gas wells. This second phase of the project should be completed in 2001.

Coalbed Methane Evaluations . Numerous companies have expressed interest in the coalbed methane potential of lignites in the Williston Basin. We recently compiled and made available a series of Open-File Reports describing thick, deeply buried coals in an effort to stimulate coalbed methane exploration. This recently compiled data base will be valuable in the evaluation of a new mine site that may result from recent efforts to establish a new coal-fired power plant in western North Dakota. These data have been provided to the Lignite Energy Council and to the Dunn County Economic Development Group.

The current interest in coalbed methane demonstrates the importance of evaluating North Dakota mineral resources on an ongoing and broad scale. It is impossible to predict when a new technology, or developing interest is going to arouse interest in a previously undeveloped resource.

Technical/Computer Applications and Software – The North Dakota Geological Survey recently acquired PETRA™, a petroleum-oriented integrated software package. This allows us to quickly and accurately make maps of the subsurface and evaluate oil and gas data. We recently completed a unit proposal evaluation for the State Land Department and we are currently using PETRA™ to evaluate two more proposals for unitization of the Cedar Hills horizontal Red River "B" Field in Bowman County.

A Sampling of Recent Technical Studies. The items listed here are a sampling of ongoing and recent work:

Technical Studies Relating to Oil and Gas:

- Bakken Formation studies: "Bakken Formation: Horizontal Drilling - Successes and Failures;" and a paper in press: "Diagenesis and Fracture Development in the Bakken Formation: Williston Basin: Implications for Reservoir Quality in the Middle Member;"
- Research on the Lodgepole Formation involves the construction of Lodgepole correlation cross sections;
- Cross-sections of Devonian/Mississippian black shale, examining the relationship between the Bakken and Englewood formations, where biostratigraphic control is best;
- Williston Basin East Flank study of the Red River Formation;
- Madison Formation Source Rock study;
- Ongoing study of diagenesis of Sherwood interval in Lucky Mound Field;
- Exhaustive study of Cedar Hills Red River Field, a giant oilfield with reserves estimated to be in excess of 100 million barrels of oil;
- Evaluations of Cedar Hills Unit (at the request of the State Land Department).

Technical Studies of Surface Geology

- Studies resulting in articles for a special Geological Society of America volume on the Hell Creek Formation in North Dakota (all of North Dakota's dinosaur fossils come from the Hell Creek Formation);
- A nontechnical report on the Little Missouri River badlands is nearly ready for publication along with a technical report on the geology of Theodore Roosevelt National Park, which is located in the Little Missouri badlands;
- Studies of erosion rates in gullies in western North Dakota to determine whether grazing is excessive;
- Studies of distribution, age, and causes of landslide topography in western North Dakota;
- Evaluation of the flooding problem in the Red River Valley (causes, means of remediation);
- Research on the extinction of [fossil] sharks in North Dakota at the end of the Cretaceous

Geologic Mapping

(Summary: This is absolutely basic and fundamental for the NDGS – geologic maps provide information for a variety of economic, environmental, and information purposes. The federal National Mapping Program provides funding to the 50 state geological surveys to encourage such mapping (STATEMAP), but because of our small staff, we have utilized less than half of the full amount of funding that would be available to the NDGS. We currently have three FTE positions dedicated to mapping, but the Executive Budget recommendation for 2001 - 2003 calls for a reduction of one FTE for the NDGS and this will probably have to come from our mapping staff.)

Recent Geologic Maps Completed. All of our geologic maps are produced digitally on our GIS (we are among the first of the state geological surveys that has switched entirely from hand drafting to computer-

manufacture of geologic maps). We are moving toward plotter output of all map products, although we are still providing some new printed map products. NDGS geologists have recently completed the following geologic maps:

- Nine 7.5-minute quadrangles in the Bismarck-Mandan area. This mapping was done over a three-year period. Seven quads were mapped through the STATEMAP program (partial federal funding) and two through the EDMAP program (also involving some federal funding).
- A 7.5-minute quadrangle was mapped through the EDMAP program in an area of complex glacial landforms in central North Dakota (Velva area).
- A STATEMAP-funded 1 x 1 degree area in northeastern-most North Dakota at a scale of 1:100,000.
- A new 1:1,000,000-scale geologic map of North Dakota to accompany a new, non-technical report on the geology of the State.
- Landslide occurrence maps at a scale of 1:24,000 over an area of 8,300 km² in western North Dakota. This is the first time that landslides have been mapped in detail over a large area of North Dakota. This is expected to be a multi-year project that will continue until all of the state's slide-prone areas have been mapped.

Landslides. In spite of its overall level topography, North Dakota has among the most severe landsliding problems in the US – statewide, not just in rugged areas. The North Dakota Department of Transportation recently spent an estimated five million dollars repairing damage from landslides affecting the two main highways crossing the northern badlands area. We have provided digital and paper maps of the landslide-prone areas to NDDOT because their engineers were unaware of the presence of numerous ancient landslides in these areas. Such slides are commonly reactivated as a result of new construction. Results of our work were also presented at this year's Annual National Meeting of Highway Engineers in June, and at the Annual Meeting of the Geological Society of America in Reno, NV, November 13, 2000.

Cartographic/Geographic Information Systems (GIS) Laboratory – The Survey's GIS lab has recently been involved in producing maps and digital databases for the STATEMAP Program, working on flood-plain maps for the Grand Forks - East Grand Forks area, and others. Some new maps produced in our GIS Lab include:

- A new geologic map of North Dakota (1:1,000,000)
- digital soil conversion for the State Soils Geographic Database (SSURGO) Program
- A geologic map of the Sheyenne Grasslands in southeastern North Dakota (scale 1:90,000)
- Compilation of new Legislative Districts maps (request of the Secretary of State's Office)
- A map showing the locations of landslides in western North Dakota, and a geologic map of Dunn County (scale 1:125,000).

Soils Compilation and Digitizing

(Summary: At the direction of the 1997 Legislature, the NDGS began compiling and digitizing of soils maps in North Dakota. This project had been ongoing by the Soil Conservation Committee when we were directed to take it over. Approximately 53% of the soil maps in the State have thus far been compiled and digitized. We expect the entire program to be completed by 2007, ten years after the time we became responsible for the program.)

Since 1997, the North Dakota Geological Survey (NDGS) and the Natural Resource Conservation Service (NRCS) have been participating in a cooperative project to compile and digitize the soil resources of North Dakota. Prior to 1997, the North Dakota Soil Conservation Committee was the state agency involved with this project. The Geological Survey employs four soils compilers and one digitizer specifically to complete the necessary work.

The NRCS determines the order in which counties will be compiled, based on availability of material (photographic base) and available funding or interest expressed by a given county. When either the Geological Survey or NRCS is notified of a specific need or interest in a particular area, we attempt to prioritize that county.

The program involves six main tasks: 1) compilation, 2) editing, 3) edge matching, 4) scanning, 5) digitization, and 6) certification.

Paleontology

(Summary: We conduct studies to understand our fossil resources (and thereby our geologic history), we provide fossil exhibits for the Heritage Center and other museums in North Dakota, and we encourage appreciation of our fossil resources through public "digs" and other means. The NDGS has one paleontologist and a fossil preparator on staff.)

Fossil Leaf and Monetary Donation. The NDGS received a gift of Paleocene-age fossil leaves that were "rescued" from a road-construction project near Williston by Mr. Clarence Johnsrud, who also donated \$200,000 to our Fossil Restoration Fund. Part of this money was used to fund the construction of an exhibit titled "North Dakota Everglades," at the North Dakota Heritage Center. Most of the remaining funds were used to equip a new Paleontology Laboratory.

Mosasaur Donation. Orville and Beverly Tranby of Cooperstown, North Dakota donated a complete skeleton of a new species of mosasaur (the monetary value of the specimen is unknown but it is likely worth several hundred thousand dollars). The mosasaur was restored by our fossil preparator, Johnathan Campbell, and is now on display at the North Dakota Heritage Center.

Fossil "Digs". The NDGS, with the cooperation of the North Dakota Departments of Tourism and State Parks, ran a one-week public fossil "dig," in the Pembina Gorge in northeastern North Dakota to examine marine Cretaceous shales in the area that contain mosasaur and other fossil bones. The event could have been much larger than it was - 50 people participated - had there been room for them.

Earth Science Outreach

(Summary: "Outreach" includes a variety of ways we provide general nontechnical information to the public about the geology of North Dakota. It includes maps, reports, talks, information on our web site, and other means of "getting the information out." We have no staff dedicated specifically to outreach; our geologists do this as an additional duty).

Earth-Science Information Center (ESIC) - The Survey's ESIC works with the public, industry, government, and education communities to provide a convenient, single-entry-point access to state and federal data and products. The ESIC is one of 65 affiliates that the USGS sponsors throughout the United States. These affiliates serve as the public's primary source of cartographic, geographic, and remotely sensed data, as well as aerial photography and publications. NDGS is the only place in North Dakota where all topographic maps of the state can be obtained. We provide both federally-produced products and our own materials.

Publications - Probably the most-important way that we release geologic information to the public is through our publications, both technical and popular.

Public Outreach - The NDGS public outreach and information program is directed mainly at K-12 teachers. NDGS geologists regularly lead field trips and present talks, demonstrations, and slide shows for schools, universities, civic groups, and professional organizations.

Web Page - The NDGS opened its Home Page on the World Wide Web (<http://www.state.nd.us/ndgs/>) in 1997 and we have continued to add to and improve it since then. The website contains information on NDGS products and staff, publications available, holdings in the NDGS information office, and electronic versions of several publications. We can now accept online orders for publications. The website has recently been reorganized, making it easier to use the databases we provide.

Our website consistently averages about 30 hits a day. Use of the Home Page allows clients to directly access and download many kinds of data that, in the past, they had to obtain by other means from the Survey.

Personnel

(Summary: We have a serious problem, both in hiring and retaining professional staff, because of difficulty competing with the salaries paid by private industry, federal, and other state geological surveys. A current nationwide shortage of geologists further complicates our hiring problems. We experience less difficulty hiring good clerical staff because the state offers excellent benefits).

During the past year and a half we have lost several of our professional staff and hired replacements. Geologist Ann Fritz (surface geologic mapping) left the Survey for a part-time position with the State Health Department. After a search that took nearly a year, we hired Dr. Mark Gonzalez as her replacement (Mark is originally from Bismarck).

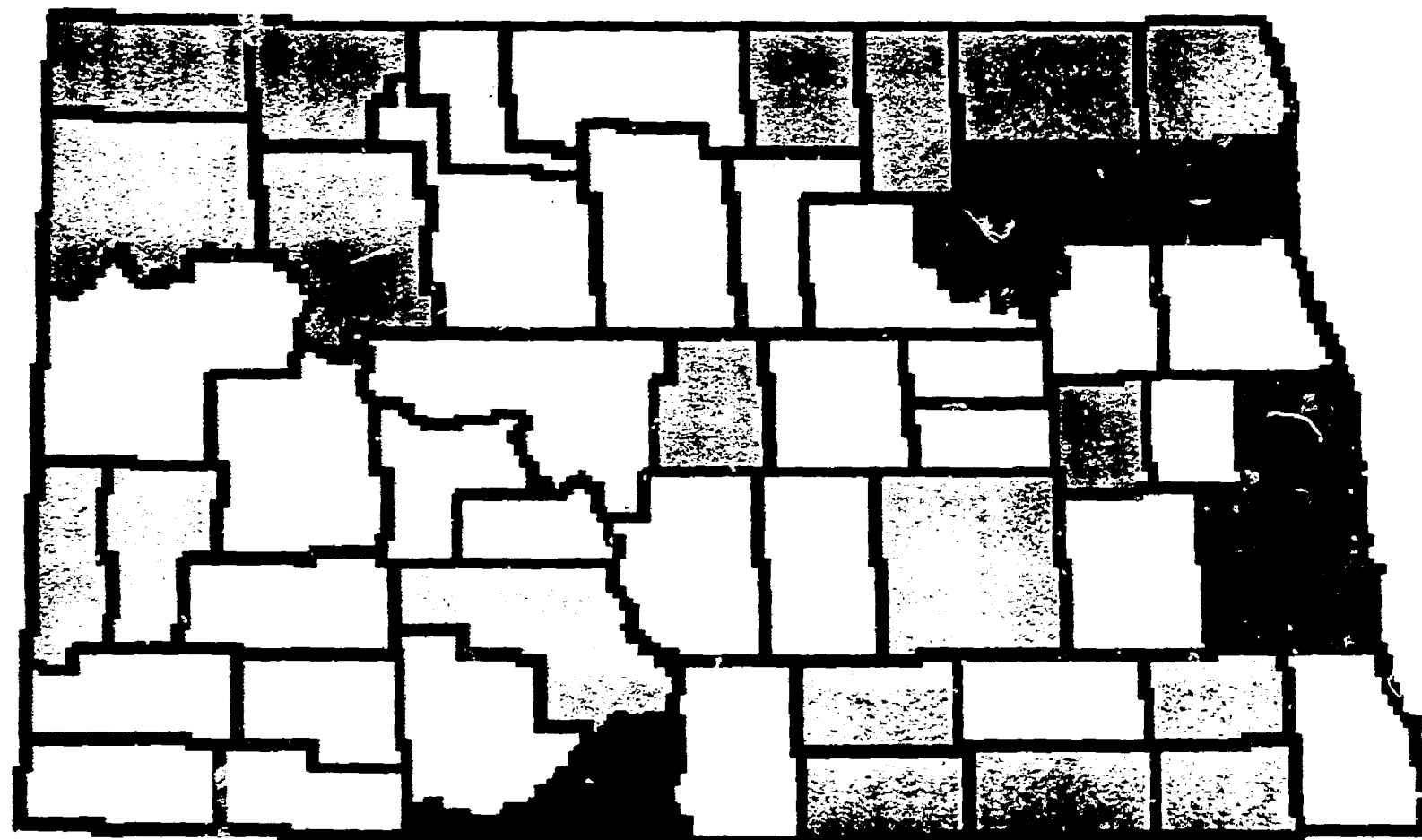
After working for us for 2½ years, geologist Karen Mitchell (surface geologic mapping) recently resigned to move to the Seattle area. We recently began a search for her replacement, conducting interviews at the annual meeting of the Geological Society of America in Reno (Nov. 13 - 17). Up to now (12/17/00) we have been unsuccessful in finding any suitable candidates for the position. In view of the recent Executive Budget Recommendation (deleting one FTE position) for 2001 - 2003, I may have to suspend this search.

We filled the position of Paleontology Laboratory Technician, following its creation during the 1999 Legislative Session. This person devotes his time to collecting and restoring fossil specimens.

We have a new Drafting Technician and a new Publications Clerk. We recently hired a new Data Processing Coordinator (replaces one who resigned - this position is shared 50/50 with the Oil and Gas Division). We have had a part-time person (Geologist I level) working at compiling a database that will be helpful in any coal-bed methane exploration; I've requested an FTE Geologist I position for the past several biennia, but it was not included in the Executive Budget Recommendation for 2001 - 2003.

SB 2015

Progress of the North Dakota Soils Project December 2000



Counties that have passed
SSURGO Certification



Currently under review at
NRCS- Montana office



Currently being worked on
by ND Geological Survey



No Progress



North Dakota Geological Survey

John P. Bluemle, State Geologist

INDUSTRIAL COMMISSION

John Hoeven - Governor, Chairman

Wayne Stenehjem - Attorney General

Roger Johnson - Commissioner of Agriculture

ENGROSSED SENATE BILL 2015 TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE March 7, 2001

Introduction

Mr. Chairman and members of the Committee. My name is John Bluemle. I am state geologist and director of the North Dakota Geological Survey, a division of the Industrial Commission. I've been with the Geological Survey for 39 years, the past eleven years as state geologist.

The North Dakota Geological Survey shares rented office space and some staff with the Oil and Gas Division of the Industrial Commission. Our two agencies are located in the Jones-Lindberg Building, which is owned by and located just north of Basin Electric Company on East Interstate Avenue. Basin has cancelled our lease and we will need to move to a new location next summer. I'll comment on that later.

Two of our staff people have their offices at the Heritage Center in our paleontology laboratory. In addition to our offices here in Bismarck, we have a large core and sample library in Grand Forks on the UND campus and three of our people are stationed there. Core and samples from wells drilled for oil and gas are housed in the core library.

The Geological Survey's mission is threefold:

- 1) to investigate and report the geology of North Dakota emphasizing the state's energy resources and stressing applied research leading to economic benefits or quality of life improvements for residents of the state;
- 2) to provide public service, and to collect, create, and disseminate geologic and map-related information; and
- 3) to administer regulatory programs for the ND Industrial Commission and act in an advisory capacity to other state, federal, and local agencies.

The green-colored sheet included with my testimony lists all of the Geological Survey's statutory duties. The blue sheets summarize our activities.

Regulatory Responsibilities

The Geological Survey is not primarily a regulatory agency, but we do have several specific regulatory duties which I have listed here:

- Oil well core and drill samples (+ other subsurface samples); Wilson M. Laird Core and Sample Library in Grand Forks
- Coal exploration
- Geothermal resources
- Paleontological (fossil) resources
- Subsurface minerals
- Class III injection wells (solution mining)
- Conflict resolution regarding subsurface mineral production.

Our main regulatory responsibility relates to oil-well core and samples and to our core and sample library. We regulate coal exploration. We issue permits for commercial geothermal installations, such as those being installed at schools and public buildings. We oversee the collecting of fossil resources on public lands. We regulate subsurface mineral production.

We evaluate the occurrence and economic value of minerals on State of North Dakota land for the Land Department. This involves mainly oil and gas.

Technical Investigations

Beginning on page 2 of my blue sheets, I've listed most of the various kinds of technical investigations our geologists conduct.

Most of our studies are intended to either directly or indirectly lead to future economic benefits to the State. Some of our work increases our basic technical knowledge of the geology of North Dakota; some provides citizens with basic information about the State.

About a third to a half of our total agency effort is directed at understanding the geology of the rocks that produce oil and gas. We also identify and evaluate other economic minerals, such as clay, lignite, salt, potash, sodium sulphate, Leonardite, cement rock, and gravel. We investigate the geologic hazards relating to landfills and lagoons. We identify, map, and evaluate areas prone to slumping and landsliding. We have recently responded to increased numbers of requests from companies seeking information about methane occurring in coal – coalbed methane.

Our geologists are currently dealing with a variety of technical topics – the geology, flooding and fluctuating level of Devils Lake; detailed geologic mapping in the Bismarck-Mandan and Grafton areas; climate change; distribution of lignite resources; the distribution of fossil resources; and various others.

Since 1997, we have employed five technical staff persons devoted exclusively to compiling and digitizing county soils maps for North Dakota. We work with the Natural Resources Conservation Service in this effort. When we took over the soils program in 1997, we projected that it would take ten years – and we are on track to complete the work by 2007.

Public Information

Last year we responded to about 5,000 requests for information about North Dakota geology. We have an extensive Internet Home Page that includes a variety of kinds of geologic data and general information about the geology of North Dakota.

Our geologists give a lot of public presentations. We produce a variety of educational materials, including guidebooks, maps, and other non-technical publications and exhibits. We work with the various universities and colleges in North Dakota in providing various kinds of public information.

We recently received a donation of leaf fossils, along with a monetary donation of \$200,000 to insure their proper preparation and display, and to pay for the cost of renovating our paleontology laboratory at the Heritage Center. We restored a fossil mosasaur (a 65-million-year old ocean-dwelling beast) and a champsosaur (a 55-million-year old crocodile-like animal), and both of these are now displayed at the Heritage Center here in Bismarck. We have also helped with displays for the State Museum at Pembina and we have worked with private museums like the Pioneer Trails Museum in Bowman, the Dickinson Dinosaur Museum, and the Paul Broste Rock Museum in Parshall.

The Geological Survey operates the North Dakota Earth Science Information Center – ESIC for short – providing a variety of topographic and natural resource maps and other kinds of earth-science information to the public. Through our ESIC office, we act as a clearing house for the sale of air photos, topographic maps, and other kinds of maps. We sold about 6,000 maps last year. We also operate North Dakota's global positioning system (GPS) base station at Bismarck State College.

Discussion

We collect and store all oil-well core and samples and make them available for study in our core and sample library in Grand Forks. Most of the usage is by oil industry and private consultants, as well as by our own geologists. We have a more complete collection of all the oil-well cores that have been cut in our State than does any other state. In fact, we have about 90 miles of core stored in our core library and samples and cuttings representing about 100 million feet of drilling in North Dakota.

Our core collection is one of the most important "tools" the State offers for promoting oil and gas exploration and development in North Dakota. Virtually all of the exploration for oil and gas that takes place in North Dakota benefits from core studies done at our core library. Much of the exploration simply would not happen if the core wasn't available for study.

Most of you are probably aware of the fact that 2001 is the Fiftieth Anniversary of the discovery of oil in North Dakota. It would be hard to overstate the importance of that event in our State's history – economically and socially. We are involved in plans to help in commemorating the occasion.

For each of the past eight years, we have worked closely with our counterparts in Saskatchewan, the Saskatchewan Energy and Mines, in organizing and running an annual Williston Basin Horizontal Well Workshop. The workshops alternate between North Dakota and Saskatchewan. The Ninth Annual Workshop will be in Regina, April 29 - May 1 and I expect 500 or more oil-industry people from both the U.S. and Canada to attend.

The Horizontal Well Workshops have been especially effective in bringing Americans and Canadians together to discuss geologic and engineering topics of mutual interest and to share ideas about horizontal drilling in the Williston Basin. Our goal was to encourage horizontal drilling and, by all measures, we have successfully accomplished that. Also, as a result of the Workshops, Canadian companies have greatly increased their investment in North Dakota.

The North Dakota Geological Survey's most basic and important task is to map the geology of North Dakota. This is how we determine where our mineral resources are located, what they are worth, how they might be best developed and the land properly reclaimed. It is also the way we identify geologic hazards so they can be dealt with effectively. And it's how we learn about North Dakota's geology, where the fossils are found, why our climate is changing, and any number of other earth-science issues.

Geologic mapping is recognized as being so important to our nation's well-being that, about ten years ago, Congress passed a National Mapping Program. Congress has increased funding substantially for the program every year since. Money is available to pay for approximately half of the cost of geologic mapping by those state geological surveys that have a means of matching the federal funding. This is funding that is provided exclusively to state geological surveys and most of the state surveys are utilizing the funding to the fullest. We've been able to apply for only about a quarter of what is available to us, because we don't have sufficient staff to do the work (or to provide the match). Part of our problem is our very small staff, part of the problem is the rapid turnover we've had in recent years, and part of our problem is the very short field seasons available to us to accomplish our work – a problem that has been recently compounded by repeated natural disasters, mainly flooding.

North Dakota Geological Survey Budget

The North Dakota Geological Survey currently operates with a total FTE staff of 22.15 scientists and technicians. Our budget for the 1999 - 2001 biennium is 2.5 million dollars. This is distributed among salaries (\$1,977,062), operating (\$485,209), and equipment (\$39,020) and comes from the following sources:

General Fund:	\$2,422,291
Federal Funds:	79,000
Special Funds:	None

In order to comply with Governor Schafer's 100% budget guideline and to meet projected increased costs, we had to make cuts in several areas. These included deleting one FTE position from our staff. However, the Governor's Executive Budget recommended approval of our request for an information technology coordinator, to be shared between the Geological Survey and the Oil and Gas Division (half an FTE position assigned to each agency).

The Executive Budget thus calls for a net loss of 0.5 FTE positions for the North Dakota Geological Survey during the next biennium.

Increased motor pool costs will make it necessary for us to cut back on our field operations. Rental costs for our office space will increase (more on that in a minute). We will have to pay a new risk-management fee next biennium. Information Technology Division rates for data processing are increasing, along with ITD telecommunications costs for analyst charges.

Under Governor Schafer's Executive Budget recommendation for 2001 - 2003, our overall budget allowance would increase slightly, from \$2,501,291 to \$2,680,736. The breakdown is as follows (this was prior to the Senate Appropriations Committee's amendments):

Salaries:	\$2,156,388	General Funds:	\$2,594,735
Operating:	484,348	Federal Funds:	86,000
Equipment:	40,000		

Amendments to Senate Bill 2015

Following the preparation of our budget for next biennium, we were notified that we are losing our lease for the office space we have been renting from Basin Electric Company for the past 3½ years. Both the Geological Survey and the Oil and Gas Division will have to move at the end the current biennium when our current two-year lease expires. We learned this too late to take into account during our budget preparation process. We have

not yet found a place to rent, but my analysis of space available in Bismarck and Mandan tells me that new office space is definitely going to cost us more than we have been paying during the current blennium. Furthermore, we also face additional expenses for moving and for wiring the state computer network system in whatever new office space we rent.

Governor Hoeven's budget reflected OMB's recommendation that \$71,600 be added to Governor Schafer's budget for the Geological Survey and Oil and Gas Division - \$35,800 to each agency to help cover additional costs relating to our moving. The Senate Appropriations Committee included this additional amount in an amendment to Senate Bill 2015. This is a bare minimum, but I hope it will be adequate to make it possible for our two agencies to move into new office space.

The Senate Appropriations Committee increased the Geological Survey/Oil and Gas Division budget by \$71,600 to account for additional costs relating to our moving. The resulting total numbers were then as follows:

Salaries:	\$2,156,388	General Funds:	\$2,630,535
Operating:	520,148	Federal Funds:	86,000
Equipment:	40,000		

However, the Senate Appropriations Committee then decreased the General Funding of the Industrial Commission budget by \$20,000. I request that these dollars be restored to our budget.

The Senate Appropriations Committee further amended SB 2015 as follows:

1) it included an amendment providing for a Legislative Council study of the mission of the Industrial Commission relating to the responsibilities of the Geological Survey and Oil and Gas Division, and

2) it included a clause stipulating legislative intent that the new information technology coordinator position be shared between the Oil and Gas Division and the Geological Survey.

February 14, 2001

NORTH DAKOTA GEOLOGICAL SURVEY

General Background and Staff

Mission

The NDGS has a three-fold mission:

- 1) to investigate and report the geology of North Dakota emphasizing the state's energy resources and stressing applied research leading to economic benefits or quality of life improvements for residents of the state;
- 2) to provide public service, and to collect, create, and disseminate geologic and map related information; and
- 3) to administer regulatory programs for the ND Industrial Commission and act in an advisory capacity to other state, federal, and local agencies.

Regulatory Programs:

- Oil well core and drill samples (+ other subsurface samples); Wilson M. Laird Core and Sample Library in Grand Forks
- Coal exploration
- Geothermal resources
- Paleontological (fossil) resources
- Subsurface minerals
- Class III injection wells (solution mining)
- Conflict resolution regarding subsurface mineral production.

NDGS Staff

Survey staff currently consists of 22.15 FTE staff. In addition to the State Geologist, these include:

- nine geologists
- a business manager (shared with the Oil and Gas Division)
- 12 technical support people.

Five of our technical support staff are devoted exclusively to compilation and digitizing of soils data. During the 1997 Legislative Session the NDGS was assigned responsibility for compiling and digitizing soils maps in North Dakota. Since that time, the NDGS and the Natural Resource Conservation Service (NRCS) have been participating in a cooperative project to compile and digitize the soil resources of North Dakota (prior to 1997, the North Dakota Soil Conservation Committee was the state agency dedicated to this project).

Core and Sample Library

In addition to our offices and warehouse in Bismarck, the NDGS maintains the Wilson M. Laird Core and Sample Library on the campus of the University of North Dakota in Grand Forks. We maintain about 90 miles of core there, along with samples and cuttings representing about 100 million feet of drilling in North Dakota. The core library is used extensively by oil explorationists, students and researchers from all over the world, as well as by our own geologists. All of our core library services are provided without charge. We have three FTE employees at our Core and Sample Library in Grand Forks.

Agency Statistics

(Summary: The demand for Survey services is generally increasing; core-library usage is recently up sharply, indicating future increased oil-industry activity)

NDGS staff responded to 3,877 documented requests for information during 1999 and 4,543 requests during 2000. Requests for information during 1999 were up 6% over 1998 and in 2000 they were up 17% over 1999. Additionally, our Web Site currently receives about 40 "hits" a day.

North Dakota is currently seeing an increase in oil exploration. Recent user trends at the Survey's core library presage further oil-industry activity; oil companies study core in preparation for future exploration and development work. If crude prices remain at reasonable levels, this should hold true in the coming months.

Technical Geologic Studies, Activities, and Techniques

(Summary: this is a partial listing of technical projects of NDGS staff. Most of our studies are designed to either directly or indirectly lead to future economic benefits to the State; our main emphasis is on oil and gas resources and on environmental concerns; some studies are intended to increase our basic technical knowledge of the geology of North Dakota; others are intended to provide citizens with basic information about North Dakota).

Oil and Gas Studies. The NDGS assesses the amount of undiscovered hydrocarbon resources in the State. Resource assessments are useful for long-range planning and attracting new business. We provide current summary data from our studies for interested parties. We have four full-time petroleum geologists. **Our main goal is to point out opportunities for new exploration.**

The Geological Survey concentrates on three areas of oil and gas investigations:

- Regional studies of oil- and gas-producing formations to identify new producing trends or to provide new reasons to re-examine existing trends
- Detailed studies of existing oil and gas fields
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Coalbed Methane Evaluations. Numerous companies have expressed interest in the coalbed methane potential of lignites in the Williston Basin. We recently compiled and made available a series of Open-File

Reports describing thick, deeply buried coals in an effort to stimulate coalbed methane exploration. This recently compiled data base will also be valuable in the evaluation of a new mine site that may result from recent efforts to establish a new coal-fired power plant in western North Dakota (the Lignite Vision 21 Project).

The current interest in coalbed methane demonstrates the importance of evaluating North Dakota mineral resources on an ongoing and broad scale. It is impossible to predict when a new technology, or developing interest is going to arouse interest in a previously undeveloped resource

Technical/Computer Applications and Software – The North Dakota Geological Survey recently acquired PETRA™, a petroleum-oriented integrated software package. This allows us to quickly and accurately make maps of the subsurface and evaluate oil and gas data. We recently completed a unit proposal evaluation for the State Land Department and we are currently using PETRA™ to evaluate two more proposals for unitization of the Cedar Hills horizontal Red River "B" Field in Bowman County.

A Sampling of Recent Technical Studies. The items listed here are a sampling of ongoing and recent work:

Technical Studies Relating to Oil and Gas:

- Bakken Formation studies: "Bakken Formation: Horizontal Drilling - Successes and Failures;" and a paper in press: "Diagenesis and Fracture Development in the Bakken Formation: Williston Basin: Implications for Reservoir Quality in the Middle Member;"
- Research on the Lodgepole Formation involves the construction of Lodgepole correlation cross sections;
- Cross-sections of Devonian/Mississippian black shale, examining the relationship between the Bakken and Englewood formations, where biostratigraphic control is best;
- Williston Basin East Flank study of the Red River Formation;
- Madison Formation Source Rock study;
- Ongoing study of diagenesis of Sherwood interval in Lucky Mound Field;
- Exhaustive study of Cedar Hills Red River Field, a giant oilfield with reserves estimated to be in excess of 100 million barrels of oil;
- Evaluations of Cedar Hills Unit (at the request of the State Land Department).

Technical Studies of Surface Geology

- Studies resulting in articles for a special Geological Society of America volume on the Hell Creek Formation in North Dakota (all of North Dakota's dinosaur fossils come from the Hell Creek Formation);
- A nontechnical report on the Little Missouri River badlands is nearly ready for publication along with a technical report on the geology of Theodore Roosevelt National Park, which is located in the Little Missouri badlands;
- Studies of erosion rates in gullies in western North Dakota to determine whether grazing is excessive;
- Studies of distribution, age, and causes of landslide topography in western North Dakota;
- Evaluation of the flooding problem in the Red River Valley (causes, means of remediation);
- Research on the extinction of [fossil] sharks in North Dakota at the end of the Cretaceous.

Geologic Mapping

(Summary: This is absolutely basic and fundamental for the NDGS – geologic maps provide information for a variety of economic, environmental, and information purposes. The federal National Mapping Program provides funding to the 50 state geological surveys to encourage such mapping (STATEMAP), but because of our small staff, we have utilized less than half of the full amount of funding that would be available to the NDGS. We have three FTE positions dedicated to mapping.

Recent Maps Completed. All of our geologic maps are produced digitally on our GIS (we are among the first of the state geological surveys that has switched entirely from hand drafting to computer-manufacture of geologic maps). We are moving toward plotter output of all map products, although we are still providing some new printed map products. NDGS geologists have recently completed the following maps:

- Nine 7.5-minute quadrangles in the Bismarck-Mandan area. This mapping was done over a three-year period. Seven quads were mapped through the STATEMAP program (partial federal funding) and two through the

EDMAP program (also involving some federal funding).

- A 7.5-minute quadrangle was mapped through the EDMAP program in an area of complex glacial landforms in central North Dakota (Velva area).
- A STATEMAP-funded 1 x 1 degree area in northeastern-most North Dakota at a scale of 1:100,000
- A new 1:1,000,000-scale geologic map of North Dakota to accompany a new, non-technical report on the geology of the State.
- Landslide occurrence maps at a scale of 1:24,000 over an area of 8,300 km² in western North Dakota. This is the first time that landslides have been mapped in detail over a large area of North Dakota. This is expected to be a multi-year project that will continue until all of the State's slide-prone areas have been mapped.
- A series of 1:125,000-scale (1/2" = 1 mile) county maps showing the detailed extent of lignite resources. We have completed maps for 10 counties (out of the 22 counties that have lignite resources); we will complete revised coal-reserves figures for all counties in which coal occurs.

Landslides. In spite of its overall level topography, North Dakota has among the most severe landsliding problems in the US – statewide, not just in rugged areas. The North Dakota Department of Transportation recently spent an estimated five million dollars repairing damage from landslides affecting the two main highways crossing the northern badlands area. We have provided digital and paper maps of the landslide prone areas to NDDOT because their engineers were unaware of the presence of numerous ancient landslides in these areas. Such slides are commonly reactivated as a result of new construction. Results of our work were also presented at the Annual National Meeting of Highway Engineers in June, 2000, and at the Annual Meeting of the Geological Society of America in Reno, NV, November 13, 2000.

Cartographic/Geographic Information Systems (GIS) Laboratory – The Survey's GIS lab has recently been involved in producing maps and digital databases for the STATEMAP Program, working on flood-plain maps for the Grand Forks - East Grand Forks area, and others. Some new maps produced in our GIS Lab include:

- A new geologic map of North Dakota (1:1,000,000)
- digital soil conversion for the State Soils Geographic Database (SSURGO) Program
- A geologic map of the Sheyenne Grasslands in southeastern North Dakota (scale 1:90,000)
- Compilation of new Legislative Districts maps (request of the Secretary of State's Office)
- A map showing the locations of landslides in western North Dakota, and a geologic map of Dunn County (scale 1:125,000).

Soils Compilation and Digitizing

(Summary: At the direction of the 1997 Legislature, the NDGS began the task of compiling and digitizing of soils maps in North Dakota. This project had been ongoing by the Soil Conservation Committee when we were directed to take it over. Approximately 53% of the soil maps in the State have thus far been compiled and digitized. We expect the entire program to be completed by 2007, ten years after the time we became responsible for the program.)

Since 1997, the North Dakota Geological Survey (NDGS) and the Natural Resource Conservation Service (NRCS) have been participating in a cooperative project to compile and digitize the soil resources of North Dakota. Prior to 1997, the North Dakota Soil Conservation Committee was the state agency involved with this project. The Geological Survey employs four soils compilers and one digitizer specifically to complete the necessary work.

The NRCS determines the order in which counties will be compiled, based on availability of material (photographic base) and available funding or interest expressed by a given county. When either the Geological Survey or NRCS is notified of a specific need or interest in a particular area, we attempt to prioritize that county.

The program involves six main tasks: 1) compilation, 2) editing, 3) edge matching, 4) scanning, 5) digitization, and 6) certification.

Paleontology

(Summary: We conduct studies to understand our fossil resources (and thereby our geologic history), we provide fossil exhibits for the Heritage Center and other museums in North Dakota, and we encourage appreciation of our fossil resources through public "digs" and other means. The NDGS has one paleontologist and a fossil preparator on staff.)

Fossil Leaf and Monetary Donation. The NDGS received a gift of Paleocene-age fossil leaves that were "rescued" from a road-construction project near Williston by Mr. Clarence Johnstun, who also donated \$200,000 to our Fossil Restoration Fund. Part of this money was used to fund the construction of an exhibit titled "North Dakota Everglades," at the North Dakota Heritage Center. Most of the remaining funds were used to equip a new Paleontology Laboratory.

Mosasaur Donation. Orville and Beverly Tranby of Cooperstown, North Dakota donated a complete skeleton of a new species of mosasaur (the monetary value of the specimen is unknown but it is likely worth several hundred thousand dollars). The mosasaur was restored by our fossil preparator, Johnathan Campbell, and is now on display at the North Dakota Heritage Center.

Fossil "Digs". The NDGS, with the cooperation of the North Dakota Departments of Tourism and State Parks, ran a one-week public fossil "dig," in the Pembina Gorge in northeastern North Dakota to examine marine Cretaceous shales in the area that contain mosasaur and other fossil bones. The event could have been much larger than it was - 50 people participated - had there been room for them.

Earth Science Outreach

(Summary: "Outreach" includes a variety of ways we provide general nontechnical information to the public about the geology of North Dakota. It includes maps, reports, talks, information on our web site, and other means of "getting the information out." We have no staff dedicated specifically to outreach; our geologists do this as an additional duty).

Earth-Science Information Center (ESIC) - The Survey's ESIC works with the public, industry, government, and education communities to provide a convenient, single-entry-point access to state and federal data and products. The ESIC is one of 65 affiliates that the USGS sponsors throughout the United States. These affiliates serve as the public's primary source of cartographic, geographic, and remotely sensed data, as well as aerial photography and publications. NDGS is the only place in North Dakota where all topographic maps of the state can be obtained. We provide both federally-produced products and our own materials.

Publications - Probably the most-important way that we release geologic information to the public is through our publications, both technical and popular.

Public Outreach - The NDGS public outreach and information program is directed mainly at K-12 teachers. NDGS geologists regularly lead field trips and present talks, demonstrations, and slide shows for schools, universities, civic groups, and professional organizations.

Web Page - The NDGS opened its Home Page on the World Wide Web (<http://www.state.nd.us/ndgs/>) in 1997 and we have continued to add to and improve it since then. The website contains information on NDGS products and staff, publications available, holdings in the NDGS information office, and electronic versions of several publications. We can now accept online orders for publications. The website has recently been reorganized, making it easier to use the databases we provide.

Our website consistently averages about 30 hits a day. Use of the Home Page allows clients to directly access and download many kinds of data that, in the past, they had to obtain by other means from the Survey.

Personnel

(Summary: We have a serious problem, both in hiring and retaining professional staff, because of difficulty competing with the salaries paid by private industry, federal, and other state geological surveys. A current nationwide shortage of geologists further complicates our hiring problems. We experience less difficulty hiring good clerical staff because the state offers excellent benefits).

During the past year and a half we have lost several of our professional staff and hired replacements whenever possible. Geologist Ann Fritz (surface geologic mapping) left the Survey for a part-time position with the State Health Department. After a search that took nearly a year, we hired Dr. Mark Gonzalez as her replacement (Mark is originally from Bismarck).

After working for us for 2½ years, geologist Karen Mitchell (surface geologic mapping) recently resigned to move to the Seattle area. We recently began a search for her replacement, conducting interviews at the annual meeting of the Geological Society of American in Reno (Nov. 13 - 17). Up to now (12/17/00) we have been unsuccessful in finding any suitable candidates for the position.

We filled the position of Paleontology Laboratory Technician, following its creation during the 1999 Legislative Session. This person devotes his time to collecting and restoring fossil specimens.

We have a new Drafting Technician and a new Publications Clerk. We recently hired a new Data Processing Coordinator (he replaces one who resigned - this position is shared 50/50 with the Oil and Gas Division). We have had a part-time person (Geologist I level) working at compiling a database that will be helpful in any coal-bed methane exploration; I've requested an FTE Geologist I position for the past several biennia, but it was not included in the Executive Budget Recommendation for 2001 - 2003.

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METEORITES

IN NORTH DAKOTA

by

Edward C. Murphy and Nels F. Forsman

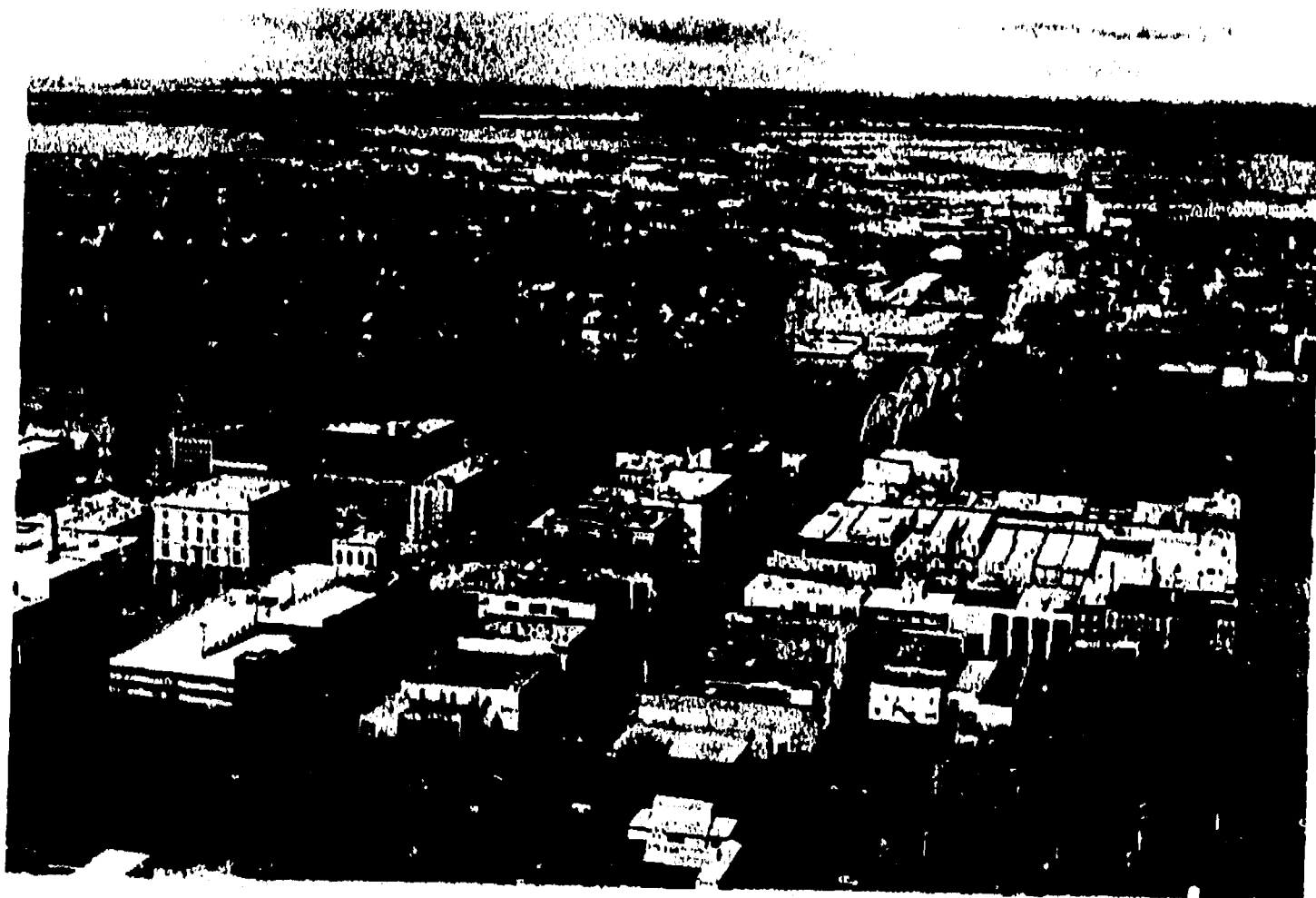


EDUCATIONAL SERIES NO. 23
NORTH DAKOTA GEOLOGICAL SURVEY
John P. Bluemle, State Geologist
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FLOODING IN THE GRAND FORKS-EAST GRAND FORKS NORTH DAKOTA AND MINNESOTA AREA

by
Julie A. LeFever, John P. Bluemle,
and Ryan P. Waldkirch



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John P. Bluemle, State Geologist
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FLOODING IN THE GRAND FORKS-EAST GRAND FORKS

NORTH DAKOTA AND MINNESOTA AREA

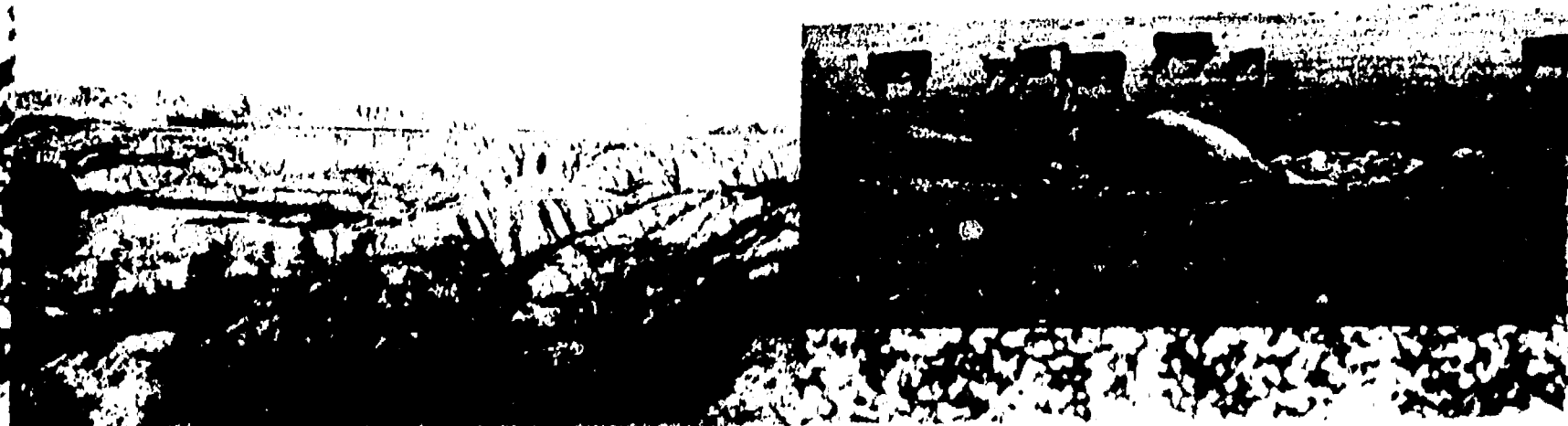
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THE FACE OF NORTH

Third Edition

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THE COALBED METHANE POTENTIAL OF NORTH DAKOTA LIGNITES

by
Edward C. Murphy and Gerard E. Goven

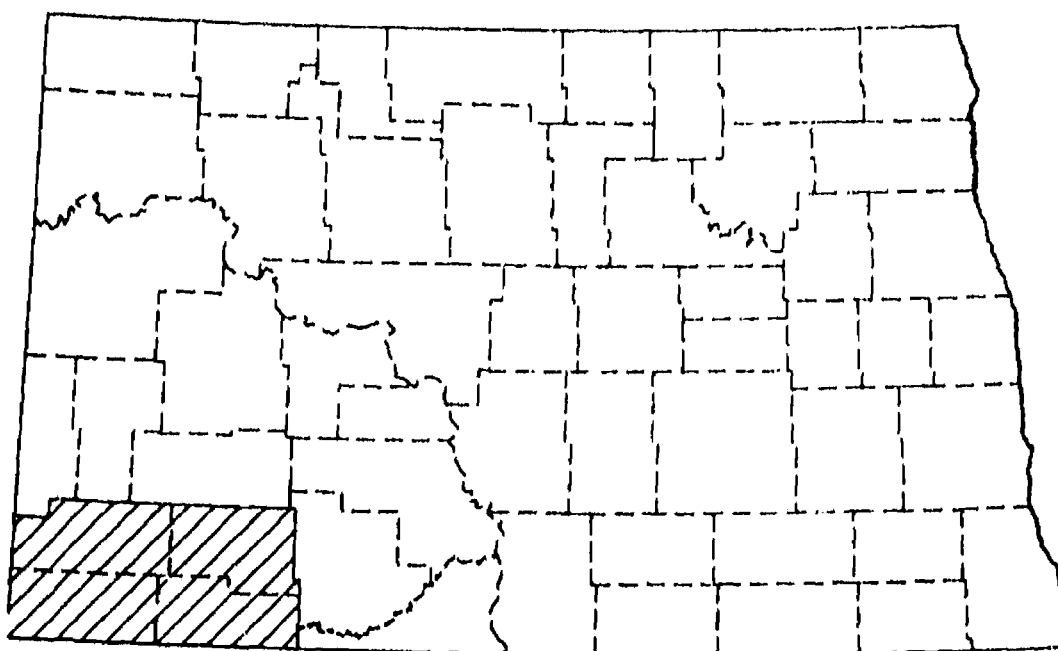


Open File Report 98-1
North Dakota Geological Survey
John P. Bluemle, State Geologist 1998

THE MAJOR COALS IN BOWMAN, SLOPE, ADAMS, AND HETTINGER COUNTIES, NORTH DAKOTA

by

Edward C. Murphy, Ned W. Kruger, and Gerard E. Goven



0 50 100 miles

OPEN FILE REPORT 99-1
North Dakota Geological Survey
John P. Bluemle, State Geologist
1999

NDGS NEWSLETTER



Industrial Commission of North Dakota
North Dakota Geological Survey

Volume 27, No. 2
Winter 2000



The ephemeral streams of the Little Missouri Badlands contain a complex record of fluvial adjustments to environmental changes during the Holocene Epoch. This view of the middle reach of Paddock Creek shows a sequence of several fill terraces separated from each other by periods of incision that have gradually lowered the elevation of the stream channel. The highest and oldest fill terrace is 8 to 10 meters above the modern floodplain. See related article beginning on page 15.

January 8, 2001

SD 2015

Senate Bill 2015
Senate Appropriations Committee
Testimony of Tom Tudor
North Dakota Municipal Bond Bank

Good afternoon. My name is Tom Tudor. I am the Executive Director of the Municipal Bond Bank. I am providing this testimony to you in support of the Industrial Commission's requested appropriation for the Bond Bank for the 2001 - 2003 biennium. The requested biennial appropriation is, except for salaries and benefits, the same as the current biennial appropriation: \$295,760, excluding salaries and benefits, and \$670,638, including salaries and benefits as proposed by SB 2015. Adjustments have been made within certain line items to maintain the budget at the 1999-2001 amount and to more accurately reflect projected expenditures. Unless you have specific questions, I will not be directly addressing the appropriation itself..

The written testimony below describes the Bond Bank and its financing programs. Also, a copy of the Bond Bank's 2000 Annual Report has been made available to you. This report also describes the Bond Bank's programs and provides a complete history of all Bond Bank loans and bond issues. I will summarize the program descriptions and will not read the testimony to you.

The North Dakota Municipal Bond Bank

The Bond Bank is a state agency which operates under the supervision and authority of the Industrial Commission. The Bond Bank was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Bond Bank through the purchase of municipal securities issued by the political subdivisions in accordance with state and Federal law. Loans are primarily made with the proceeds of bonds issued by the Bond Bank under the programs described below.

In certain instances, a direct loan may be made to a political subdivision from the Bond Bank's operating fund or from Federal grants or loan repayments held under the State Revolving Fund Program.

The Bond Bank is a self-supporting State agency, and receives no money from the State's general fund.

The staff of the Bond Bank consists of four full-time state employees. The positions are Executive Director, Business Manager, Loan Officer, and Administrative Secretary. The offices of the Bond Bank are located in Bismarck at 418 East Broadway in the City Center Plaza.

At the present time, the Bond Bank has three loan programs: the Capital Financing Program, the State Revolving Fund Program, and the School Construction Financing Loan Program, all described below.

The municipal securities issued by a political subdivision to the Bond Bank may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Bond Bank may purchase municipal securities only if the Attorney

General issues an opinion which states that the municipal securities are properly eligible for purpose under N.D.C.C. ch.6-09.4, the Municipal Bond Bank Act.

Required Debt Service Reserve

Subsection 1 of § 6-09.4-10 of the North Dakota Century Code requires the Bond Bank to establish a debt service reserve in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding calendar year for the payment of the principal of and interest on outstanding bonds of the Bond Bank.

Subsection 4 of § 6-09.4-10 of the North Dakota Century Code provides as follows:

In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the legislative assembly and paid to the Bond Bank for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve.

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the bond bank's bond counsel, there is no applicable provision of state law which would prohibit a future Legislative Assembly from appropriating any sum which is certified by the Industrial Commission as necessary to restore the reserve fund in an amount sufficient to meet the required debt service reserve amount. The legislative obligation imposed by the Legislative Assembly in subsection 4 of § 6-09.4-10 is referred to as a moral obligation because the obligation to provide an appropriation for the Bond Bank's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Bond Bank under any of its programs are moral obligation bonds.

Advisory Committee

The Industrial Commission, by policy, has established a Bond Bank Advisory Committee made up of three members appointed by the Commission.

The Committee reviews each loan application for the purpose of making a recommendation concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for \$50,000 or less, the Committee may authorize the approval of the loan, with a report to the Commission describing the loan and the action taken to be submitted to the Commission at its next meeting.

Capital Financing Program

Under the Capital Financing Program, loans are made to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements, one of which is that the Bond Bank may not purchase municipal securities issued under N.D.C.C. ch 40-57 (Municipal Industrial Development Act Bonds). The Capital Financing Program was established in 1990.

Through December 31, 2000, the Bond Bank has made \$77,375,000 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program Bonds is \$35,410,000. Primarily in reliance on the moral obligation pledge, Standard & Poor's has assigned a rating of "A-" to the Capital Financing Program Bonds.

State Revolving Fund Program

Under the State Revolving Fund Program, Federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency, and are deposited and held under the Program' Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The State Revolving Fund Program consists of a Clean Water State Revolving Fund Program and a Safe Drinking Water State Revolving Fund Program. Under the Clean Water Program, \$82,476,905 of Federal capitalization grants has been appropriated and awarded to the State through Federal fiscal year 2000; under the Safe Drinking Water Program, \$34,900,900 of Federal capitalization grants has been appropriated and awarded to the State through Federal fiscal year 2000.

Federal capitalization grants for the Clean Water State Revolving Fund Program were first appropriated to the State in 1989 and Federal capitalization grants for the Safe Drinking Water Program were first appropriated to the State in 1997.

The Federal capitalization grants are available to states on the basis of an 80-20 Federal-state match. The Federal capitalization grants must be held by the State in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act. The state match for the State is provided by a portion of the State Revolving Fund Program Bonds issued by the Bond Bank from time to time.

The State Revolving Fund Program is a leveraged program. The Bond Bank issues State Revolving Fund Program Bonds in excess of the state match requirement to provide additional funds for loans. Generally, as loans are approved and funded with Bond proceeds, capitalization grant dollars are received, deposited in the Program Loan Fund, and invested. The grant dollars may also be used to make loans - approximately \$20,000,000 of direct loans have been made under the Clean Water Program with grant dollars. The investment earnings and interest payments on the capitalization grants are used to subsidize the interest rate on the loans and excess earnings and loan repayments may also be used to make direct loans.

Through December 31, 2000, 105 loans totaling \$114,267,116 have been approved under the Clean Water State Revolving Fund Program, and 19 loans totaling \$51,489,172 have been approved under the Safe Drinking Water State Revolving Fund Program, for a

combined total of \$165,756,288. The current interest rate on loans under both Programs is 2.5%, with a 0.5% annual administrative fee.

The Health Department's Clean Water project list for 2001 includes approximately \$93,127,000 of potential projects and its Safe Drinking Water project list for 2001 includes approximately \$146,802,000 of potential projects. These lists are reviewed and updated each year. A project must be on the appropriate Health Department project list to be eligible to apply for a loan under the State Revolving Fund Program.

State School Construction Financing Program

The Bond Bank has established a school construction financing program (the "Program") to provide low-interest, low-cost loans to North Dakota school districts. The Program has been assigned an "A+" rating by Standard & Poor's Rating Group, a nationally-recognized credit rating agency. This Program rating will allow school districts, which generally do not have a credit rating, to receive lower interest rates on their bonds because the interest rates received by the Bond Bank on the Program Bonds will be passed through to the participating districts in the purchase of their bonds.

The Program Bonds will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999.

The state aid intercept provision is set out in N.D.C.C. § 6-09.4-23. Under this statute, the school board of a district may authorize the Superintendent of Public Instruction to withhold state school aid payments which are due and payable to the district under N.D.C.C. ch. 15-40.1 upon receipt of a notice from the Bond Bank stating either that the district has failed to make a principal or interest payment due on its outstanding bonds or that the Bond Bank has reason to believe the district will be unable to make a full payment of principal or interest on its bonds when due. The Superintendent is authorized to make any withheld aid payments available to the Bond Bank until the Bond Bank notifies the Superintendent that the principal or interest payment has been made or that satisfactory arrangements have been made to make the payment. A school district will be required to authorize the withholding of state school aid payments under this statute in order to participate in the Program.

Annual Report

A complete list of all loans made and bonds issued by the Bond Bank since it was created in 1975 through year-end 2000 is included in the Bond Bank's 2000 Annual Report, which also contains a more complete description of the Bond Bank and its current and past loan programs. The Annual Report is provided to the Legislative Council each year.

North Dakota Municipal Bond Bank

Engrossed Senate Bill 2015
House Appropriations Committee
Government Operations Division
Testimony of Karlene Fine
North Dakota Municipal Bond Bank

For the record, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission. I am also appearing today as Interim Executive Director for the Municipal Bond Bank. I am providing this testimony in support of the Industrial Commission's requested appropriation for the Bond Bank for the 2001-2003 biennium in the amount of \$670,638. The requested biennial appropriation is, except for salaries and benefits, the same as the current biennial appropriation. Adjustments have been made within certain line items to maintain the budget at the 1999-2001 level and to more accurately reflect projected expenditures.

The Municipal Bond Bank is a state agency that operates under the supervision and authority of the Industrial Commission. The Bond Bank is a self-supporting state agency and receives no money from the General Fund. The staff of the Bond Bank consists of four full-time state employees. The positions are Executive Director (the position I am currently filling on an interim basis), Business Manager, Loan Officer and Administrative Secretary. The offices of the Bond Bank are located in Bismarck at 418 East Broadway in the City Center Plaza.

The written testimony below describes the Bond Bank and its financing programs. Also, a copy of the Bond Bank's 2000 Annual Report has been included in the binder for your information. This Report describes the Bond Bank's programs and provides a complete history of all Bond Bank loans and bond issues. I will just briefly comment on the Bond Bank's programs.

The Bond Bank was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Bond Bank through the purchase of municipal securities issued by the political subdivisions in accordance with state and federal law. Loans are primarily made with the proceeds of bonds issued by the Bond Bank under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Bond Bank's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

At the present time, the Bond Bank has three loan programs: the Capital Financing Program, the State Revolving Fund Program, and the School Construction Financing Loan Program, all described below.

The municipal securities issued by a political subdivision to the Bond Bank may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Bond Bank may purchase municipal securities only if the Attorney General issues an opinion that states that the municipal securities are properly eligible for purchase under N.D.C.C. ch. 6-09.4, the Municipal Bond Bank Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the North Dakota Century Code requires the Bond Bank to establish a debt service reserve in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding calendar year for the payment of the principal of and interest on outstanding bonds of the Bond Bank.

Subsection 4 of §6-09.4-10 of the North Dakota Century Code provides as follows:

In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the legislative assembly and paid to the bond bank for deposit in the reserve fund, such sum, if any, as shall be certified by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve.

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Bond Bank's bond counsel, there is no applicable provision of state law which would prohibit a future Legislative Assembly from appropriating any sum which is certified by the Industrial Commission as necessary to restore the reserve fund in an amount sufficient to meet the required debt service reserve amount. The legislative obligation imposed by the Legislative Assembly in subsection 4 of §6-09.4-10 is referred to as a moral obligation because the obligation to provide an appropriation for the Bond Bank's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Bond Bank under any of these programs are moral obligation bonds.

Advisory Committee

The Industrial Commission, by policy, has established a Bond Bank Advisory Committee made up of three members appointed by the Commission.

The Committee reviews each loan application for the purpose of making a recommendation concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for \$50,000 or less, the Committee may authorize the approval of the loan, with a report to the Commission describing the loan and the action taken to be submitted to the Commission at its next meeting.

Capital Financing Program

Under the Capital Financing Program, loans are made to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements, one of which is that the Bond Bank may not purchase municipal securities issued under N.D.C.C. ch. 40-57 (Municipal Industrial Development Act Bonds). The Capital Financing Program was established in 1990.

Through December 31, 2000, the Bond Bank has made \$78,443,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program Bonds is \$34,641,140. Primarily in reliance on the moral obligation pledge, Standard & Poor's Rating Group has assigned a rating of "A-" to the Capital Financing Program Bonds.

State Revolving Fund Program

Under the State Revolving Fund Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency, and are deposited and held under the Program's Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The State Revolving Fund Program consists of a Clean Water State Revolving Fund Program and a Safe Drinking Water State Revolving Fund Program. Under the Clean Water Program, \$89,293,900 of federal capitalization grants have been appropriated and awarded to the State through federal fiscal year 2000; under the Safe Drinking Water Program, \$42,690,000 of federal capitalization grants have been appropriated and awarded to the state through federal fiscal year 2000.

Federal capitalization grants for the Clean Water State Revolving Fund Program were first appropriated to the State in 1989 and federal capitalization grants for the Safe Drinking Water Program were first appropriated to the State in 1997.

The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. The federal capitalization grants must be held by the state in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act. The state match is provided by a portion of the State Revolving Fund Program Bonds issued by the Bond Bank from time to time.

The State Revolving Fund Program is a leveraged program. The Bond Bank issues State Revolving Fund Program Bonds in excess of the state match requirement to provide additional funds for loans. Generally, as loans are approved and funded with Bond proceeds, capitalization grant dollars are received, deposited in the

Program Loan Fund, and invested. The grant dollars may also be used to make loans – approximately \$20,000,000 of direct loans have been made under the Clean Water Program with grant dollars. The investment earnings and interest payments on the capitalization grants are used to subsidize the interest rate on the loans and excess earnings and loan repayments may also be used to make direct loans.

Through December 31, 2000, 107 loans totaling \$114,042,992 have been approved and closed under the Clean Water State Revolving Fund Program and 15 loans totaling \$27,051,172 have been approved under the Safe Drinking Water State Revolving Fund Program, for a combined total of \$141,094,164. The current interest rate on loans under both Programs is 2.5% with a 0.5% annual administrative fee.

The Health Department's Clean Water project list for 2001 includes approximately \$93,127,000 of potential projects and its Safe Drinking Water Project list for 2001 includes approximately \$146,802,000 of potential projects. These lists are reviewed and updated each year. A project must be on the appropriate Health Department project list to be eligible to apply for a loan under the State Revolving Fund Program.

State School Construction Financing Program

The Bond Bank has established a school construction financing program (the "Program") to provide low-interest, low-cost loans to North Dakota school districts. The Program has been assigned an "A+" rating by Standard and Poor's Rating Group, a nationally-recognized credit rating agency. This Program rating will allow school districts, which generally do not have a credit rating, to receive lower interest rates on their bonds because the interest rates received by the Bond Bank on the Program Bonds will be passed through to the participating districts in the purchase of their bonds.

The Program Bonds will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999.

The state aid intercept provision is set out in N.D.C.C. §6-09.4-23. Under this statute, the school board of a district may authorize the Superintendent of Public Instruction to withhold state school aid payments which are due and payable to the district under N.D.C.C. ch. 15-40.1 upon receipt of a notice from the Bond Bank stating either that the district has failed to make a principal or interest payment due on its outstanding bonds or that the Bond Bank has reason to believe the district will be unable to make a full payment of principal or interest on its bonds when due. The Superintendent is authorized to make any withheld aid payments available to the Bond Bank until the Bond Bank notifies the Superintendent that the principal or interest payment has been made or that satisfactory arrangements have been made to make the payment. A school district will be required to authorize the withholding of state school aid payments under this statute in order to participate in the Program.

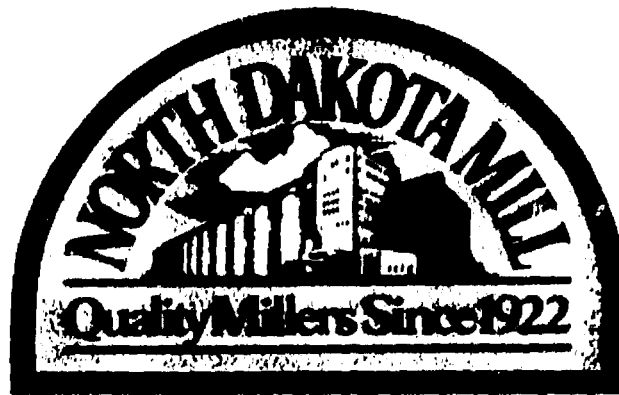
Annual Report

A complete list of all loans made and bonds issued by the Bond Bank since its was created in 1975 through year-end 2000 is included in the Bond Bank's 2000 Annual Report, which also contains a more complete description of the Bond Bank and its current and past loan programs. The Annual Report is provided to the Legislative Council each year.

CONTACT AGENCY FOR COPY OF REPORT

NORTH DAKOTA
MUNICIPAL BOND BANK

2000
Annual Report



**Legislative Committee Hearing
January 9, 2001
House Bill No. 2015 Budget No. 475
North Dakota Mill & Elevator Association**

Mr. Chairman and Senators:

My name is Vance Taylor. I am President and General Manager of the North Dakota Mill and Elevator. I started with the Mill in June, 2000. With me today is Ed Barchenger, our Controller and Finance Manager.

With our soon to be completed renovation project, the North Dakota Mill will be unofficially the 3rd largest wheat flour mill and the 12th largest milling company in the United States with sales of over 77.7 million.

The complex includes 5 milling units with the capacity to produce 2.7 million lbs. of finished product per day, a terminal elevator with total available storage of over 4,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing and shipping large quantities of various sized bags of milled products. We process up to 60,000 bu. of top quality North Dakota spring and durum wheat per day, adding value to over 15,000,000 bu. per year. All facilities are located in Grand Forks.

The mill operates 24 hours per day, 5 to 7 days per week. Total current staffing is 121 full time employees.

We are primarily a spring wheat mill shipping 85% spring wheat products vs. 15% durum products. 60% of all products are shipped in bulk trucks or railcars vs. 40% shipped in bags or totes.

Current Primary Objectives

The North Dakota Mill and Elevator has the following primary objectives:

- Promote and support ND agriculture, commerce and industry
- Continuously improve quality, consistency and customer service
- Grow the North Dakota Mill's brands
- Successfully complete renovation and expansion project on time on budget
- Increase sales volume at acceptable margins to fill out new capacity
- Improve performance and efficiency to reduce costs
- Upgrade management information systems
- Improve plant safety record

Mill Upgrade and Expansion Project

Our Upgrade and Expansion Project is progressing well and will be finished by the end of this fiscal year. The project will be completed within the approved budget. This project provides for various upgrades in the terminal elevator, replaces obsolete grain cleaning systems, allows increased tempering of wheat to 24 hours, upgrades the A & B units, reflows the K & D units and adds a pelleting system for processing mill by-products.

Benefits of the project include: the milling of an additional 2,700,000 bu. of North Dakota wheat, increased visibility for North Dakota agricultural products via the sale of 1,384,000 additional cwts. of flour, improved operating cash flow, improved mill efficiencies, reduced operating costs per cwt. and decreased freight costs due to higher density of pelletized by-products. All of this allows the North Dakota Mill to continue to compete effectively and provide greater returns to the State.

Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast.

Our customers include bakery flour distributors, retail distributors, large bakeries and pasta companies. Sales are made by our in-house sales staff and food brokers.

We compete with large milling companies such as ADM, Cargill, ConAgra, Harvest States, General Mills and others. The outstanding quality of our products allows us to be very competitive against these companies.

Margins are under pressure. Over the last 3 years the total U.S. daily milling capacity has increased by about 10,000,000 lbs. per day while per capita consumption of flour has remained essentially flat. This has created an excess in milling capacity of over 10%.

Our intent is to sell out the additional capacity created by the Upgrade and Expansion Project, increase the percentage of bagged products, continue to aggressively market family flour and retail mixes, grow our organic flour business and investigate new markets, new products and extensions of current product lines.

We will continue to leverage our greatest strength - our employees, whose efforts have given us an excellent reputation for quality and service in the market place.

Budget Request

All operating funds are generated from profits. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The budget request is for \$21,741,294. This represents an increase of \$1.2 million or 5.9% over the prior budget. The entire amount of this increase is for wages and benefits, other operating expenses declined.

Operating expenses, excluding wages and benefits, decreased \$281,338 or 3.6%. Repairs declined \$414,742 from the prior budget. This savings will be realized with the completion of the Upgrade and Expansion Project. Wages and benefits increased \$1.5 million.

The transfer of funds to the State has been budgeted for \$6 million for the biennium as noted in Section 9 of House Bill 2015. This is a \$3 million increase from the prior biennium.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.